FOREIGN AID AS AN INSTRUMENT FOR NATIONAL DEVELOPMENT IN AFRICA: MYTH OR REALITY

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ABSTRACT
This study critically addresses the relationship between foreign aid and national development in Africa. This is done by investigating the authenticity or otherwise of the aphorism that foreign aid is an instrument of national socio-economic development. The paper does this using the Marxian political economy framework of analysis. Having interrogated the arguments for and against aid as an instrument of national development in Africa, and weighed the strengths and weakness of the arguments on both sides, we have come to strengthen the argument that, far from fixing Africa's problems, aid, worsens it. This is because the politics associated with foreign aid administration and the conditions tied to most aids to Africa are diametrically opposed to Africa's development. Thus, we argued that Africa's development does not depend on the amount of aid it gets but on some salient factors which can be put in place by governments in Africa. These factors among other things should include adequate property rights, effective and strong institutions, regional cooperation in trade, functional civil society organizations, policies that will promote enabling environment for investments (both local and foreign),efficient and prompt judiciary, good governance and the fight against corruption. We thus conclude that foreign aid as an instrument of national development in Africa is a myth and not a reality.
Keywords: Foreign Aid, National Development, African Development and Corruption.

Introduction

After the euphoria of political independence in the early 1960s, Africa governments, statesmen, policy makers and citizens are still faced with the twin difficulty of achieving development and to improve the standards of living with their peoples. Most of their strategies to achieving development are hampered by inadequate financial resources, lack of technical know-how and absence of industrialization. Thus, most African governments have come to see dependence on external sources, nay foreign aid as a deliberate approach to come out of what they then viewed as ''teething development problem'' (Taylor, 2019 sited Adeboye, 1999). The process of implementing this foreign aid based approach toward developing the newly independent states of Africa, made their government to see aids as an inevitable instrument of national development and so the more development they envisioned, the more foreign aid they should, and indeed applied for. For instance, at the 1985, twenty first Organization of African Unity (OAU)summit, it became obvious, as heads of state of Africa declared, most national development plans and annual budgets tended to perpetuate and even accentuate economic dependency via overdependence on foreign aid (Taylor, 2019).

In most African countries, foreign aid dependence was significant at independence. Again the period 1960 – 1970, which is popularly referred to as the decade of independence could also be described as the "decade of boom" because of the independent African countries experienced growth rates that were internally boosted majorly through foreign trade surplus, even though supplemented by official development assistance and private capital inflows from the advanced states. African heads of government were thus able to make some progress in the provision of essential services and in the expansion of the frontiers of infrastructural facilities in the areas of education, health, roads, water supply and power generation etc. Conversely, growth and development of these African states have been on the decline, particularly since 1970s. This was mainly as a result of a fall in the price of primary products at the global market within this period. For example, the price of cocoa, a major agricultural export product in the west African sub-region fell from a peak of US $35.8 per barrel in 1980 to US $16.2 in 1994 (CBN in Adebayo 1999).

Resultantly, reliance on foreign aid seems to have become necessary as a means of boosting resources for socio-economic development. Thus foreign aid not only become an important feature in the development plan and annual budget of most African countries but also came to be accepted by many statesmen and scholars alike, as an instrument of national socio-economic development in Africa. Thus, little wonder, when by the 1970s, driven by the need to industrialize, African leaders borrowed large sums of money, at a time when the global financial market was glutted with petrodollars. Within the said period (1970s) Africa's total foreign debt stood at US $13.20 billion. However, towards the end of 1980 Africa's foreign debt skyrocket to US $105.4 billion with an annual rate of increase of twenty two (22%) percent. This figure skyrocketed to US $250 billion (World Bank in Nna, Taylor and Igwe, 2011) at present, into foreign debt incurred through foreign aid in their pursuit for development. Again, in spite of this enormous and unending dependence on these foreign aids, the economies of most African countries appear to be in crisis. This has made some statesmen and scholars to question the conventional "wisdom" of external dependence through foreign aid as being an instrument of national socio-economic development.

This paper is thus committed to investigating the authenticity or otherwise of the aphorism that foreign aid is an instrument of national socio-economic development. In doing this, the paper will adopt the Marxian political economy approach as the theoretical framework. The paper is thus divided into four parts. The first part is introduction. The second part will conceptualize and review literature on foreign aid: its types motives affects, merits and demerits, among others. The third part will be devoted to examining the arguments for and against foreign aid as an instrument of Africa's developed. Finally, part five will make conclusions based on the strength of the debate on both sides and findings from the investigations embarked upon in course of the study, then after recommendations will be made.

Conceptual Clarification and Literature Review

Foreign Aids: Foreign aids, also referred to as international or overseas aid, is a situation in which one country helps another country through some form of "donation". The main recipients of foreign aid are developing countries and the main donors are the advanced countries (Nna, Taylor and Igwe 2011). According to Adebayo (1999:283), foreign aid has, most conventionally, been defined as “all financial transactions that take place between donor and recipient nations”. This definition has been criticized for assuming that aid, for instance includes all loans with high interest or commercial interest rates. This criticism seems to be valid since there has been a general consensus that loan with high interest rate and obnoxious conditions is for all theoretical purposes outside the purview of aid or assistance (Taylor 2019 cited Saliu, 1999). Oversea aid is thus conceptually classified into different components based on the extent to which it is composed, not only of commercial transactions but also grants and loans. In other words, aid constitutes grants, loans and technical assistance derived from governments either directly, bilaterally or multilaterally through international agencies known as official development assistance (ODA) as well as grants from voluntary agencies (Adebayo, opp. cit).

To some economists, for any flow of capital to less development countries to quality for aids, it must fulfill two criteria :(i) its objectives should be noncommercial from the point of view of the donor, and (ii) it should be characterized by concessional terms; that is the interest and repayment period for borrowed capitals should be softer (less stringent) than commercial terms (Thomas, 2010).

A major type of foreign aid is development aid, which is given by donor countries to support economic development in the recipient countries. There is also humanitarian aid which is a short-term foreign aid used to alleviate suffering caused by a humanitarian crisis such as genocide, famine, or a natural disaster like flood or earth quake. Furthermore, we have military aid, used to assist an ally in its defense efforts or assist a poor country in maintenance of control over its territory (Nna, Taylor and Igwe, 2011). Although other types of aids do exist, they could be considered to fall under one of the above listed three categories. Our focus in this paper is however, development aids.

The most obvious answer to the question “why do aids exist” is compassion. It is clearly wrong in most peoples’ judgment that most citizens of the advanced countries can lead lives of considerable affluence and luxury whilst a thousand million people- a quarter of the world’s population- do not even get enough to eat (World Bank 1984 in Mosely 1987).Thus governments of rich countries are expected to provide on international basis, through aid, the same functions of income redistribution which they supply on a national basis through the progressive income tax and the various institutions of social securities. However, governments own motives for fulfilling these functions, of course, go well beyond the desire to put leverage behind the compassionate motives felt by individuals. Also the motives tend to varies from one donor’s government department to another. For instance, foreign and defense ministries have seen aid as a means of winning and holding the political and military support of Third World countries ; trade and employment ministries have seen it as a means of winning a fair share in the market of Third World countries and hence creating job at home, ministries of overseas development and, in some cases, finance have seen it as a means of promoting growth in Third world countries for the benefit of both those countries and the world economy (mostly, 1987:5). These three objectives obviously overlap only tenuouslywith one another and with the compassionate motive for aid expressed by members of the public (especially those of the donor countries

Argument for and against Foreign Aids

i. Argument for Foreign Aids

The arguments in support of aids is not new; it was probably first deployed by Lord Miler, the British colonial secretary from 1919-1921. Writing in the Observer, Miler argued that: what these countries (i.e. the colonies) need '…..is economic equipment-roads, railways, engines, tractors, and in some cases, notably the Sudan, irrigation works. It would increase employment and purchasing powers at home as well in the countries where the work of development is proceeding….' Their development is a question of money and money from outside (Milner, 1923 quoted in Mosely 1987:11). To Milner, therefore aids benefit both the donor and recipient and is thus a win-win phenomena.

Mosely argue that, foreign aid performs three vital functions which are: redistributive, allocative and stabilization. His redistributive case for aids is based on the value judgment that the conditions of life available to the third world poorer people are not acceptable and should be relieved by transfer of income for those who have more. His allocative case for aids is based on the many imperfections in the market for capital investment and loan finance in developing countries; while the case for stabilization is based on the proposition that aid flows can augment world aggregate demand and relieve unemployment, particularly in developed countries. Mosely considered the above three justifications for aids as universal. By that he means that they are valid for the world taken as a whole.

Thomas argued that the less developed countries to which Africa belong are characterized as "capital poor" or "low saving and low investing" economies. Their capital stock is not only extremely small but current rate of capital formation is also very low. These countries have an average gross investment of only 5-6 percent of gross national income. Such a low rate of savings is grossly inadequate to provide for the rapidly growing population at the rate of 2 to 2.5 percent per annum, let alone invest in new capital projects. As a matter of fact, at the current rate of saving, they cannot cover depreciation or capital and even replace existing capital equipment (Thomas, 2010). Government efforts to mobilize domestic savings via taxation and public borrowing are barely sufficient to raise the current rate of capital formation via investment. Instead, these measures often lead to reduction in consumption standards, and unbearable hardship on the people. Thus, it becomes necessary that foreign capital be imported in order to reduce the shortage of domestic savings through the inflow of capital equipment and raw materials thereby raising the marginal rate of capital formation, Thomas argued (Thomas 2010).

Closely related to the above, proponents of aids argue that aid is an instrument of national development because it not only overcomes capital deficiency but also technological backwardness by bringing sufficient physical and financial capital along with technical know-how, skilled labor, organization experience, market information, advanced production techniques, innovations in products etc. It also trains local laborers in new skills. All these accelerate economic development. Furthermore, proponents argue that the creation of the infrastructures, the establishment of new industries, the taping of new resources, the opening of new areas in the less developed countries which foreign capitals made possible, all tend to increase employment opportunities within economy. Thomas (2010) refers to this as social gain from aid. All of the above seems to imply that foreign aid tends to raise the levels of national productivity, income and employment which, in turn, lead to higher real wages for labour, lower prices for consumers and rise in their standard of living.

Jhingan sums up the argument for foreign aid by asserting that the inflow of foreign capital is indispensable for accelerating economic development. It helps in industrialization, in building up economic overhead capital, and creating more employment opportunities. In addition to bringing money and machine, it also brings technical know-how, opens up inaccessible areas and exploits untapped and new resources, takes risk and losses in pioneering stage and obviates the balance of payment problems. (Thingan, 2004 in Thomas, 2010).

ii. Argument against Foreign Aids

Opponents of aids have argued that aid will, first of all, reduce the cost of "leisure" in relation to "effort" for the recipient government, and thus reduce the amount of effort the recipient is prepared to make towards development. In terms of the popular metaphor which likens international to domestic redistribution of goods and services, the recipient government is turned into a "pauper" by being offered a "crutch" (London Times; 1985). In the second place, aids flows is said to have impeded the international division of labour by encouraging misguided attempts towards 'self-sufficiency' or 'inward-looking' economic policies by recipient government (Bauer in Moseley; 1987).

Some radical left scholars have also made some argument against aid. Their argument is based on the redistributive function of aid. To them, by redistributing money now, you make it harder in the long run to redistribute to the poor the really crucial thing, which is power, and indeed you entrench in power regimes which are anxious to continue expropriating the poor (Hayter and Watson 1985 in Moseley: 1987). This argument is sometimes, however, supplemented by the allocative proposition that aid increases capital intensity to bring a reduction in the propensity to save in recipient countries.

Other antagonists have argued that foreign aid is inimical to the growth and development of economy of the recipient country. This is more so when the conditions of the loan are not soft. They thus argue that foreign aids lead to distortions in the domestic politics and economy of recipients such as "debt crisis", poverty, wider technological cap and disequilibrium in the foreign sector.

Furthermore, the Mises institute has pointed out that aids can be routed to multinational companies rather than the citizens of the country that it ought to help. In many Sub-Saharan African countries, corruption leads to a portion of the aid money being siphoned off into private bank accounts. It could also be a method of corruption at home. Aids money in the hands of corrupt political leaders and off the stringent accounting books of western nations can be kicked back, to corrupt domestic politicians in a number of ways. And perceived as an apparent act of charity, it is also politics to scrutinize such transaction (Nna, Taylor and Igwe, 2011).

Some scholars have opposed the argument that condemned aid because of its misuse by corrupt officials who divert it for personal benefits. However, Graham is one scholar who, though believes that aids is bad, does not so believe because it is sometimes misused, corrupt or crass; rather he sees aid as inherently bad, bad to the bone and utterly beyond reform. He sees it as a welfare dole to buy the repulsive loyalty of wining idle and malevolent government, or as a hidden, inefficient and inadequately regulated subsidy for western business, possibly the most formidable obstacle to the productive endeavours of the poor. It is a denial of their potential, and a patronizing insult to their unique, unrecognized abilities. He further pontificates on the fact when he added that foreign aid, regardless of the form in which it is obtained, does not help ordinary people "to help themselves "and it does not promote broadly based prosperity. Rather, it systematically empowers and enriches the very forces that most efficiently stifle the initiative and resourcefulness of peasants, slum-dwellers, and villagers throughout the Third World (Graham 1989).

Foreign Aid as an Instrument for National Development: Myth or Reality

Although the arguments of the proponents and opponents of aid as an instrument of national development both have their merits, this paper aligns with opponents perspective and sees foreign aid as an instrument of national development as a myth. This position is informed by the developmental realities of Africa political economies, which have, so fare, been negatively affected by dominant aid regime of the capitalist West. From the African experience, it has become obvious that aid hardly had any substantial impact on growth, savings or investment. Rather aid was seen to increase unproductive public consumption (Moyo, 2009). Many of the aids Sub-Saharan African Countries receive are very specialized and when the donors pullout of the project they fall apart as African countries do not have the technical capability to continue such projects. Excessive aid has also led to African recipient countries being too dependent on their donors 'country, this in many cases has led to the infant effect on the economy or misappropriation of funds (corruption). Here the experience of Namibia and Nigeria stand to buttress the fact above.

According to El Shibly (1984) who used Sudan as a laboratory test ground, foreign capital neither boosted economic growth nor abridges the gap between savings and investment. In a related manner, Moyo (1982) also viewed foreign aid as having an unmitigated political, economic and humanitarian disaster". She thus concluded that aids especially those coming from foreign governments to home governments or from Breton Woods financial institutions like the World Bank and International Monetary Funddo not have the ability to provide for long term sustainable development in African. Moyo cited an instance whereby $60 trillion of such aids that has been given in the past 60 years is not working, evident from the fact that the number of Africans who live on less than $ 1 per day has doubled in the last 20 years .Arguing Further, she revealed that most foreign government aid has been pocketed by corrupt politicians in Africa. This has led to increase in the risk of civil conflict as people often take up arms to be in power because" the victor gains virtually unfettered access to the package of aid that comes with it, she adumbrated. She thus recommended foreign investment, trade, and microfinance opportunities as alternatives which can provide a better future for Africa's development. Another researcher on the topic, who strongly believes that aid as an instrument of national development is a myth is Ampaw, (2002).

According to Ampaw, Foreign aid has failed despite the best efforts of many dedicated professionals. Ampaw supported his claim by using African Countries that received aid in 1970 and 1995. Despite the huge amount of aids received, the United Nations Development Programme reported in 1996 that 70 developing countries were poorer then than they were in

1980;43 were poorer than they were in 1970. Ampow' argument is in tandem with Moyo (2009) who advocated that limitless development assistance to Africa governments has not brought any national development; instead it has fostered dependency, encouraged corruption and ultimately perpetuated poor governance and poverty. Foreign aids help perpetuates the cycle of poverty and hinders economic growth in Africa.

Some have argued that the major causes of the economic deterioration of African countries in the 1980s came primarily from consisted high interest rates on international loans and a heavy debt burden. The continent has become a laboratory for various donors and development theories (Nna, Taylor and Igwe, 2011). The African experiment shows that aid, instead of trickling down to the miserable people that we see daily on our television and who really need, it provides incentives for bad governance, propping up dictators, encouraging corruption, financing projects that are not the felt need of the ordinary people and making investment that cost billions of dollars in aid money. Between1970 and 1995, aid which started at about 5%of Africa's gross national incomes later peaked at 18%in 1995.When the percentage was relatively small proportion of GDP, the growth rate per capita was high. When aid grew astronomically GDP growth-per-capita nose-dived (Nna, Taylor and Igwe 2011). This shows that showering more of aid money on African governments would make them heavily indebted and stunt growth and development.

Indeed, we are forced to believe that when Graham, (1989) adumbrated the negative effects of aid to Third World development he had Africa upper most in his mind. This is so because the African experience shows that aid is often profoundly dangerous to the poor and inimical to their interests; it has financed the creation of monstrous projects that, at vast expense, have devastated the environment and ruined lives; it has supported and legitimized brutal tyrannies, it has facilitated the emergence of fantastical and byzantine bureaucracies staffed be legions of self- serving hypocrites; it has sapped the initiative, creativity and enterprise of ordinary people and substituted the superficial and irrelevant glitz of imported advice; it has sucked potential entrepreneurs and intellectuals in the developing African countries into non-productive administrative activities; it has created a "moral tone" in international affairs that denies the hard task of wealth creation and that substitutes easy hand- out for the rigours of self-help ; in addition , throughout the Third World, it has allowed the dead grip of imposed officialdom to suppress popular choice and individual freedom. (Graham in Nna, Taylor and Igwe, 2011).

Furthermore, if it is a reality that aid is an instrument of national development in Africa, then presumably, the poor African countries should be in much better shape than they were before they first began to receive it more than half a century ago. If so, then aid's job should by now be nearly over and it ought to be possible to begin a gradual withdrawal without hurting anyone. Of course a revelation of what happens to aid money before and after it came to the recipient country will convince every doubting Thomas that aid as an instrument of national development is a myth. On this, again it will be apt to hear Graham (op. cit.) for clarity of purpose.

> *After the multi-billion dollar financial flows involved have been shaken through the sieved of over - priced and irrelevant goods that must be bought in the donor countries, filtered again in the deep pockets of hundreds of*

> *thousands of foreign experts and aid agency staff, skimmed off by dishonest commissioned agents, and stolen by corrupt ministers and presidents, there is really very little left to go round. Even the little, he continued,…….*
> *'furthermore, is then used thoughtlessly, or irresponsibly by those in power – who have no mandate from the poor; who do not consult with them and who are utterly indifferent to their fate". Little wonder, then, that the effects of aid are so often vicious and destructive for the most vulnerable members of human society (Graham, 1989)*

Too much reliance on aids has caused the African continent to loose the self-sufficiency in food production that it enjoyed before development assistance was invented and, during the past few decades, has become instead a continent sized beggar hopelessly dependent on the largesse of outsiders. Per-capital food production has fallen in every single year since1962. Seven out of every ten Africans are, furthermore, now, reckoned to be destitute or on the verge of "extreme poverty", with the result that the continent harbor the highest infact mortality rates in the world, the lowest average life expectancy in the world, the lowest literacy rates, the fewest doctors per head of population, and the fewest children in school (Sydney, cited in Graham, 1989). It is also pertinent to reveal that it was during the period 1980 – 1986 when Africa became by a considerable margin, the world's most "aided" continent that GDP per capital fell by an average of 3.4 percent per annum (Nna, Taylor and Igwe, 2011). It is thus very convincing that aids is neither necessary nor sufficient for Africa's "development". The poor strives without it in some countries, while in other countries where it is plentifully available, they suffer the most abject miseries. Such misery, as we have argued throughout this study, often occurs not in spite of aid but because of it.

Conclusion

We have put a strong argument in this paper that aid as an instrument of national development in Africa is not a reality but a myth. Infact it is partly the reason for Africa's development crisis. Foreign aid, far from fixing Africa's development problems, worsens it. It is therefore seen as an absurdity by us, to continue with the charade. Garnered and justified in the name of the destitute and vulnerable, aids' main function in the past over fifty years has been to create and then entrench a powerful new class of rich and privileged people. In that notorious club of parasites and hangers- on made up of the United Nations, The World Bank, International Monetary Fund and bilateral agencies, it is aid and nothing more that has provided hundreds of thousands of "jobs for the boys" and that has permitted record breaking standards to be set in self-serving behavior, arrogance, paternalism, moral cowardice and mendacity. At the same time in African countries, aid has perpetuated the rule of incompetent, greedy and venal men, whose leadership would otherwise be utterly non-viable; it has allowed governments that are characterized by historic ignorance, avarice and irresponsibility to thrive; finally it has condoned and in some cases facilitated the most consistent grievous abuses of human rights that have occurred anywhere in the world since the dark ages (Graham in Nna, Taylor and Igwe 2011).

Africa's development does not depend on the amount of aid it gets but on some salient factors which can be built by governments in Africa .Such factors include: adequate protection for property rights, effective institutions, regional cooperation in trade, functional civil society organization, clear and enforceable rules which are predictable, an efficient and prompt judiciary and an effective fight against corruption.

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