Development Aid Flow and Poverty Reduction in Africa

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Abstract

This paper examines the international community's commitment to reduce poverty in Africa. To achieve a reduction in poverty in the 1970s, the international community made a pledge of 0.7% of gross national product of Development Assistant Committee member countries in the form of development assistance to inject economic growth in the African economies and other low income countries and to reduce poverty level. Unfortunately, most of the rich nations have failed to realize this pledge and objective. With recent increases in aid flows, poverty is yet to be reduced hence a call for trade as an alternative strategy. The paper identifies poor quality of aid, low commitment and greediness of some African leaders as the factors militating against the effectiveness of aid. The paper concludes that whether aid or trade, good governance that is devoid of corruption, nepotism, and self-centeredness is the practical way to reduce poverty in Africa.

Introduction

Africa with its endowment in human and natural resources as well as great cultural, ecological and economic diversity, remains a major contributor to the world disease profile caused mostly by poverty. While poverty is seen as a phenomenon in both developed and developing countries alike, its presence and rapid growth in Africa is more alarming when one considers the fact that more half the population still live in poverty. The region harbors more than 70 per cent of the people living with HIV/AIDS worldwide with 12 million orphans out of the 15 million in 2003 living in Sub-Saharan Africa. In addition, about ninety per cent of the more than one million deaths from malaria worldwide every year occur in Africa. Malaria is responsible for 10% disease burdens in this region. In the most endemic areas, malaria gulps 40% of public health expenditure, accounts for 30-50% of hospital admissions and up to 50% of out patient visits (WHO, 2003). More over, most African countries are suffering from military dictatorship, civil wars, mismanagement and corruption, which have continued to threaten world peace and tranquility. For instance, 12 out of 48 countries in Sub-Saharan African (SSA) countries are in/or recovering from conflict (DFID, 2002).

All over the world, the UNDP's estimation shows that there are no fewer than one billion people living in abject poverty, daily. Of these figures, African countries carry the burden of having the largest proportion of poor people. Because poverty poses a serious threat to social, political and economic stability in the world, the world governments have reiterated their commitments toward reducing poverty to the barest minimum. In 1970, the UN General Assembly made the following resolution:

> *In recognition of the special importance of the role which can be fulfilled only by official development assistance, a major part of financial resource transfers to the developing countries should be provided in the form of official development assistance. Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7 per cent of its gross national product at market prices by the middle of the decade (UN, 1970)*

This assistance to the least developed countries and African countries was to come from the 22 members of the Organization for Economic Cooperation and Development (OECD) known as the Development Assistance Committee (DAC). Official Development Assistance (ODA) is aid from the governments of the rich countries meant to promote economic development of the recipient countries.

In the late 1980s and early 1990s concern about global poverty was re-echoed. Kankwenda et al. (2000) identified two reasons for this. First was the limitation in the development strategies of the previous 30 years, which focused largely on large scale infrastructure and efforts at promoting exports and trade and the second reason was the negative consequences of the Structural Adjustment Programs (SAPs) on the disadvantaged groups. SAPs provided the mould into which foreign aid transactions had to fit. Many developing economies not only stagnated, but even regressed as a result of subjecting the planning and management of their economies to the conditionalities of SAPs as in Oyugi (2004). As further highlighted in Atakpu (2004), efforts to provide aid to these poor African countries have proved little more than a drop in the ocean exacerbated by intractable conditions. The paper asserts that some aid-linked conditionalities (SAP and the Enhanced Structural Adjustment Facility (ESAF)) further impoverished the region, especially the West African sub-region in which countries like Mauritania, Senegal, Niger, Ghana, Nigeria and Sao Tome and Principe spend 20% of their export earnings just on debt management.

Most Sub-Saharan African states still depend largely on external aid to manage their budgets. According to the Africa Network for Environment and Economic Justice Secretariat in Nigeria, the percentages of aid as a share of government expenditure are: Nigeria 5%, Ghana 60%, Mali 73%, Sierra Leone 60% (recurrent) 90% (capital development), Senegal 70%, Burkina Faso 85%. Nevertheless, the budgets do not remotely address poverty reduction. Even Nigeria, considered an oil rich nation, budgeted only US$8 billion for its services in the 2004 fiscal year. This is a far cry from what the country needs to meet its development needs as reported in Atakpu (2004).

At the World Summit for Social Development in Copenhagen in March 1995, heads of state and leaders from more than 18 countries of the world gathered to examine and re-evaluate the social implications of global poverty. The Summit recognized:

> …the urgent need for national strategies to substantially reduce generalized poverty, including measures to eliminate the structural barriers that prevent people from escaping poverty, with specific time tabled commitments to eliminating extreme poverty by a target date to be chosen by each country, in the framework of its national context (Quoted in Kankwenda et al, 2000).

At this Summit focus was placed on African poverty when it says that:

> While these problems are global in character and affect all countries, we clearly acknowledge that the situation of most developing countries and particularly of Africa and the least developed countries is critical and requires special attention and action (---) these countries (---) require the support of the international community (quoted in Kankweda et al, 2000).

The Millennium Summit held in 2000 was another landmark event in the international awareness of the global poverty especially those of the less developed countries and Africa. The summit recognized lack of income, education and poor health as some of the factors that constitute poverty. Nearly 150 heads of state and governments and representatives of almost 190 countries signed up to the Millennium Goals in the UN millennium declaration. This was seen as an unprecedented level of international commitment which provided a real opportunity for all countries to work together to dramatically reduce poverty (DFID, 2002).

Even though an agenda to bring development to the least developed countries was reiterated many years ago, almost all the rich nations of the world have failed to meet their agreed target of 0.7% of the Gross Domestic Product (GDP). Instead of 0.7%, the amount has been around 0.2% to 0.4%, about $100 billion short (Shah, 2005). As reported in Moore (2005), "only five out of 22 nations donate 0.7% or more: Norway – 0.87%; Luxembourg, Denmark, Sweden and the Netherlands." Those lagging behind include the UK, a country that has promised to "double its aid flows to 0.7% by 2013 and France, which provides 0.42%, has also matched the UK pledge." United States contributions stand at 0.16% while that of the European Union is at 0.39%. The dichotomy of aid awards is staggering as highlighted in Figueiredo (2005) which asserts that "America gives Israel (population: six million: land size: same as Swaziland or Guinea Bissau) $3 billion annually in aid, while it gives 48 black African countries (population: over 600 million) just about $1 billion a year."

The questions to ask against this backdrop are: Does aid flows corroborate the pledges made at the international summits and conferences to reduce poverty in Africa? Has aid flows to Africa reduced poverty? What is the alternative to aid? What is the situation of poverty amidst economic growth in Africa? How best can aid be channeled to reduce poverty in Africa? These are the concerns of this paper. Before we move on we need to define the concept of poverty because alleviating poverty requires defining poverty, and designing multidimensional approach to reduce it.

What is Poverty

The extent of poverty around the world is pervasive. It is worse in Africa. The pervasiveness of poverty makes it to lack a precise definition. While the concept is considered to be a universal phenomenon it is also a culture bound concept (Draman, 2003) as people in different societies view it in different ways. Nevertheless, the goal is to define local thresholds of quality of life below which one can be classified as being poor (Oladipo, 1999). As observed by Kankwenda et al (2000) the adoption of a particular definition and approach of poverty will have crucial effects on the construction of poverty lines and poverty profiles and in the design and implementation of poverty reduction strategies across societies. For instance, in spite of lack of homogeneity in the definition of basic needs, Ethiopia (1991), Namibia (1991) and Seychelles (1994) took into account spending on basic needs such as clothing and transportation as the poverty lines.

According to the Encyclopedia Americana (cited in Ijaiya and Mobolaji, 2004) poverty is viewed from the perspectives of moneylessness and powerlessness. Moneylessness means insufficiency of cash and chronic inadequacy of resources of all types to satisfy basic human needs such as nutrition, warmth, rest and body care. Powerlessness on the other hand means lack of opportunities and choices to govern one self. It describes a set of people who lack the opportunities and choices and whose lives seem to be governed by forces and persons outside their control.

The definition of poverty distinguishes two types of poverty: the absolute and relative poverty. One can sometimes make the distinction between the poor and the non-poor against absolute standard of welfare (e.g. amount of income, life expectancy and housing conditions). For instance, if you know about the family living just on the local staple ("garri", potatoes, rice, etc.) you might conclude that, that family is poor. The relative measure of poverty identifies the poor by relating their position to that of other individuals in their environment or another. The extreme poor, also referred to as "hard-core poor", are more likely to be underweight; have higher mortality rates; prone to disease and illness; less likely to have assets and have serious fluctuations in their employment status (Sowa, 2003).

The United Nations Development Program (1998) provides six typologies of poverty some of which overlap.

(1) Human Poverty: This means lack of essential human capabilities such as being literate or adequately nourished.
(2) Income Poverty: This means the lack of minimally adequate incomes or expenditure
(3) Extreme Poverty: This type of poverty is specified as the inability to satisfy minimum food requirements.
(4) Overall Poverty: This refers to a less severe level of poverty usually seen as the inability to satisfy essential non-food as well as food needs of which the former varies considerably across societies.
(5) Relative poverty: is defined by standards that change across countries or overtime often in terms of the capital income and often loosely used to mean overall poverty.
(6) Absolute poverty: This is defined using an international standard of $1 a day as the poverty line.

The Copenhagen Summit for Social Development attempted to clarify as well as unify the concept of poverty using a multidimensional approach. According to the summit, poverty has different manifestations that include “lack of income and productive resources sufficient to ensure sustainable livelihoods; hunger and malnutrition; ill-health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments; and social discrimination and exclusion”. Often poverty results from a lack of income, physical and financial capital needed to sustain livelihoods, and from inequalities in access to, control of, and benefits from resources, be they political, social or economic (Sowa, 2003).

Two factors are responsible for poverty according to Yahie (1993). These include a) structural factors that are more permanent and dependent upon a host of exogenous factors such as limited resources, lack of skills, locational disadvantage and other factors that are inherent in the socio-political set-up; and b) transitional factors that are mainly due to structural adjustment programs and changes in domestic economic policies that may result in price changes and increased unemployment.

Poverty is highly consequential. Discussing the consequences of poverty, Von Hauff and Kruse (1994) argued that poverty has consequences on the affected persons, national economies of the affected society and the political and social development of the affected country.

Aid Flows to Africa

The world governments, non-governmental organizations and civil societies have constantly made poverty reduction a basic component of their approach to development as evident in the objective of the ODA to the least developed countries. Unfortunately, aid flows to Africa to reduce poverty has failed to match the political will and declarations. In other words, the global aid flows to the least developed countries and in-deed African countries, especially the Sub-Saharan Africa (SSA), do not corroborate the pledges made at the international summits and conferences. For instance, total ODA comprising of both bilateral and multilateral assistance fell from $66 billion in 1994 to $54 billion in 1995 and $55 billion in 1996. In the real terms, aid flows reduced by 41% in 1996 compared to 1995, by 16% compared with 1992 and by 8% compared to 1990- 1995. By 1996 total aid came to only 0.25% of the combined GNP of DAC members (Kankwenda et al, 2000) as against the 0.7% promise made in the 1970s. More over, the share of ODA given to least developed countries (LDC's) in the GNP of the member countries of the Organization for Economic Cooperation and Development (OECD's) Development Assistance Committee (DAC) dropped from 0.09% in 1990 to 0.07% in 1995.

Specifically, Africa received $20 billion aid assistance in 1996 compared to over $21 billion in 1993. Sub-Saharan Africa got $16.7 billion in 1996 compared to $17.3 billion in 1993 (Kankwenda et.al 2000). It must be noted that there are variations in the disbursement of aid to countries in Sub-Saharan African countries because amount of aid to be given depends on the political and economic interests of the donor countries and not on the seriousness of poverty in those countries. The table below shows the net ODA from all sources to some countries in Sub-Saharan Africa (SSA).

Table I: Net Aid From All Donors In Real Terms In 1980, 1994-2003 To Some Selected African Countries ($ Million)

Country	1980	1994	1995	1996	1997	1998	1999	2000	2001	2002	2004
Angola	79	437	369	413	338	325	377	316	305	421	444
Botswana	168	84	80	65	114	101	57	31	30	38	28
Cameroon	403	664	355	338	456	467	408	391	512	609	738
Chad	57	196	194	248	210	156	178	135	198	229	212
Cote'd'lovire	305	1,456	982	815	411	918	418	362	184	1,069	216
Equitorea Guinea	15	28	28	26	23	21	20	23	14	20	17
Ethiopia	338	1,026	774	716	550	632	622	710	1,164	1,307	1,362
Ghana	316	506	546	566	467	680	579	597	676	650	795
Kenya	644	626	602	515	419	398	295	512	486	394	430
Liberia	176	64	108	147	73	69	94	70	41	52	95
Madagascar	373	264	250	305	769	452	338	325	390	373	466
Mauritius	50	13	20	17	40	38	39	21	23	24	-12
Niger	263	341	230	213	308	273	176	214	270	298	387
Nigeria	55	183	179	170	191	197	146	187	193	314	288
Seychelles	34	12	10	16	16	23	12	19	14	8	8
Sudan	1,028	397	207	193	133	205	242	232	197	351	545
Uganda	188	721	725	600	772	628	571	850	835	638	84
Zimbabwe	271	539	422	321	316	254	231	174	171	201	165

Source: World Bank, 2005

From the above table, aid flows in recent time has taken new dimension. By 2002 increase overall aid was by 5%. The United States increased its ODA by 11.6% in real terms in 2002. In 2003, aid flows to sub-Saharan Africa rose about 40% - 5% higher than in 2002- and the continent of Africa received debt relief over the same period according to the Annual World Bank publication. Global Development Assistance reached $78.6 billion in 2004, an 18.6 per cent increase from 2000. The largest increase took place in the United States, as Washington raised its aid budget by a whopping 76.4 per cent from $10.5 billion in 2000 to almost $78.6 billion in 2004. Other countries included France, Ireland Spain and UK (Pekka, 2005). The table below shows the official development assistance to the least developed countries between 2001 and 2004 from the DAC member countries and its percentage to GNP.

Table 2: Official Development Assistance (ODA) from 2001 to 2004

	IN US DOLLARS (MILLION)				ODA AS GNP PERCENTAGE			
Country	**2001**	**2002**	**2003**	**2004**	**2001**	**2002**	**2003**	**2004**
Australia	852	962	1,237	1,465	0.25	0.25	0.25	0.25
Austria	457	475	503	691	0.25	0.23	0.2	0.24
Belgium	866	1,061	1,887	1,452	0.37	0.42	0.61	0.41
Canada	1,572	2,013	2,209	2,537	0.23	0.28	0.26	0.26
Denmark	1,599	1,632	1,747	2,025	1.01	0.96	0.84	0.84
Finland	389	466	556	655	0.33	0.35	0.34	0.35
France	4,293	5,182	7,337	8,475	0.34	0.36	0.41	0.42
Germany	4,879	5,359	6,694	7,497	0.27	0.27	0.28	0.28
Greece	194	295	356	464	0.19	0.22	0.21	0.23
Ireland	285	397	510	586	0.33	0.41	0.41	0.39
Italy	1,493	2,313	2,393	2,484	0.14	0.2	0.16	0.15
Japan	9,678	9,220	8,911	8,859	0.23	0.23	0.2	0.19
Luxembourg	142	143	189	241	0.8	0.78	0.8	0.85
Netherlands	3,155	3,377	4,059	4,235	0.82	0.82	0.81	0.74
New Zealand	111	124	169	210	0.25	0.23	0.23	0.23
Norway	1,346	1,746	2,043	2,200	0.83	0.91	0.92	0.87
Portugal	267	282	298	1,028	0.25	0.24	0.21	0.63
Spain	1,748	1,608	2,030	2,547	0.3	0.25	0.25	0.26
Sweden	1,576	1,754	2,100	2,704	0.76	0.74	0.7	0.77
Switzerland	908	933	1,297	1,379	0.34	0.32	0.38	0.37
United Kingdom	4,659	4,749	6,166	7,836	0.32	0.3	0.34	0.36
United States	10,884	12,900	15,791	18,999	0.11	0.12	0.14	0.16

Source: OECD, 2005, Official Development Assistance Increases Further but 2006 Targets still a Challenge.

Development assistance to Sub-Saharan African countries from the United States has been increased only by little. The table below shows the summary of foreign aid assistance to Sub-Saharan Africa by the US in FY 2000 and FY 2005.

Table 3: Total Foreign Assistance to Sub-Saharan Africa from the US FY 2002 and FY2005 (estimate) ($ thousands)

PROGRAMME	FY 2000 ACTUAL	FY 2005 ESTIMATE	CHANGE	% CHANGE
Child Survival and Health Program Fund	281,000	356,774	75,774	27%
Development Assistance	446,988	547,446	100,458	22%
Economic Support Fund	62,500	104,160	41,660	67%
Foreign Military Financing	10,000	26,288	16,288	163%
Global Health and AIDS Initiative	0	781,469	781,469	100%
International Military Education and Training	7,543	10,807	3,264	43%
International Narcotic Control and Law Enforcement	0	10,500	10,500	100%
Migration and Refugee Assistance	154,847	229,351	74,504	48%
Nonproliferation, Anti-terrorism, De-mining and Related Programs	16,445	31,518	15,073	92%
Peace Keeping Operations	36,654	133,192	96,538	263%
Peace Corps	52,347	66,937	14,590	28%
African Development Bank	4,100	4,067	- 33	-1%
African Development Foundation	14,345	18,848	4,503	100%
African Development Fund	127,000	105,152	-21,848	-17%
Sudan: IDFA – SUP	0	17,856	17,856	100%
International Disaster Assistance	25,000	0	-25,000	-100%
*Millennium Challenge Account**	0	400	10,000	100%
HIPC Dept Relief	110,000	79,336	-30,664	-28%
Spigots – Subtotal	1,348,769	2,524,101	1,184,932	87%
Food Aid – Subtotal**	685,500	1,400,000	666,236	104%
PL480 Title II	459,000	1,400,000	842,736	184%
Title III	5,500	0	-5,500	-100%
Other Food Aid (Title I, Section 416(b))	221,000s	0	-171,000	-77%
Total Aid to Africa (nominal)	2,034,269	3,924,101	1,851,168	93%
Total aid to Africa (real)***	2,208,809	3,924,101	1,715,292	78%

Source: Rice, 2005, US Foreign Assistance to Africa: Claims US Reality.

Notes: Official Development Assistance (ODA) program in Italics, *Millennium challenge account: 8,400,000 spent on actual country program as of 27 June 2005.

Foreign aid's definition, scope and categories have been changed in recent time and this has constituted a nuisance to the disbursement of aid to the poor countries. When 0.7% target of the Gross National Income (GNI) or GNP promise for development was made in 1970, "official development assistance was to be understood as bilateral grants and loans on concessional terms, and official contributions to multilateral agencies". Today, however, a broader definition and interpretation have been conceptualized. They include: subsidies on exports to developing countries; debt relief; food aid; administrative costs; provision of surplus commodities of little economic value; payments for care and education of refugees in donor countries; technical cooperation grants which pay for the services of nationals of the donor countries; grants to NGOs and to domestic agencies like the ADB to support emergency relief operations. It is this new definition of official development assistance that has eroded the good intention of the ODA earlier agreed upon in 1970. What is therefore needed is a comprehensive review of the approaches by the international community to the question of concessional financial flows for development, the composition and sources of concessional flows, the quantity and terms on which they are available as well as the destination and uses of the ODA (cite in Shah, 2005).

Has Aid Flow Reduced Poverty

The main objective of the ODA is to reduce poverty and to promote economic development of the recipient countries. As Killick (1991) argues " aid that comes in a form of technical cooperation would affect the quality of a nation's labor force through the provision of training and imported skills which is essentially for economic growth and poverty reduction, if an enabling environment is allowed to exist" (Quoted in Ijaiya and Ijaiya, 2004). An important question to ask is whether aid flows to Africa has reduced the level of poverty as agued by Killick. Most people will agree without any prejudice that foreign assistance in the form of ODA in spite of its little increases in recent time is yet to reduce poverty in Africa. Apart from the 1960s and 70s when major economic advances were recorded making income of the poorest countries like Niger and Bangladesh to rise, 1980s were characterized by a decline in the economic growth which negatively affected the individual wellbeing as well as those of the affected societies. The reduction in living standard of the 80s was attributable partly to the structural adjustment programs introduced and forced on the low-income countries. Hence, between 1980 and 1990 economic development failed to rise. The low in economic performance during this period made it to be known as the "lost decade". During this period estimation shows that more than a billion people were living in abject poverty, majority of whom did not have access to portable water, good sanitation, good education and good health services (Ijaiya and Ijaiya, 2004).

Recent estimation shows no improvement in the poverty of the Africans. In his critical overview of the problem, Oyugi (2004) asserts that African economies are worse off now, than before they began to attract foreign aid. "Poverty is increasing everywhere in Africa, despite increased inflows of external resources because of the way it is being delivered and managed.” In 2003, about 46% of the Sub-Sahara population was poor. Table IV below shows the percentage population of some selected Sub-Saharan African (SSA) countries living under US $1 a day while Table V shows the population and rates of poverty in some SSA countries in 1997. For instance, 70% of the Nigerian population lived under a dollar per day between 1994 and 2002. In 1997, more than 32 million people out of 111.3 were poor in Nigeria.

It is noteworthy to mention that the inconclusive relationship between aid and poverty or economic growth appears to be global, and not unique to Africa or the SSA. Raghuram and Subramanian (2005) find little robust evidence of a positive (or negative) relationship between aid inflows into a country and its economic growth. The study also find no evidence that aid works better in better policy or geographical environments, or that certain forms of aid work better than others. Easterly (2003) concludes that the idea that "aid buys growth" is on shaky ground theoretically and empirically because aid agencies have poor incentives to deliver results and often underinvest in enforcing aid conditions and performing scientific evaluations.

Table 4: Estimated Population Living Under US$ a day in Some Sub-Saharan African Countries

COUNTRY	GDP PER CAPITAL BASED ON PPP 2003	% OF POPULATION LIVING UNDER US $ 1 A DAY 1994-2002	% OF HOUSEHOLD INCOME SPENT ON FOOD 1991-1999
Burkina Faso	1,174	45	57
Burundi	648	55	-
Cameroon	2,118	17	55
Cote D’Ivoire	1,476	11	48
Ethiopia	711	23	72
Ghana	2,238	45	39
Kenya	1,037	23	71
Nigeria	1,050	70	67
Rwanda	1,268	52	-
Uganda	1,457	85	63
Zambia	877	64	64

Source: World Bank, 2005

Note: PPP denotes Purchasing Power Parity, local price divided by price in the other country.

The inability of aid to alleviate poverty in Africa is attributable to low commitment to 1970 target and poor quality of aid. As noted by Pekka Hirvonen of the Global Policy Forum:

> Recent increases (in foreign aid) do not tell the whole truth about rich countries' generosity or lack of it. Measured as a proportion of gross national income (GNI), aid lags far behind the 0.7 percent target the United Nations set 35 years ago. Moreover, development assistance is often of dubious quality (Pekka, 2005).

For him

- aid is designed primarily to serve the strategic and economic interests of the donor countries.
- because system of aid is based on the interests of donor countries instead of the recipient countries make development assistance ineffective;
- aid is designed to benefit powerful domestic interest groups;
- too little aid reaches countries that most desperately need it;
- aid is wasted on overpriced goods and services from donor countries (Pekka, 2005).

Table 5: Estimated Population and the rate of Poverty in Some SSA Countries in 1997

COUNTRY	POPULATION (million)	POPULATION IN POVERTY (MILLION)	% OF PPP IN POVERTY
Cote D'Ivoire	14.0	2.5	17.7
Ethiopia	56.4	19.1	33.9
Guinea	6.6	1.7	26.3
Guinea Bissau	1.1	0.9	87.0
Kenya	26.7	13.4	50.2
Lesotho	2.0	1.0	50.4
Madagascar	13.7	9.9	72.4
Mauritania	2.3	0.7	31.4
Niger	9.0	5.5	61.5
Nigeria	111.3	32.2	28.9
Zimbabwe	11.0	4.5	41.0

Source: World Bank (1997), Ijaiya & Ijaiya (2004)

Borger and Denny of the Guardian (UK) (cited in Shah, 2005), observed that although the United States remains a big player in the disbursement of aid to the least developed countries among the DAC member countries, it has the worst record for spending its aid budget itself. According to them, 70% of US aid is spent on US goods and services with more than half spent in the Middle East. Only $3 billion goes to South Asia and Sub-Saharan African countries where aid is mostly needed.

Transfer of funds has been moving in opposite direction. Instead of funds moving from the developed countries to the developing countries, as part of the promise made to alleviate poverty in Africa, the reverse has been the case. As noted by the UN Secretary General, Kofi Annan, developing countries made the largest transfer of funds to other countries in 2002 totaling about $200 billion and in the actual sense funds should be moving from developed countries to developing countries and not the other way round. These funds moving out of the developing countries ought to have been used to promote investment and growth in the developing countries or build schools and hospitals and/or support other steps towards the Millennium Development Goals instead of being transferred abroad. When this is done poverty will definitely be attacked.

In order to support the argument that aid has not reduced poverty in Africa, an empirical study conducted by Ijaiya and Ijaiya (2004) on the impact of foreign aid on poverty reduction in Sub-Saharan Africa (SSA) found no significant relationship between the aid assistance and poverty reduction. Their study shows that foreign aid where available has been mismanaged and misused by the recipient countries. They concluded that for aid to be effective certain aid policy measures must be put in place. They include, stable macro economic policy environment and exchange rate stability. In addition, they recognized the need to create conducive environment that is free from political, ethno-religious and military violence. Where peace is assured it will guarantee strong institutional capacity that will inject growth and development into the economies and invariably reduce poverty. Development aid can only make a difference to the lives of recipients, when it is made to stimulate local capacities within a stable policy framework.

Is Hope Lost?

Because of the ineffectiveness of aid to the poorest countries in terms of reduction in poverty, the popular slogan “trade not aid” seems to have occupied the minds of many who have identified bottlenecks in the disbursement of funds to the poorest countries and the inability of the available funds to take care of poverty of the recipient countries. According to this view, aid can not stimulate economic growth of the recipient countries only trade can. Since 1960s, over $500 billion worth of aid had been disbursed to Africa, yet, success is yet to be recorded. According to this school of thought aid has provided untrustworthy leaders to embezzle resources meant for the development of the people for their own personal use with exception of some selected African leaders like Julius Nyerere of Tanzania whose exemplary leadership style improved the lots of Tanzanians during his tenure. Idi Amin of Uganda, Mobutu Sese Seko of Zaire (now Democratic Republic of Congo) are examples of those leaders who used aid money to increase their fortune. By 1982 Zaire had accumulated a foreign debt worth $5 billion and Mobutu Sese Seko, the then president, had accumulated a personal fortune of about $4 billion (Shikwati, 2002). In view of this, Preble and Tuby (2005) argued that for each donor money given to Africa in aid, 80 per cent of it had been stolen by corrupt leaders in Africa and transferred to Western bank accounts.

An alternative to aid therefore is trade. As noted by Smith (2002), rather than giving money that can be embezzled and mismanaged to the poorest countries the best alternative to aid is to build industries directly for the poor countries. According to him:

> With the record of corruption within impoverished countries, people will question giving them money. That can be handled by giving them the industry directly, not the money… When provided the industry as opposed to the money to build industry, those people will have physical capital. The only profit to be made then is in production, there is no development money to intercept and send to a Swiss bank account.

The true cause of poverty in Africa according to Preble and Tupy (2005) is the continent's long history of bad governance, constantly worsened by the rich countries' trade protectionism, particularly with respect to agriculture. Although, the US is not the only affected country, the US agricultural policy has continuously undermined her efforts to reduce poverty in less developed countries. For instance, according to the British Aid Organization, Oxfam, the US subsidies directly led to losses of more than $300 million in Sub-Saharan Africa in 2001/ 2002 season. The US agricultural policies therefore take away with the right hand what the left hand gives in aid and development assistance.

Further more, the US and France give a subsidy of 11 dollars per head of cattle. The US protects its sugar market for the US farmers by not allowing imports except under a quota system. In addition, the developed countries funnel nearly 1 billion dollars a day in subsidies to its own farmers enabling them to dump rice, wheat and cotton and other products bringing down commodity prices in poor countries which results in more poverty. According to the World Bank estimates, if the rich countries of the world stop their farm subsidies and tariffs, the low –income countries would benefit a half trillion dollars and liberate about 150 million people from poverty by 2015 (www.inq7.net). The question is, are developed countries ready to liberalize their markets?

While most of the poor countries would have loved to trade with the developed countries, the rich countries have failed to open up their markets to them. For instance, the United States has been praised for its generosity to the African countries under the Africa Growth Opportunity Act (AGOA). The truth of the matter under AGOA's so-called rules of origin provisions is that materials used to make exports must either be made in the United State or in eligible African countries. In fact, benefits accruing to Africa under the AGOA would be some $420 million or five times greater if the US would remove these restrictions. Watkins (2002) observed that those restrictions reflect the realities of mercantilist policy of the US the underlying principle that only allows export to the States, provided that the products in question are made of American products rather than those of the competitors.

While trading options are laudable and appealing, they are not likely to hold now but the future is bright for it. This is because of the unwillingness of the rich countries to trade with and open their market for the poor countries in spite of the benefits awaiting the rich countries when they do so. According to William R. Cline of the Institute for International Economics and the Centre for Global Development, global trade liberalization would save the developed countries $141 billion a year and deliver economic benefits worth about $87 billion a year to developing countries. On this note, the developed nations must be convinced to open up their markets for their benefits and the benefits of the poor in the low-income countries if they are serious about meeting the Millennium Development Goals. However, political pressures from the US farmers' groups and lobbyists would preclude any such mutual benefits from being actualized.

In the main time, available alternative is to restructure aid and in the process increase aid flows to the poorest countries. According to Shikwati (2005), if aid is the available way the rich countries think they could help the poor countries; aid should be targeted to provide assistance to trade negotiators or technical training or in the form of products such as food aid or medicine, rather than money that could be stolen. In addition, restructuring and increasing of aid will require proper channeling. Increase in aid to Africa should be channeled towards:

a. Increasing access of Africans to markets and agricultural development since about 70% of the population are farmers and depend on agriculture for survival.
b. Increasing participation of women in development process. The current status of women in Sub-Saharan Africa is generally sad and the poverty profiles in various countries show that women are mostly poor and yet women produce between 70% and 75% of Sub-Saharan Africa food crops.
c. Improving availability of and accessibility to health care facilities. Since 1960 infant mortality in Sub-Saharan Africa had declined by almost a third. In 1990, child mortality rate was over 140 per 1,000 live births in Guinea Bissau, Mozambique, Liberia and Siera –Leone compared with a regional average of 102 per 1,000 live births. In addition, millions are dying of HIV/AIDS, malaria and other preventable diseases.
d. Constructing and rehabilitating roads especially in the rural areas in order to open those areas to the main cities.
e. Establishment of schools and proper maintenance of the existing ones. Africa had the

lowest gross primary enrollment ratio: 68% in 1995 compared to 88% in South Asia and 107% in Latin America. On average, only 56% of adults in Sub-Saharan Africa are able to read and write compared with 84% in Latin America (Kankwenda, et al, 2000).

f. Increasing employment opportunities.

For aid to be effective, the practice of attaching harsh economic policy conditions to aid as well as debt relief, privatization, trade liberalization and reduction in government spending, must stop. Hence, a sincere and promising design of poverty reduction strategies must involve all stakeholders: the private sectors, academics, members of the parliament, trade unions, non-governmental organizations, the media, civil society organizations, grassroots organizations, voluntary groups and groups of the poor with proper monitoring of the aid. Workable mechanisms must be put in place to effectively manage aid funds in order to have positive impact on the poor and to curb aid's diversion. Poverty alleviation through effective development aid is predicated on effective governance and management of resources. As articulated in Hamdok (2004) "good governance" encompasses:

An effective state, i.e. one that provides an enabling political and legal environment for economic growth and equitable distribution.

Civil societies and communities that are represented in the policy making process, with the state facilitating political and social interaction, and fostering societal cohesion and stability.

A private sector that is allowed to play an independent and productive role in the economy.

Burnside and Dollar (2000) using a new database on foreign aid to examine the relationships among foreign aid, economic policies, and growth per capita GDP also find that aid has a positive impact on growth in developing countries with good fiscal, monetary, and trade policies but has little effect in the presence of poor policies. The results suggest that aid would be more effective if it were more systematically conditioned on good policy.

Conclusion

This paper has attempted to examine trends and magnitude of poverty in Africa and the impact of foreign aid assistance on the poverty level. Poverty is a mass phenomenon in Africa where majority of the poor live. About half (46 percent) of the population in Sub-Saharan Africa lives in poverty and this has continued to worsen. Whichever way poverty is defined, whether in purely monetary terms or using sustainable human development paradigm, poverty is increasing in Africa. Recent economic growth has not helped matters at all. Instead of the economic growth to translate to higher per capita income and higher standard of living, the reverse has been the case. Poverty level has continued to increase amidst economic growth.

Although evidences abound to show the international community's awareness of global poverty especially in Africa, the international responses to poverty in Africa has not really been commensurate with pledges to reduce the poverty. Rather than meeting the 1970s target of 0.7% of gross national product of the donor countries, the rich countries only gave between 0.2 and 0.4%. In recent time, though aid flows had been increased, but poverty has refused to vanish in Africa.

The ineffectiveness of development aid to reduce poverty trends in Africa and other least developed countries of the world has made quite a number of scholars to question the generosity of the donor countries. The ineffectiveness is attributable to low commitment to African poverty and in deed global poverty, poor quality of aid, harsh economic policy conditions like trade liberalization, privatization, reduction in government expenditures and globalization phenomenon. Haven tried development aid and debt relief without achieving tangible poverty reduction, it is apparent that trade may be the key to economic growth and prosperity for Africa. Trade liberalization, as opposed to government to government aid transfers, will see Africa achieve long term economic stability and poverty reduction.

Corruption is another factor militating against the effectiveness of aid. It is only when poverty reduction strategies take cognizance of the structural problems in Africa that poverty can be alleviated. While designing program to reduce poverty, all stakeholders must be involved including the poor themselves. Corruption, mismanagement, embezzlement and selfishness are some of the problems that must be addressed before any tangible progress can be made in reducing poverty in Africa. Policies that enable people to engage in free trade, protect individual and property rights and devolve government enterprises to the private sector offer the swiftest hope.

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