DYNAMICS OF INTERNATIONAL AID AS A POSTCOLONIAL PREDICAMENT ON TRADE AND REAL-SUSTAINABLE DEVELOPMENT IN AFRICA

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ABSTRACT

This paper devotes attention to two major themes: 1) Aid and effects of aid policies on the sustainable development process of Africa and 2) Impact of aid policies on trade and economic development in Africaies. These themes are discussed within the context of African economies.

If aid is about development as its proponents argue, how much has real sustainable development taken place in the Africa countries, particularly in Africa during the aid age that became more prominent in the postcolonial era? How many countries in Africa have made a breakthrough to the point at which they no longer need aid? For instance, to what extent has aid transformed marginalized sectors in the developing societies and if not how do they cope? Even in the New International Economic Order, it is clear that Africa countries will not be free from their aid providers and dependency syndrome.

Keywords: Aid, sustainable development, trade, economic development, dependency syndrome, New International Economic Order.

GENERAL INTRODUCTION

This paper aims at explaining how Aid and Aid policies have affected the development process of the developing countries, and the impact of aid policies on trade and economic/sustainable development in the Africa with particular reference to African economies. The paper looks at various motivations why certain countries give aid, the type of aid developing countries get, and the way it is administered.

The paper is organized into two parts. The first part examines the nature of Aid and its effect on the development process of developing countries. The second part looks at the impact of aid policies on trade and economic/sustainable development in the Africa countries, with a close look at Africa.

AID AND EFFECTS OF AID POLICIES ON DEVELOPMENT PROCESS OF DEVELOPING COUNTRIES

The aid world has become a complex of innumerable bilateral and multilateral agreements between recipients and individual donor governments, between recipients and European Development Fund (EDF), the World Bank (WB), the United Nations (UN) agencies, regional banks or Arab aid agencies. There are also a growing number of agreements such as Stabilisation of Exports (STABEX) under Lomè which give the impression that much is being done while in fact non-development marked by growing indebtedness and stagnation continues in the developing countries. What emerges from most aid agreements and practices is that they tie the economies of developing countries more closely into those of donor countries.

The major source of Africa foreign exchange is bilateral and multilateral Official Development Assistance (ODA). This includes bilateral grants, loans and technical assistance and multilateral flows, (Arnold, 1979). **Table 1** below provides figures on development assistance (ODA) from the developed nations to developing nations from 2001 to 2004. It is argued that these have grown from $50 to $55 billion per year and the poor countries pay some $200 billion to the rich countries each year. (www:globalissues.org).

Table 1: Official Development Assistance (ODA) from 2001 to 2004

	ODA in US dollars (Millions)				**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	0.32	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 Website

Note: The United Nations ODA agreed target is 0.7 per cent of GNP. Most countries do not meet that target.

Both the donor and recipients have different motivations in regard to aid. Countries that give aid do so because it is in their political, strategic or economic self-interest. While in other cases they are motivated by moral and humanitarian reasons to assist those in need. Todaro (1982) argues that politically, aid granting nations are interested in spreading their doctrines especially to those considered most strategic to serve their interests. While in the recipient countries, most of aid programmes are oriented towards purchasing their security, and propping up their sometimes-shaky regimes, than promoting long-term economic development.

Economically, proponents of foreign aid argue that external resources supplement domestic resources to meet target levels of savings, investment and foreign exchange. This financial assistance is believed to facilitate and accelerate the development process by stimulating and generating additional domestic savings through higher growth rates. Consequently, local resources become sufficient to make development process self-sustaining.

This financial assistance is supplemented by technical assistance in the form of high-level manpower transfers. This is believed to ensure that aid funds are efficiently utilized to generate economic growth without necessarily taking into account that the amount of aid should be determined by the recipient country's absorptive capacity, its ability to use those funds wisely and productively.

This means that it is the donor country that decides which LDC is to receive aid, how much and in what form, for what purpose and under what conditions on the basis of its assessment on the country's absorptive capacity. But typically, the amount of aid rarely has anything to do with LDCs' absorptive capacities; in most cases recipient countries have had little say in the matter.

Moreover, because LDCs want economic development, such development is not easily achieved due to lack of sufficient capital. These countries have to turn to the West for needed capital. There is an increasing tendency with the West of providing interest-bearing loans, which constitute 70 % of all aid instead of grants, which constitute 40%, (Todaro, 1982: 337). But do these assist development and bring the recipient to the point of being able to dispense with this help? There is little indication that these flows do assist these countries in their development process. Kofi Annan has warned against any premature rejoicing over the rising numbers of ODA by saying. "Adjusted for depreciation of the fast-falling US dollar and worldwide price inflation, the 18.4 per cent annual increase of ODA reported for 2003 relative to 2002 'falls to around a quarter of that figure'". Arabella Fraser is equally noting "rich country self-congratulation is unwarranted" because "Aid levels are still pitiful… way below the promise of 0.7 per cent, which was made 35 years ago." (*Inter Press Service*, 2005). Also indicated by OECD Website in **Table 1** where most countries' ODA is below the set standard. ODA has had significant impact on LDCs' development while benefits accrue to donor countries as a result of their aid programs. Fraser shows that aid flows are largely dictated by geo-strategic concerns rather than by efforts to reduce poverty".

Aid is given in direct proportion to the need for maintaining a system acceptable to the donor. It is not given to help the recipient achieve economic independence. It is usually taken whether or not it really assists development, even if it puts the country more in debt or makes it more vulnerable to the donor. This has made the developing countries have only a marginal capacity to manoeuvre in the economic sphere. Moreover, Africa countries, even if they may desire to be economically independent, find it difficult to break their ties with the advanced economies of the West, which they inherited from the colonial era. This has been the case with African economies where aid flow shows the involvement of industrialized nations rather than the extent to which such flows assist development.

As aid continues to be given, the recipient countries are now manoeuvred into a position in which they must lose. Most African economies are tied in a two-way economic relationship with advanced economies, principally those of the ex-metropolitan powers. Walter Rodney supports this in Arnold (1979: 21) "indeed, structural dependence is one of the characteristics of underdevelopment in Africa. This structural dependence is overwhelming with the Western industrialized countries". At present the West gives just enough to ensure that recipients cannot do without it but never enough to ensure that any African state overcomes the key bottlenecks to development. Both the donor and recipient countries have ignored the vital role to development that in order to be effective aid has to be internally responsive and internally oriented. But this can be achieved if residual links are completely broken.

Although the aid trickle down theory postulates that aid will find its way down to the people through planned bureaucracies, in fact, it has not and does not do so particularly in Africa. Survival rather than development is a problem that has confronted poorest countries in Africa. The orientation of aid programmes has indicated that aid has become a useful prop to African regimes, while often the development content of aid is lost or has seriously diminished. Much of aid is not used for development; rather it seeks to ensure the economic and political survival of a particular government. More and more African governments have come to see aid as an annual addition to their economies, and as budgetary assistance rather than development assistance. Little development therefore takes place as a result of a considerable proportion of aid inputs in the budgets. The true position is that many recipients are simply surviving with aid. The poor just borrow to survive while the long-term price for this dependence is costly and the point of take-off is always receding, (Todaro, 1985).

Moreover, aid in Africa has facilitated a continuing presence of volunteers from old colonial powers and this acts as a lubricant for neo-colonialism. These foreign advisors often give solutions that fit the concepts of the donor societies from which they come. For example, in order for an African country to increase production, the country buys fertilizer; this makes possible the production of cash crops for export, as **Table 2** below has indicated that Africa exports constitute 52 % of food agricultural products. But the cash crop now requires more and more fertilizer. They are all exported for foreign exchange needed to purchase the fertilizer. Meanwhile, as a result of concentrating upon cash crops, staple foodstuffs have been neglected so that in many cases the African country ends up importing food for local consumption formerly produced in areas now devoted for cash crops. Hence, why Africa remains to be an exporter of raw materials. The only beneficiaries of this circle are the fertilizer producing companies. Often aid in Africa is found to be producing wrong kind of development situation, (Arnold, 1979: 21). The best aid therefore, is that which equips such a country to tackle its own problems as soon as possible. Aid should not be used as a means of overcoming these problems; it should be used to equip the society itself to do so. African states need to devise their own answers to their problems.

Table 2: The Product Composition of exports from Africa – South of the Sahara (in percentage)

Food Products	Non-food Agricultural products	Minerals	Manufactures
52	13	26	9

Source: World Bank 2000.

Although to a certain extent, the developing countries of Africa have achieved breakthroughs, the results of aid are still discouraging. The poor get poorer. The faster growing population too often eats up the advances in development and real gains turn out to be minimal. The debt burden keeps on increasing. The fact is that more concessions are continually made but what is given with one hand is taken with the other.

Despite the minimal achievements by most African states to become self-reliant, there is still some remarkable degree of dependency upon development assistance from industrialised countries that are interested in maintaining the present capitalist system, rather than bringing about economic changes. The key to change is the transfer of technology. Any so-called New International Economic order will emerge if such a transfer can be brought about. The New International Economic Order would aim to end the economic domination now exercised over the Africa.

The overriding implication behind the New International Economic Order is a willingness on the part of the advanced economies to permit real sharing by the Africa in decisions and technology. The rich have got to be prepared to make concessions which, apparently, would rob them of their present advantages over the poor: the advantages that enable them control the economic order as it now exists. If developing countries really want a New Economic Order, they should be willing to break the existing pattern of economic dependence. But this may be jeopardized by too high pressures from elites and from the masses of the people in these countries.

IMPACT OF AID POLICIES ON TRADE AND ECONOMIC/SUSTAINABLE DEVELOPMENT IN THE AFRICA

Aid and trade are not watertight components. They substitute for each other to a limited extent. They may also act to reinforce or offset each other's effects. (Pincus: 1969). Trade increases the value of the world output, thereby making all parties better off than before trade. Thus, trade by enriching both parties, makes it easier for the rich to give aid to the poor to obtain it as a condition for growth.

Comparative Advantage Theory of international trade postulates that if one country can do everything better than the another, both countries still gain from each other through trade hence should give each other economic aid. If a donor country seeks to help an LDC develop at a given rate and at minimum real cost it will look upon aid, which is costless since it is just a capital transfer from abroad. But trade, according to comparative advantage costs less than any other use of resource. Thus the recipient gains on the grounds of both income transfer and comparative advantage (Pincus: 1969).

However, in the world of rich and poor, where the rich want to help the poor, the rich will seek to promote trade and the poor, to promote both aid and trade.

Aid fosters expansion of export industries in the global market. These industries help the South countries to secure more income from international trade. The Brandt Commission (2005) has noted that major increases in financial aid to the South nations would enable them to improve trade prices, boost exports and improve economic growth thereby allowing these nations to buy more foreign goods and stimulate production and trade in the North. The large transfers of resources are seen as a measure both to support growth in developing countries and to permit the significant expansion of world trade.

But in LDCs, there are forces acting both to offset the attractiveness of trade. If the country's exports rise steadily, improving balance of payments situation, donors reduce aid. This is because aid transfer adds to total resources whereas exports use resources that could be devoted to domestic production. The recipient faced with such a choice, feels better off with a given aid than with an equivalent increase in exports.

Furthermore, tying aid to the exports of recipient countries has had negative effects on their economic development. It has created a substantial debt repayment burdens, and increased their import costs. These import costs are a direct result of aid, which is tied to the country's exports, which limits the receiving nation's freedom to shop around for low-cost and suitable capital and intermediate goods. *Inter Press service* (2005) says, "Aid tied with conditions obliges recipient countries to purchase uncompetitively priced imports from the richer nations."

Additionally, private flows to developing countries from multinational corporations and investment funds also reflect the interests of investors. These flows have a direct impact on the poor nations due to flooding of the market with or dumping excess products while protecting their own markets from the products of the poor countries. Developing countries continue to face trade barriers and subsidies against even the sectors like agriculture and textiles, where they have an advantage. The estimated annual cost of Northern trade barriers to Southern economies is over $100 billion, much more than what developing countries receive in aid (Centre for Science and Environment Vol 10, 23, 2002).

Christian Aid has recently reported that sub- Saharan Africa is a massive $272 billion worse off because of "free" trade policies forced on them as a condition of receiving aid and debt relief. It noted that the reforms that rich countries forced on Africa were supposed to boost economic growth. However, the reality is that imports increased massively while exports went up only slightly. The growth only partially compensated African producers for the loss of local markets and they were left worse off. (Christian Aid, June 2005)

According to Dasgupta (2001), government aid reflects foreign policy objectives of donor government in power, which can differ from the generosity of the people of that nation. It is tied to the political objectives that benefit the donor. The World Trade Organization's Trade-related Intellectual Property Rights (TRIPS), also bars African governments from buying Aids, Malaria and tuberculosis medicine at cheap market prices. This implies unequal rules of trade that are part of the world system, that have contributed to countries such as Africa being unable to address the scourge of HIV/Aids and other problems even if they want to.

One of the root causes of poverty in developing nations lies in the powerful nations that have formulated most of the trade and aid policies which are more to do with maintaining dependency on industrialized nations, with developing nations providing cheap labour and cheap goods for the populations back home and increasing personal wealth, maintaining power over others in various ways. Kevin Watkins (2002), has been critical, even charging the industrialized nations, particularly the US and EU with hypocrisy for preaching free trade but practising mercantilism. One example he made is of America's generosity towards Africa under the Africa Growth and Opportunity Act (AGOA). This provides what, on the surface, looks like free market access to a range of textile, garment and footwear products. But when we scratch the surface, we get a different picture. Under AGOA's so-called rules-of origin provisions, the yarn and fabric used to make apparel exports which must be made either in the US or an eligible African country. If made in Africa, there is a ceiling of 1.5 per cent on share of the US market that the products in question can account for. Moreover, the AGOA's coverage is less than comprehensive. There are some 900 tariff lines not covered, for which average tariffs exceed 11 per cent. According to the International Monetary Fund (IMF), the benefits accruing to Africa from AGOA would be some $420m, or five times, greater if US removed the rules-of origin restrictions. But these restrictions reflect the realities of mercantilist trade policy. The underlying principle is that one can export to America, provided that the exporter in question uses American products rather than those of competitors.

The link between aid and trade has been the subject of renewed attention, both in the WTO and elsewhere. For instance, the UN Millennium Project in its report indicates that Africa's supply side constraints for export opportunities must be addressed in tandem with market access negotiations. Mandelson echoes this by saying that Africa needs to build trade infrastructure if it is to effectively increase its share in global trade (www.ictsd.org/week05/02/09/story4.htm).

CONCLUSION

Although some economists like Todaro (1982) argue that aid has indeed helped to promote economic growth and structural transformation in many LDCs, some others like Griffin (1990) are of the view that it has not promoted faster growth. On the contrary, it has retarded it by substituting rather than supplementing domestic savings and investment, by exacerbating LDCs balance of payments deficits as a result of rising debt repayment obligations and tying aid to exports. Griffin further criticises aid that it is crippling the LDCs economic development by focusing on and stimulating the growth of the modern sector thereby increasing the gap in the living standards between the rich and the poor in the Africa. Hence, it is seen as a force for anti-development in the sense that it both retards growth and worsens income inequalities through reduced savings. It again, widens the existing savings and foreign exchange resource gaps and further creates new ones.

Furthermore, development assistance may be a condition that nations reform their economies to certain ideological positions. Structural Adjustment has been one of these main policies as part of the neoliberal ideology, to promote export-oriented development in open economies. Yet, this has been one of the most disastrous policies in the past decades, while European and American subsidies "are also crippling Africa's chance to export its way out of poverty", (Wolfensohn in *New York Times,* 2005). He further points out that people can understand how tying aid on condition of improving human rights, or democracy might be appealing, but when tied to economic ideology, which is always proven, not always following the “one size fits all model”, the ability (and accountability) of decisions that governments would have to pursue policies they believe will help their own people are reduced.

At the United Nations Conference held in October 2003, UN Secretary General noted that “developing countries made the sixth consecutive and largest ever transfer of funds to “other countries” in 2002, a sum totalling “almost $200 billion”. Funds should be moving from developed countries to developing countries, but these numbers tell us that the opposite is happening…. Funds that should be promoting investment and growth in developing countries, or building schools and hospitals, or supporting other steps towards the Millennium Goals, are instead, being transferred abroad.”(United Nations Centre, October 30, 2003). Saradha Lyer (2005), of the Malaysia-based Third World Network, supports this,

> “instead of promoting investment in health, education, and infrastructure development in third world, this money has been channelled to the North, either because of debt servicing arrangements, asymmetries and imbalances in trade system or because of inappropriate liberalisation and privatisation measures imposed upon them by the international financial and trading system. This transfer of funds from poorer nations to the rich ones has made even the recent increase in development assistance seem little”, (www.globalissues.org).

Kevin Watkins (2002) has noted a problem of hypocrisy where the North economic corporate special interest represents an obstacle to the creation of an international trading system capable of extending the benefits of globalisation to the world’s poor. Northern countries exhibit mercantilist, or capitalist monopoly principles, rather than free market capitalism, even though that is what is preached to the rest of the world. In this context then, the current amount of aid given to poor countries does not compare to aid given to wealthier countries’ corporations and industries and hardly compensates for what is lost. Both increasing and restructuring aid will not only provide developing countries with the tools and means to develop but also help the recipients, not just the donors. As aid is more than just charity, it cannot be separated from other issues of politics and economics, which must also be considered.

With the record of corruption within impoverished countries particularly those in Africa, people will question giving them money that can be handled in other beneficial ways, for example, by giving them industry directly not money. Smith is of the view that building a balanced economy, provides consumer-buying power, and develops arteries of commerce that will absorb the production of these industries and labour in those countries. When provided with the industry, as opposed to the money to build industry, those people will have physical capital. The only profits to be made are in production; there is no development money to intercept and send to Swiss bank account. (Smith, 2002: 300 – 301). However, he mentions that, it is difficult to predict if all what is suggested will turn out to be the reality because of power politics that has characterized and shaped the world.

UN Economic and Social Council (1990) has noted that effectiveness of aid in poor countries requires a focus on economic infrastructure. Thus, it is undeniable that there has been poor governance, corruption and mismanagement in Africa due to the legacy of colonialism, the support of the G8 for repressive regimes in the cold war, the creation of the debt trap, the massive failure of SAPs imposed by the IMF and WB and the deeply unfair rules on International trade.

The role of the G8 in creating the conditions for Africa's crisis cannot be denied. Therefore, its overriding responsibility must be to end the unjust policies that are inhibiting Africa's development.

Often, aid contracts appear attractive and straightforward but the long-term effects are usually to tie the economy of the recipient more closely into the system of the donor. The more a country takes aid, the greater the restraints upon its real economic independence or chances of achieving such a state.

Aid in the postcolonial era in all its forms is a matter of hardheaded policy and everyday lived experience especially in Africa. Its provision is ruled by considerations of the donor governments. Although a substantial number of people from donor nations believe in a world where wealth can be spread equally, however, many of them possess less power or the ability to influence policy direction. Most of aid policies form part of foreign policy in any given country. This aid is given or withheld according to calculations of self-interest on the part of the donor and not solely to transform the marginalized sectors of the developing societies. This represents a political bargain. The so-called developing countries have certain resources and other attributes like strategic position, which the rich, developed nations want to obtain, or otherwise control and use. These rich advanced economies, in their turn, have surplus capital and technology, which they are prepared to export to the developing countries. Many of the resulting bargains between the two sides lead to aid relationship. A major difficulty about this relationship is that almost all the bargaining muscle is on the side of the 'well to do' economies because they can set any conditions on their aid. Most developing economies, particularly African economies, even when well endowed with resources, have little room in which to manoeuvre. Pressed by the rising expectations of their peoples, reinforced by exploding rates of population growth, most often, they are obliged to settle for aid on terms which the donor offers, prominently for conformity or relief instead of transformational development.

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