DEAD AID

WHY AID IS NOT WORKING AND HOW THERE IS A BETTER WAY FOR AFRICA

Dambisa Moyo

Farrar, Straus and Giroux

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Foreword

by Niall Ferguson

It has long seemed to me problematic, and even a little embarrassing, that so much of the public debate about Africa's economic problems should be conducted by non-African white men. From the economists (Paul Collier, William Easterly, Jeffrey Sachs) to the rock stars (Bono, Bob Geldof), the African discussion has been colonized as surely as the African continent was a century ago. The simple fact that *Dead Aid* is the work of an African black woman is the least of the reasons why you should read it. But it is a good reason nonetheless.

Born and educated in Zambia, Dambisa Moyo also brings to her subject a rare combination of academic expertise and 'real world' experience. Her training in economics took her from the World Bank to Harvard and on to Oxford, where she obtained her doctorate. Since leaving the academy, she has spent eight highly successful years at Goldman Sachs, most recently as Global Economist and Strategist. It is quite a CV.

And this is quite a book. Though she is not the first writer to criticize Western aid programmes in Africa, never has the case against aid been made with such rigour and conviction. Why, asks Moyo, do the majority of sub-Saharan countries 'flounder in a seemingly never-ending cycle of corruption, disease, poverty, and aid-dependency', despite the fact that their countries have received more than US$300 billion in development assistance since 1970, The answer she gives is that African countries are poor precisely *because* of all that aid. Despite the widespread Western belief that 'the rich should help the poor, and the form of this help should be aid', the reality is that aid has helped make the poor poorer, and growth slower. In Moyo's startling words: 'Aid has been, and continues to be, an unmitigated political, economic, and humanitarian disaster for most parts of the developing world.' In short,

it is (as Karl Kraus said of Freudianism) 'the disease of which it pretends to be the cure'.

The correlation is certainly suggestive, even if the causation may be debated. Over the past thirty years, according to Moyo, the most aid-dependent countries have exhibited an average annual growth rate of *minus* 0.2 per cent. Between 1970 and 1998, when aid flows to Africa were at their peak, the poverty rate in Africa actually rose from 11 per cent to a staggering 66 per cent.

Why? Moyo's crucial insight is that the receipt of concessional (non-emergency) loans and grants has much same effect in Africa as the possession of a valuable natural resource: it's a kind of curse because it encourages corruption and conflict, while at the same time discouraging free enterprise.

Moyo recounts some of the more egregious examples of aid-fuelled corruption. In the course of his disastrous reign, Zaire's President Mobutu Sese Seko is estimated to have stolen a sum equivalent to the entire external debt of his country: US$5 billion. No sooner had he requested a reduction in interest payments on the debt than he leased Concorde to fly his daughter to her wedding in the Ivory Coast. According to one estimate, at least US$10 billion – nearly half of Africa's 2003 foreign aid receipts – leave the continent every year.

The provision of loans and grants on relatively easy terms encourages this kind of thing as surely as the existence of copious oil reserves or diamond mines. Not only is aid easy to steal, as it is usually provided directly to African governments, but it also makes control over government worth fighting for. And, perhaps most importantly, the influx of aid can undermine domestic saving and investment. She cites the example of the African mosquito net manufacturer who is put out of business by well-intentioned aid agencies doling out free nets.

Moyo offers four alternative sources of funding for African economies, none of which has the same deleterious side effects as aid. First, African governments should follow Asian emerging markets in accessing the international bond markets and taking advantage of the falling yields paid by sovereign borrowers over the past decade. Second, they should encourage the Chinese policy of large-scale direct investment in infrastructure. (China invested US$900 million in Africa in 2004, compared with just US$20 million in 1975.) Third, they should continue to press for genuine free trade in agricultural products, which means that the US, the EU and Japan must scrap the various subsidies they pay to their farmers, enabling African countries to increase their earnings from primary product exports. Fourth, they should encourage financial intermediation. Specifically, they need to foster the spread of microfinance institutions of the sort that have flourished in Asia and Latin America. They should also follow the Peruvian economist Hernando de Soto's advice and grant the inhabitants of shanty towns secure legal title to their homes, so that these can be used as collateral. And they should make it cheaper for emigrants to send remittances back home.

In *Dead Aid*, Dambisa Moyo does not pull her punches. 'In a perfect world,' she writes, 'what poor countries at the lowest rungs of economic development need is not a multi-party democracy, but in fact a decisive benevolent dictator to push through the reforms required to get the economy moving.' In other words, rushing to elections before economic growth has got underway is a recipe for failure. But her most radical proposal comes in the form of a question. 'What if,' she asks, 'one by one, African countries each received a phone call . . . telling them that in exactly five years the aid taps would be shut off – permanently?'

The phrase 'shock therapy' fell into some disrepute in Eastern Europe in the 1990s. Yet that is precisely what Dambisa Moyo wants to give her African homeland. It may seem draconian. Yet it is worth remembering that, as she points out, 'just thirty years ago Malawi, Burundi and Burkina Faso were economically ahead of China on a per capita income basis'. Foreign direct investment and rapidly growing exports, not aid, have been the key to China's economic miracle. Africa needs to learn from Asia.

This is strong medicine that is being prescribed. But no one who reads *Dead Aid* will doubt that Dambisa Moyo's primary motivation is to reduce, not to increase, hardship. This is an African

view of Africa's economic problems. The result is a book that manages to be, at one and the same time, hard-headed and big-hearted. This reader was left wanting a lot more Moyo, and a lot less Bono.

Preface

In July 1970, ninety students graduated from the University of Zambia, in the country's capital, Lusaka. Among them were the university's first black graduates (including some ten young women), and my parents were two of them. They were both studying for undergraduate degrees – my father reading linguistics, and my mother English. They came from different tribes, from different parts of rural colonial Africa: my father, the son of a miner in apartheid South Africa; my mother, the daughter of a man who would later train to be a teacher. My mother did not speak my father's language, and hence they mainly conversed in English. They met and married while still students.

Zambia (formerly known as Northern Rhodesia) had been independent from British colonial rule for just six years, and the excitement at the prospect of what amazing things lay ahead was palpable. Although, upon graduation, my mother had eleven job offers (at the time companies were very eager to employ black graduates), my father wished to continue his studies. He was offered a scholarship at the University of California at Los Angeles in the USA and, very soon afterwards, my parents packed up my sister and me and decamped to America. Our move was all planned. My parents' goal was for my father to further his education (later my mother would complete an advanced degree in Britain), and then return to Africa.

The 1970s were an exciting time to be African. Many of our nations had just achieved independence, and with that came a deep sense of dignity, self-respect and hope for the future. My parents lived, worked, and studied in the USA for eight years and upon my father's Ph.D. graduation, in 1978, they promptly moved back to Zambia, convinced that their future, and the futures of their

children, lay in their homeland. My parents have never lived abroad again – remaining steadfastly committed to the view that they can help their country, their continent (contributing in their own small ways), to one day become politically and economically great. My mother has forged a career in banking – starting as the first Zambian woman bank manager, and rising to be Chairman of one of Zambia's leading banks. My father has stayed true to academia but has involved himself in broadcasting and also run an anti-corruption organization.

I spent my formative years in Zambia – primary, secondary, and tertiary school; ending up studying Chemistry at the same university as my parents seventeen years earlier. But in July 1990 my studies were interrupted by an attempted coup against the then President, Kenneth Kaunda. Although it didn't last long, the disruption was enough to shut the university down and have the students sent home. This would be the trigger for me to leave Zambia and, like my father before me, I ended up in the United States on a scholarship, eager to complete my higher education. And, like both my parents, I was certain that I would soon return.

I spent two years at the World Bank in Washington DC, two years doing a Master's at Harvard, and another four years completing a doctorate in Economics at Oxford. While away, I missed key moments in my country's history – our political move from one-party state to multi-party democracy in 1991 (it was the first former British colony in Africa to have its president removed by ballot rather than bullet), the overhaul of our economy from socialism to capitalism, and the tragic advent of the HIV–AIDS epidemic.

Although pulled by family and cultural ties in Zambia, every time I looked, prospects for my personal development appeared to diminish. There seemed to be fewer and fewer reasons for me to return, and more and more reasons for me to stay away. I could not help feeling that job opportunities commensurate with my education and experience lay not at home, but abroad. Those jobs that did exist at home (of course there were highly paid jobs available) were in an environment laden with creaking bureaucracy.

My best friend took a different tack. Having reached academic heights at the best of America's universities, against her better judgement and my warnings she decided to return home. She has spent the last three years providing much-needed help in our country's social sector. But now she is ready to leave Zambia once more. Not because she doesn't love her job, not because she hasn't helped, but because she, like many other educated Africans who live abroad but are desperate to return home, feels that her country continues to flounder in a seemingly never-ending cycle of corruption, disease, poverty, and aid-dependency. She looks at her situation and asks herself, what is going wrong here?

To be sure, Africa is not one country. It is a continent; a collection of over fifty nations with often vastly different histories, with peoples as disparate as those of North America and south-east Asia, varying lingua francas, and very divergent cultures and religious beliefs.

As a former French colony with Arab influences and a mainly Muslim population, Senegal is quite different from Malawi, a former British colony where Christianity is the dominant religion. And what do lusophone Angola and Mozambique have in common with Ethiopia, which was never colonized? (Ethiopia's defeat of the Italians at the Battle of Adowa, in 1896, meant the country remained, for all intents and purposes, independent until the Italian invasion of 1935.[1])

And economically, besides both being commodity exporters, tea-producing Kenya is structurally quite different from the ex-Belgian colony of the Democratic Republic of Congo, which remains a large mineral exporter with more localized pockets of employment. And the health challenges faced by Ghana (where the prevalence of HIV–AIDS is 2.2 per cent in the population) are undoubtedly quite different from those faced by Swaziland, where reputedly whole villages have been wiped out by the ravages of the disease (prevalence is around 26 per cent of the population – it was almost 40 per cent in 2003).

But there are, sadly, common ties that bind sub-Saharan African countries together. Well-publicized are the degree of poverty,

the extent of corruption, the incidence of disease, the dearth of infrastructure, the erratic (but mainly poor) economic showing, political instability, and the historical propensity for violent unrest and even civil war. These are universal themes shared, albeit in varying degrees, across most nations of the African continent. They are the issues that policymakers and governments grapple with each and every day in poverty-stricken Chad, war-torn Somalia, or disease-afflicted Botswana. Whether you are in Zambia, which today has a population of around 10 million people with seventy-two different dialects, or in next-door Zimbabwe, where, with roughly the same population, the indigenous African population can be loosely split into just two large tribal groupings (Shona and Ndebele), Africa's common challenges are real and undeniably stark. Fortunes and misfortunes are intertwined. Even where there are pockets of economic success, it is worth remembering that in the long term no country in Africa can truly exist as an island of prosperity on its own.

For me, finding a sustainable solution to Africa's woes is a personal quest. Having been raised in one of the poorest countries in the world, I feel a strong desire to help families like my own, who continue to suffer the consequences of economic failure every day of their lives. Throughout my professional and academic life as a student of economics I have pondered the question of development. I have often wondered, while other emerging regions have ostensibly turned the corner towards economic prosperity, why my continent has failed. This book is a consequence of my thoughts and deliberations over the years.

This book is written for Africans and African policymakers; and for those in the West and the broader international community who truly wish to see Africa progress. In what follows, I offer my perspective on how we got where we are, and propose ways to find the economic growth which has until now remained elusive.

Although the *Dead Aid* thesis might be controversial, it carries an important message. The lives of billions rest on getting the right financing solutions to the problems of developing nations. After

more than five decades of the wrong diagnosis, it is time now to turn the corner and take the harder but indisputably better road. It is the clarion call for change.

Introduction

We live in a culture of aid.

We live in a culture in which those who are better off subscribe – both mentally and financially – to the notion that giving alms to the poor is the right thing to do. In the past fifty years, over US$1 trillion in development-related aid has been transferred from rich countries to Africa. In the past decade alone, on the back of Live 8, Make Poverty History, the Millennium Development Goals, the Millennium Challenge Account, the Africa Commission, and the 2005 G7 meeting (to name a few), millions of dollars each year have been raised in richer countries to support charities working for Africa.

We are made to believe that this is what we ought to be doing. We are accosted on the streets and goaded with pleas on aeroplane journeys; letters flow through our mail boxes and countless television appeals remind us that we have a moral imperative to give more to those who have less. At the 2001 Labour conference, the UK's Prime Minister of the time, Tony Blair, remarked that 'The State of Africa is a scar on the conscience of the world', and that the West should 'provide more aid' as, thus far, amidst the multiple problems facing Africa, the continent had received inadequate amounts of aid.[1]

Deep in every liberal sensibility is a profound sense that in a world of moral uncertainty one idea is sacred, one belief cannot be compromised: the rich should help the poor, and the form of this help should be aid.

The pop culture of aid has bolstered these misconceptions. Aid has become part of the entertainment industry. Media figures, film stars, rock legends eagerly embrace aid, proselytize the need for it, upbraid us for not giving enough, scold governments for not doing enough – and governments respond in kind, fearful of losing

popularity and desperate to win favour. Bono attends world summits on aid. Bob Geldof is, to use Tony Blair's own words, 'one of the people that I admire most'. Aid has become a cultural commodity.

Millions march for it.

Governments are judged by it.

But has more than US$1 trillion in development assistance over the last several decades made African people better off? No. In fact, across the globe the recipients of this aid are worse off; much worse off. Aid has helped make the poor poorer, and growth slower. Yet aid remains a centrepiece of today's development policy and one of the biggest ideas of our time.

The notion that aid can alleviate systemic poverty, and has done so, is a myth. Millions in Africa are poorer today because of aid; misery and poverty have not ended but have increased. Aid has been, and continues to be, an unmitigated political, economic, and humanitarian disaster for most parts of the developing world.

How this happened, how the world was gripped with an idea that seemed so right but was in fact so wrong, is what this book is about. *Dead Aid* is the story of the failure of post-war development policy.

Step by step it will dismantle the assumptions and arguments that have supported the single worst decision of modern developmental politics, the choice of aid as the optimum solution to the problem of Africa's poverty. The evidence is as startling as it is obvious. It will contrast countries which have rejected the aid route and prospered with others which have become dependent on aid and been trapped in a vicious circle of corruption, market distortion and further poverty – and thus the 'need' for more aid.

Others before me have criticized aid. But the myth of its effectiveness persists. *Dead Aid* will offer a new model for financing development for the world's poorest countries: one that offers economic growth, promises to significantly reduce African poverty, and most importantly does not rely on aid.

This book is not a counsel of despair. Far from it. The book offers another road; a road less travelled in Africa. Harder, more

demanding, more difficult, but in the end the road to growth, prosperity, and independence for the continent. This book is about the aid-free solution to development: why it is right, why it has worked, why it is the only way forward for the world's poorest countries.

PART I

The World of Aid

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WHY AID IS NOT WORKING AND HOW THERE IS A BETTER WAY FOR AFRICA

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1. The Myth of Aid

The state of Africa

A decade ago, it was easy to paint a bleak picture of the African continent. Economic prospects were grim, corruption was rampant, social capital was debilitated, tyrannical states were the order of the day, and infrastructure lay in ruins.

Over the past five years, there have been signs that warrant a sliver of optimism. Many African economies have posted annual growth rates around 5 per cent, and a number of countries now host democratic elections.

Three factors are at the core of the African revival.

First, the surge in commodity prices – oil, copper, gold, and foodstuffs – in the last several years has fuelled African exports and increased export revenue. Second, on the back of the market-based policies instituted in the late 1980s, African countries have benefited from a positive policy dividend. This has left Africa's macroeconomic fundamentals on the up (growth on the rise, inflation down, more transparent, prudent, and stable monetary and fiscal performance). And despite the news headlines, there have been some noteworthy improvements in social indicators in some countries. In Kenya, for example, HIV prevalence rates have fallen from 15 per cent in 2001 to 6 per cent at the end of 2006.[1] Third, there have been some notable strides in the political landscape across the continent; more than just on paper. For example, of forty-eight sub-Saharan African countries, over 50 per cent hold regular democratic elections that can be deemed free and fair.[2] The occurrence of democratic elections and decline in the levels of perceived corruption in a number of countries (for example, Angola, Ghana, Senegal, Tanzania, Uganda, and, yes, even Nigeria) point to a vastly improved investment climate.

If you simply believe the media headlines, are taken in by the soundbites and quips, you would almost for sure have missed out on some key milestones in Africa's financial development.

Established in 1887, the Johannesburg Stock Exchange is sub-Saharan Africa's oldest stock market. Its opening was followed by Bulawayo's exchange, in what was then the colony of Rhodesia, in 1896, and then Windhoek's, in present-day Namibia, in 1910.[3] Today sixteen African countries boast functioning and transparent stock markets (Botswana, Cameroon, Ghana, Kenya, Malawi, Mauritius, Mozambique, Namibia, Nigeria, South Africa, Swaziland, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe), with market capitalization in 2008 (excluding South Africa) around US$200 billion (around half of the region's GDP).

While it is true that stock market liquidity – the ease with which an investor can buy or sell shares – across most African exchanges is relatively low at an annual turnover ratio of 6 per cent in 2008 (versus an average of 85 per cent in more-developed emerging economies such as Brazil, Russia, India and China), between 2005 and 2006 the growth in liquidity, measured as turnover, was over 50 per cent. All things being equal, liquidity across African markets should markedly improve in the near term.[4]

In three of the past five years African stock exchanges have ranked among the best places to invest, with listed stock returns averaging 40 per cent. Companies like Zambeef (one of Africa's largest agri-businesses, involved in the production, processing, distribution and retailing of beef, chickens, eggs, milk and dairy products) returned 150 per cent in real US$ terms in 2007, and between 2005 and early 2008 the Nigerian banking sector has returned around 300 per cent.

Performance across Africa's bond markets is also impressive. Local debt returned investors 15 per cent in 2006, and 18 per cent in 2007. In the last five years average African credit spreads have collapsed by 250 basis points. What this means is that if a country issues US$100 million in debt, it is saving itself US$2.5 million per year relative to where it was five years ago. And African Private

Equity investments have had a steady record, reputedly yielding around 30 per cent over the past ten years.

But, despite these important recent strides in the macroeconomy and the political landscape, overall the picture in terms of trends in Africa remains a challenging one.

With an average per capita income of roughly US$1 a day, sub-Saharan Africa remains the poorest region in the world.[5] Africa's real per capita income today is lower than in the 1970s, leaving many African countries at least as poor as they were forty years ago. With over half of the 700 million Africans living on less than a dollar a day, sub-Saharan Africa has the highest proportion of poor people in the world – some 50 per cent of the world's poor. And while the number of the world's population and proportion of the world's people in extreme poverty fell after 1980, the proportion of people in sub-Saharan Africa living in abject poverty increased to almost 50 per cent. Between 1981 and 2002, the number of people in the continent living in poverty nearly doubled, leaving the average African poorer today than just two decades ago. And looking ahead, the 2007 United Nations Human Development Report forecasts that sub-Saharan Africa will account for almost one third of world poverty in 2015, up from one fifth in 1990 (this largely due to the dramatic developmental strides being made elsewhere around the emerging world).

Life expectancy has stagnated – Africa is the only continent where life expectancy is less than sixty years; today it hovers around fifty years, and in some countries it has fallen back to what it was in the 1950s (life expectancy in Swaziland is a paltry thirty years). The decrease in life expectancy is mainly attributed to the rise of the HIV–AIDS pandemic. One in seven children across the African continent die before the age of five.[6] These statistics are particularly worrying in that (as with many other developing regions of the world), roughly 50 per cent of Africa's population is young – below the age of fifteen years.

Adult literacy across most African countries has plummeted below pre-1980 levels. Literacy rates, health indicators (malaria,

water-borne diseases such as bilharzia and cholera) and income inequality all remain a cause for worry. And still across important indicators, the trend in Africa is not just downwards: Africa is (negatively) decoupling from the progress being made across the rest of the world. Even with African growth rates averaging 5 per cent a year over the past several years, the Africa Progress Panel pointed out in 2007 that growth is still short of the 7 per cent that needs to be sustained to make substantial inroads into poverty reduction.[7]

On the political side, some 50 per cent of the continent remains under non-democratic rule. According to the Polity IV database, Africa is still home to at least eleven fully autocratic regimes (Congo-Brazzaville, Equatorial Guinea, Eritrea, Gabon, The Gambia, Mauritania, Rwanda, Sudan, Swaziland, Uganda and Zimbabwe). Three African heads of state (dos Santos of Angola, Obiang of Equatorial Guinea and Bongo of Gabon) have been in power since the 1970s (having ascended to power on 2 December 1967, President Bongo has recently celebrated his fortieth year in power). Five other presidents have had a lock on power since the 1980s (Compaore of Burkina Faso, Biya of Cameroon, Conte of Guinea, Museveni of Uganda and Mugabe of Zimbabwe). Since 1996, eleven countries have been embroiled in civil wars (Angola, Burundi, Chad, Democratic Republic of Congo, Republic of Congo, Guinea Bissau, Liberia, Rwanda, Sierra Leone, Sudan and Uganda).[8] And according to the May 2008 annual Global Peace Index, out of the ten bottom countries four African states are among the least peaceful in the world (in order, Central African Republic, Chad, Sudan and Somalia) – the most of any one continent.

Why is it that Africa, alone among the continents of the world, seems to be locked into a cycle of dysfunction? Why is it that out of all the continents in the world Africa seems unable to convincingly get its foot on the economic ladder? Why in a recent survey did seven out of the top ten 'failed states' hail from that continent? Are Africa's people universally more incapable? Are its leaders genetically more venal, more ruthless, more corrupt? Its policy-makers more innately feckless? What is it about Africa that holds

it back, that seems to render it incapable of joining the rest of the globe in the twenty-first century?

The answer has its roots in aid.

What is aid?

Broadly speaking there exist three types of aid: humanitarian or emergency aid, which is mobilized and dispensed in response to catastrophes and calamities – for example, aid in response to the 2004 Asian tsunami, or monies which targeted the cyclone-hit Myanmar in 2008; charity-based aid, which is disbursed by charitable organizations to institutions or people on the ground; and systematic aid – that is, aid payments made directly to governments either through government-to-government transfers (in which case it is termed bilateral aid) or transferred via institutions such as the World Bank (known as multilateral aid).

While there are obvious and fundamental merits to emergency aid, criticisms can be levelled against it as well as against charitable giving. Charities are often criticized, with some justification, for poor implementation, high administrative costs and the fact that they are on occasion coerced to do their donor government's bidding – despite the obvious lack of relevance to a local context. For example, in 2005, the United States pledged US$15 billion over five years to fight AIDS (mainly through the President's Emergency Plan for AIDS Relief (PEPFAR) launched in January 2003).[9] But this had strings attached. Two thirds of the money had to go to pro-abstinence programmes, and would not be available to any organizations with clinics that offered abortion services or even counselling. And nine months after the 2004 Asian tsunami, for whatever the reason (bureaucracy, institutional inefficiencies or the absence of suitable organizations on the ground to disburse the monies), the charity World Vision had spent less than a quarter of the US$100 million it had raised.

But this book is not concerned with emergency and charity-based aid. The significant sums of this type of aid that flow to

Africa simply disguise the fundamental (yet erroneous) mindset that pervades the West – that aid, whatever its form, is a good thing. Besides, charity and emergency aid are small beer when compared with the billions transferred each year directly to poor countries' governments.

Large systematic cash transfers from rich countries to African governments have tended to be in the form of concessional loans (that is, money lent at below market interest rates, and often for much longer lending periods than ordinary commercial markets) or grants (which is essentially money given for nothing in return).

There is a school of thought which argues that recipient countries view loans, which carry the burden of future repayment, as different from grants. That the prospects of repayment mean loans induce governments to use funds wisely and to mobilize taxes and maintain current levels of revenue collection. Whereas grants are viewed as free resources and could therefore perfectly substitute for a government's domestic revenues.

This distinction has led many donors to push for a policy of grants instead of loans to poor countries. The logic is that much of the investment that poor countries need to make has a long gestation period before it starts to produce the kinds of changes in GDP growth that will yield the tax revenues needed to service loans. Indeed, many scholars have argued that it was precisely because many African countries have, over time, received (floating rate) loans, and not grants, to finance public investments that they became so heavily indebted, and that aid has not helped them reach their development objectives.

Yet ultimately the question becomes how strongly recipient governments perceive loans as being different from grants. If a large share of foreign loans are provided on highly concessional terms, and loans are frequently forgiven, policymakers in poor economies may come to view them as roughly equivalent to grants, and as such the distinction between (aid) loans and grants as practically irrelevant. Over recent decades, the pattern of aid to Africa seems to gel with this view of the world – one in which loans are not seen as distinct from grants.

Therefore, for the purposes of this book, aid is defined as the sum total of both concessional loans and grants. It is these billions that have hampered, stifled and retarded Africa's development. And it is these billions that *Dead Aid* will address.

2. A Brief History of Aid

The tale of aid begins in earnest in the first three weeks of July 1944, at a meeting held at the Mount Washington Hotel in Bretton Woods, New Hampshire, USA. Against the backdrop of the Second World War, over 700 delegates from some forty-four countries resolved to establish a framework for a global system of financial and monetary management.[1] As discussed later, it is from this gathering that the dominant framework of aid-infused development would emerge.

The origins of large-scale aid transfers date as far back as the nineteenth century – when even in 1896 the US provided overseas assistance in the form of food aid. Under the Colonial Development Act of 1929, the British government administered grants for infrastructure projects across poorer countries. Aid transfers in these early periods were as much about donor largesse as they were about political control over the colonial domain, and only later, in the 1940 British Colonial Development and Welfare Act, was the programme expanded to allow funding of social sector activities.

Post-war aid can be broken down into seven broad categories: its birth at Bretton Woods in the 1940s; the era of the Marshall Plan in the 1950s; the decade of industrialization of the 1960s; the shift towards aid as an answer to poverty in the 1970s; aid as the tool for stabilization and structural adjustment in the 1980s; aid as a buttress of democracy and governance in the 1990s; culminating in the present-day obsession with aid as the only solution to Africa's myriad of problems.

The main agenda of the Bretton Woods conference was to restructure international finance, establish a multilateral trading system and construct a framework for economic cooperation that would avoid a repeat of the Great Depression of the 1930s. As they anticipated the post-Second World War era, the architects of the

1944 Bretton Woods gathering foresaw that if Europe were to regain any semblance of social, political or economic stability, vast injections of aid would have to be poured in. There was a clear recognition that in the post-war period the fractured nations of Europe would need a massive cash injection to spur a return to their previous levels of development. Damaged though Europe was, this money was (fortuitously) going into already existing physical, legal and social infrastructures which simply needed fixing.

John Maynard Keynes, the pre-eminent British economist, and Harry Dexter White, at that time the US Secretary of State, led the discussions which laid the foundations for three organizations: the International Bank for Reconstruction and Development (commonly known as the World Bank), the International Monetary Fund (IMF) and the International Trade Organization.

At the time of their inception, the exact responsibilities of the World Bank and the IMF were clearly delineated. In very broad terms, the World Bank was designed to facilitate capital investment for reconstruction, and in the aftermath of the war the IMF was to manage the global financial system. In later years, both institutions would come to occupy centre-stage in the development discourse, but the original mandate targeted reconstruction, rather than development per se.

At its core, the reconstruction agenda assumed that the demands on post-war investment could not be met without some adequate means of pooling the investment risk between countries. There was wide acknowledgement that few countries would be able to fulfil the role of foreign lender; and the basic principle of the World Bank was that no matter what country actually did the foreign lending, all member nations should participate in underwriting the risk involved. Early financial transfers from international institutions included a US$250 million reconstruction loan to France signed on 9 May 1946, followed by reconstruction loans to the Netherlands, Denmark and Luxembourg in August 1947. These aid transfers were undoubtedly at the heart of the reconstruction process that almost certainly contributed to the economic powerhouse that Europe has become today.

Alongside the World Bank, the IMF was mandated with the specific responsibility of promoting the stability of the world economy. At the time it began operations on 1 March 1947, the IMF was charged with promoting and supervising international monetary cooperation amongst countries, and thus forestalling any possible global financial crisis. By the end of the 1940s an aid-led economic framework was firmly in place, but it was not until later in the decade that the first large-scale government-to-government aid transfer occurred.

On 5 June 1947, at Harvard University, the US Secretary of State, George C. Marshall, outlined a radical proposal by which America would provide a rescue package of up to US$20 billion (over US$100 billion in today's terms) for a ravaged Europe.[2] As Europe emerged from the devastation of the Second World War with little to sell for hard currency, and experiencing one of the worst winters on record, General Marshall argued for an aggressive financial intervention by the United States. In return, European governments would draw up an economic revival plan.

Under the Marshall Plan, the United States embarked on an aid programme to fourteen European countries which saw the transfer of assistance worth roughly US$13 billion throughout the five-year life of the plan from 1948 to 1952. Among the top five aid recipients from the Marshall Plan were Great Britain, which received the lion's share of 24 per cent, and France, Italy and Germany, which received 20, 11 and 10 per cent, respectively. In per capita terms smaller European countries received more support: Norway received US$136 per person, Austria US$131, Greece US$128 and the Netherlands US$111.

The idea that the Marshall Plan is hailed as a success has remained, to a large extent, unquestioned. The plan was clearly successful in bringing Western Europe back onto a strong economic footing, providing the US with the vehicle to influence foreign policy, winning it allies in Western Europe and building a solid foundation for US-led multilateralism. Aid had restored broken infrastructure. Aid had brought political stability, restored hope and not only given a future to defeated peoples, to bankrupt nations and to broken lands, but also benefited the donor nation itself, keeping the US economy afloat while the world around it had crumbled.

More importantly, if aid worked in Europe, if it gave to Europe what Europe needed, why couldn't it do the same everywhere else? By the end of the 1950s, once reconstruction in Europe was seen to be working, attention turned towards other parts of the world, and specifically, in the context of aid, Africa.

Africa was ripe for aid. The continent was characterized by a largely uneducated population, low-salaried employment, a virtually non-existent tax base, poor access to global markets and derelict infrastructure. Armed with the ideas and experience of the Marshall Plan, richer countries saw Africa as a prime target for aid. So aid began to appear.

As the US funnelled large sums to Europe through the Marshall plan, World Bank and IMF resources were freed up. Monies that had been earmarked by the Bretton Woods institutions for post-war European reconstruction could now be directed towards the emerging (African) development agenda.

Perhaps more crucially for the aid-based agenda that ensued, it was widely assumed that poor countries lacked the financial capital to spur development. In the wake of the Marshall Plan success, it became a widely accepted view that investment capital was critical for economic growth. In the absence of any significant domestic savings and lacking the physical and human capital to attract private investment, foreign aid was seen as the only way to trigger higher investment, which would thus lead to higher economic growth. As far as policymakers could see, there was no obvious alternative.

There were of course other reasons why Britain, America and to a lesser extent France turned their attention to Africa. By the mid-1950s Africa was undergoing profound changes – with Western powers loosening the chains of colonialism, many countries were gaining their independence. Countries such as Ghana in 1957, Kenya in 1963, and Malawi and Zambia in 1964 broke from the colonial fold to become independent states between 1956 and 1966; in all, thirty-one African countries did so. Independent they

may have been on paper, but independence dependent on the financial largesse of their former colonial masters was the reality. For the West, aid became a means by which Britain and France combined their new-found altruism with a hefty dollop of self-interest – maintaining strategic geopolitical holds. For the US, aid became the tool of another political contest – the Cold War.

While the Cold War was peppered with outbreaks of physical hostility (for example, in Korea), much of the battle for world hegemony between the US and the USSR was fought economically and on foreign soil. The choice of weapon – aid. Africa saw many such battles. Aid became the key tool in the contest to turn the world capitalist or communist. The Soviet Union was, of course, a staunch supporter (and financier) of some of Africa's greatest communists – Patrice Lumumba in Congo and Mengistu Haile Mariam in Ethiopia. And the US, by contrast, rewarded its supporters, such as Zaire's Mobutu Sese Seko.

As such, the aid imperative took on an added dimension: not how deserving a country might be or the nature of its leadership, but rather the willingness of a desperately impoverished country to ally itself with one camp or another – benevolent leader or vicious tyrant, as long as they were onside, what did it matter?

It is impossible to know for sure what the true motivations for granting foreign aid to Africa were, but granted it was.

The 1960s: the decade of industrialization

By the beginning of the 1960s some US$100 million in aid had been transferred to the African continent. This was a mere trickle compared to the avalanche of billions of dollars of aid that would eventually make its way to Africa.

The early part of the 1960s also saw the underlying shift towards a greater focus on aid funding for large-scale industrial projects. The prevailing view was that because these projects had longer-term pay-offs (for example, the funding of infrastructure projects such as roads and railways), they were unlikely to be funded by the

private sector. One such example is the double-curvature, hydro-electric, concrete arch Kariba dam that straddles the border between Zambia and Zimbabwe; it was built throughout the decade. The dam, whose construction began under British colonial rule in the mid-1950s, was finally completed at a cost of US$480 million in 1977. Today it still ranks as one of the largest dams in the world.

By 1965, when around half of sub-Saharan Africa's roughly fifty states were independent, aid had already reached at least US$950 million. Ghana, which had won its independence from Britain in 1957, had received as much as US$90 million in aid flows. Zambia, Kenya and Malawi, all independent by 1964 had, on average, received about US$315 million each by the end of the decade. Statistical records from the 1960s are scant, and estimates of the miles of tarred road and railway track, the numbers of bridges and airports, that aid helped build remain unclear. As such, the true value of the surfeit of aid that had gone to Africa remains open to debate, but by the beginning of the 1970s there was still not much infrastructure to speak of.

The foreign aid agenda of the 1970s: the shift to a poverty focus

On 17 October 1973, Arab states placed an embargo on oil as a retaliation for US support for Israel in the Yom Kippur War. In just a few months, the price of petrol quadrupled, sending the global economy into turmoil. As oil prices soared, oil-exporting countries deposited the additional cash with international banks, which in turn eagerly sought to lend this money to the developing world. Lax economic and financial policies (for example, the low amounts central banks required commercial banks to keep in reserve) meant that the volume of lending to even the poorest and most un-creditworthy countries around the world was enormous. The wall of freely supplied money led to extremely low, and even negative, real interest rates, and encouraged many poorer

economies to start borrowing even more in order to repay previous debts.

In Africa, as oil prices rose many countries saw food prices rocket and recession take hold. In 1975 Ghana's GDP contracted by 12 per cent, inflation rose from 3 per cent in 1970 to 30 per cent in 1975, and shot to 116 per cent in 1977. In Congo-Kinshasa, inflation rose from 8 per cent in 1970 to 80 per cent in 1976, and reached 101 per cent in 1979. Almost inevitably, food and commodity price shocks fuelled by rises in oil prices led to the shift towards a more poverty-based approach to development.

Under Robert McNamara, the World Bank very publicly reoriented its strategies towards this more pronounced poverty focus. Donor countries followed suit: in 1975 the UK published its white paper *More Aid for the Poorest* and in the same year the US passed the International Development and Food Assistance Act, which stipulated that 75 per cent of its Food for Peace Program would go to countries with a per capita income of less than US$300.

In practical terms this meant redirecting aid away from large infrastructure investment (power, transport, etc.), and towards projects in agriculture and rural development, social services (including housing, education and health), mass inoculation programmes, adult literacy campaigns, as well as food for the malnourished. The emphasis was now on the poor. By the end of the 1970s the proportion of aid allocated to social services had crept to over 50 per cent, up from under 10 per cent in the previous decade.

Although in the mid-1970s nearly two thirds of aid was for infrastructure – roads, railways, water and sewerage, ports, airports, power stations and telecommunications, the proportion of poverty-oriented lending rose from 5 per cent in the late 1970s to 50 per cent by the early 1980s. In the year of the first oil spike (between 1973 and 1974) the volume of poverty-related aid flows increased threefold; it more than doubled at the time of the second oil jump between 1979 and 1980. It should be understood that, like the majority of the infrastructure aid, much of the poverty-related aid did not come for free. Aid costs money. And unless it's in the form of grants, it has to be paid back, with interest. This point would later come back to haunt many African states.

By the beginning of the 1970s the growth-oriented strategy was widely believed in policy circles to have failed in its mission to deliver sustained economic growth. Mounting numbers of people living in a state of absolute poverty, increasing levels of unemployment, rising income inequality, worsening balance of trade positions and a growing sense that sustained growth – real sustained growth – could not occur without materially improving the livelihood of society's poor demanded a new aid strategy.

Yet, despite the aid aimed at poverty alleviation, recipients under the programme in countries such as Zambia would later see their poverty levels skyrocket and growth rates plummet. Another shift was underway in the 1970s. Up until the early part of the decade the US government (under the auspices of the US Agency for International Development) had disbursed the largest amount of aid to the developing world. This changed under Robert McNamara's presidency of the World Bank, and after its 1973 annual meeting the World Bank became the largest aid donor.

The foreign aid agenda of the 1980s: the lost age of development

By the end of the 1970s Africa was awash with aid. In total, the continent had amassed around US$36 *billion* in foreign assistance. With the commodity boom creditors were only too happy to provide loans. Although economic pressures and financial instability had been largely contained after the 1973 oil crisis, come the 1979 oil spike precipitated by the Iran–Iraq war, it was a different story.

Foreign money had been flowing not only to Africa, but all across the world. Throughout the 1960s and 1970s Latin American countries borrowed vast sums of money, also to finance their burgeoning economies. Between 1975 and 1982, for example, Latin American debt to commercial banks increased at a cumulative

annual rate of 20.4 per cent. This heightened borrowing led Latin America to quadruple its external debt from US$75 billion in 1975 to more than US$315 billion in 1983, or 50 per cent of the region's GDP.

The 1979 oil crisis produced financial pressures of insurmountable proportions, and the official policy response did not help. The policy reaction, particularly by major economies such as the US and UK, differed drastically from the earlier approach of simply dumping in more aid to stave off the impact on the poor. Central bankers in the industrialized world reacted to the second price shock and fears of mounting inflation by tightening monetary policy – that is, mainly raising interest rates. Most of the bank loans to developing countries were based on floating interest rates, so as policymakers raised interest rates, so too the cost of borrowing increased – often to levels where debt was unsustainable.

Africa's debt service (interest payments and the repayment of principal) reached around US$8 billion in 1982, up from US$2 billion in 1975. Almost inevitably, the environment of higher international interest rates led to worldwide recession and, in turn, less demand for developing countries' exports, and hence lower foreign exchange earnings. Eventually, as emerging countries were unable to service their accumulated debts there was only one alternative.

On 12 August 1982 Mexico's Secretary of Finance telephoned the US Federal Reserve Chairman, the US Secretary of the Treasury and the IMF's Managing Director to inform them that Mexico would be unable to meet its 16 August debt obligations to its bank creditors. Other countries soon followed suit. In Africa alone, some eleven countries – Angola, Cameroon, Congo, Ivory Coast, Gabon, The Gambia, Mozambique, Niger, Nigeria, Tanzania, and Zambia – defaulted on their obligations.[3]

The debt crisis threatened to undermine the very foundations of global financial stability. If emerging nations were allowed to default unchecked, this would have led to a complete collapse of the international financial structure. The survival of international creditors, such as banks, who relied on getting paid back for the

loans was in jeopardy. Much like the risks surrounding the 2008 sub-prime credit crisis, this could have resulted in a catastrophic run on the banks, a global financial meltdown and all that it entails – unemployment, galloping inflation and economic depression.

The solution to the crisis was to restructure the debt. Thus the IMF formed the Structural Adjustment Facility – latterly, the Enhanced Structural Adjustment Facility – specifically to lend money to defaulting nations to help them repay what they owed. Necessary though this was, the end result only served to increase poor countries' aid-dependence and put them deeper into debt.

This intervention was called a restructuring, but in reality it was merely a reincarnation of the aid model. Invariably, because international private lending markets dried up and as commercial banks were no longer willing to lend to poor countries, the Bretton Woods institutions would reclaim their central position as chief lenders to emerging economies.

From the high hopes and ambitions of their early independence, many African countries had been reduced to a state of near destitution and renewed dependency. Facing falling income from trade (prices of commodities such as oil and sugar had retreated to historically low levels: oil fell from US$38 a barrel in 1980 to US$15.10 in 1986 (a 60 per cent drop in just four years), and sugar from 65 cents per pound to a low of just under 7 cents per pound in 1978), weighed down by enormous debt burdens, high interest rates and declining demand for their goods, it was difficult to see what, if anything, had been achieved in the preceding twenty years. But amidst this financial chaos around the world, another fundamental shift in economic thinking was occurring; one which would again have implications for aid.

Up until the 1980s the notion that governments were the ultimate arbiter of resource allocation lay at the core of economic planning, leaving little room for any sort of private sector. Government-led economic planning had appeared to work well in the Soviet Union, and many Western governments were keen to avert another great depression by cementing their influence in economic management. Socialist policies that had placed government at the centre of

economic activity and nationalized much of private industry were believed to be the fastest route to economic prosperity. This was true across the developed world – for example, in Britain and France well before the 1980s – as well as in many African countries in the post-independence period.

By the 1980s, however, there was a growing sense among leading policymakers that there were inherent structural impediments to the functioning of economic markets. Far from being a catalyst for development, excessive government involvement was viewed as the prime obstacle to growth; rather than facilitating healthy economic expansion, it was the source of economic distortion.

The 1980s also saw the rise of the neo-liberal thinking which argued that governments should liberalize their economies in favour of the laissez-faire paradigm, which encompassed (and indeed acknowledged the importance of) the private market. The experience of the newly industrializing economies of Asia gave these market-based ideas a popularity boost in policy circles in the United States and Europe. The Asian tigers seemed to have achieved high growth rates and unprecedented poverty reduction with free-market policies and an outward orientation. As free-market proponents, Milton Friedman and the Chicago School of Economics had great influence on the policies and thinking of the US President, Ronald Reagan, and the UK's Prime Minister, Margaret Thatcher. The policies that ensued (Reaganomics and Thatcherism) bore all the hallmarks of an economic revolution, and there was little room for compromise; so too in Africa, where these free-market polices were packaged and sold as the new development agenda.

In Africa, as with other parts of the developing world, this economic overhaul necessitated two new aid-based programmes: first, stabilization, and then structural adjustment. Stabilization meant reducing a country's imbalances to reasonable levels – for example, the government's fiscal position and the country's import–export ratio. Meanwhile structural adjustment was aimed at encouraging greater trade liberalization and reducing price and structural rigidities by such means as removing subsidies.

Both the World Bank and the IMF launched aggressive aid programmes to institute these two initiatives; the IMF's Structural Adjustment and Enhanced Structural Adjustment Facilities are examples of these. Poor governments received cash in the form of budgetary support, and in return agreed to embrace the free-market solutions to development. This would entail minimizing the role of the state, privatizing previously nationalized industries, liberalizing trade and dramatically reducing the civil service. Between 1986 and 1996, for example, six African countries – Benin, the Central African Republic, Guinea, Madagascar, Mali and Uganda – shed more than 10 per cent of their civil service workforce.[4] The privatization of African state-owned enterprises across all sectors (no sector sacred – manufacturing and industry, agriculture, tourism, services, trade, transport, financial, energy, mining, water, electricity and telecommunications) meant the government stake of corporate equity fell from almost 90 per cent to just 10 per cent ownership in six years. The free markets gave African economies the freedom to succeed, but also the freedom to fail. In Zambia, for instance, an aggressive privatization programme saw the closure of the country's national airline carrier, Zambia Airways.[5]

From the start of the debt crisis in 1982, IMF flows rose from US$8 billion to US$12 billion in 1983. With the onset and resolution of the debt crisis in the 1980s, poverty-related aid flows subsided, tilting in favour of stabilization and structural adjustment packages (together known as programme aid). Since the 1980s the World Bank's share of adjustment-related lending has averaged between 20 and 25 per cent of its total disbursements. During the 1980s bilateral flows also became more concessional in nature and by the early 1990s over 90 per cent were grants.

Alongside rising government-to-government transfers (bilateral aid), multilateral institutions continued their aggressive march towards gaining greater importance – both in terms of the volume of aid disbursed and as architects of development policy. By 1989, the Washington Consensus (a standard reform package of economic policy prescriptions, mainly on monetary and fiscal policy for the countries most affected by economic crisis) became the backbone

of the development strategy pursued by the Washington DC-based institutions (the IMF, World Bank, and US Treasury Department).

The foreign aid agenda of the 1990s: a question of governance

By the end of the 1980s, emerging-market countries' debt was at least US$1 trillion, and the cost of servicing these obligations colossal. Indeed, the cost became so substantial that it eventually dwarfed foreign aid going into poor countries – leading to a net reverse flow from poor countries to rich to the tune of US$15 billion every year between 1987 and 1989. From a development point of view, this was absurd. Were it not for the tragic consequences, it would be farcical. Africa's economic growth had been in a steady decline, poverty levels were on the rise and the stench of rampant corruption was growing ever more pungent. (After his meeting with President Reagan, Zaire's President Mobutu Sese Seko had asked for easier terms to service the country's US$5 billion debt; he then promptly leased Concorde to fly his daughter to her wedding in the Ivory Coast.[6]

This backdrop, seen by many as the spectacular crash of the aid-based development model, set the tone for the policy shifts of much of the 1990s. Having seen the failure of fifty years of competing aid interventions, donors now laid the blame for Africa's economic woes at the door of political leadership and weak institutions.

While much of Asia and Latin America was firmly back on a growth path, with issues of economic instability behind it, many African countries stagnated, and in some of the worst cases economically regressed.

It was around this time that the donor community converged on the idea that governance – good governance, needed for sustainable economic growth – was lacking across much of sub-Saharan Africa. Good governance was a euphemism for strong and credible institutions, transparent rule of law and economies free of rampant corruption. Also around this time, geopolitically, the world had been undergoing a transformation of its own, a transformation that

would have far-reaching implications for Africa and the aid agenda for the continent.

Throughout the latter half of the twentieth century and up until the 1990s, the Cold War had provided richer countries with the political imperative to give aid monies even to the most corrupt and venal despots in Africa. One of the features of the Cold War was the West's ability and eagerness to support, bankroll and prop up a swathe of pathological and downright dangerous dictators. From Idi Amin in the east, to Mobutu Sese Seko in the west, from Ethiopia's Mengistu to Liberia's Samuel Doe, the competition among these leaders to be more brutal to their people, more spendthrift, more indifferent to their country's needs than their neighbours were, was matched only by the willingness of international donors to give them the money to realize their dreams. Bokassa's coronation as Emperor of the Central African Empire in 1977 alone cost US$22 million.[7] Across many African states, corruption was running at epidemic levels. In 1996, among fifty-four countries around the world, Nigeria was ranked the most corrupt nation, scoring a dismal 0.69 out of 10 on corruption rankings.[8]

Despite this corrupt environment, everyone continued to lend. In answer to mounting criticism of raging crooked, shady and fraudulent practices, donors offered qualifications. For example, the World Bank pledged continued aid support, with the proviso that aid monies must also target governance reform, with the aim of improving the civil service and government bureaucracy (through teaching skills, transparency and institutional reform).

Governance remains at the heart of aid today. Whether this aid strategy has any long-term effects, however, remains an open question. Have Africans been trained in ethics and good governance at Western universities? Yes. Have radical reforms aimed at improving transparency and efficiency been implemented? Yes, at least on paper. But it is debatable whether these initiatives have any real bite in countries which still opt to be dependent on aid.

Alongside governance emerged the West's growing obsession with democracy for the developing world. The installation of

democracy was the donor's final refuge; the last-ditch attempt to show that aid interventions could work, would work, if only the political conditions were right. The 1960s' growth agenda had failed to deliver growth and reduce poverty; as had the 1970s' emphasis on the poor, and the 1980s' focus on economic stabilization and adjustment. So after three decades of aid-centric development models, it was left to Western democracy to save the day. In its essence, democracy was perceived to be the way in which countries could grow and develop; and if the democratic ethos and institutions were transplanted to African states, then these countries would finally begin to prosper. Democracy was the ultimate key.

Democracy, real liberal democracy, means political representatives are chosen through elections that are open, free and fair; where virtually all adults possess the right to vote; where civil and political liberties are broadly protected; and where elected authorities are not subject to the tutelary control of military or clerical leaders. For the West, the process of open and fair elections had taken centuries to evolve, but the hope was that (coupled with aid) shoe-horning democracy into underdeveloped nations would guarantee that African countries would see a sudden change in their economic and political fortunes. Yet, as discussed later, it would soon become clear that any improvements in Africa's economic profile have been largely achieved in spite of (nominal) democracy, not because of it.[9]

By the end of the Cold War in 1991, the USSR was no longer a tangible threat, and China had not yet appeared as a protagonist in Africa's development story. So whereas in the past the aid policy had, to a great extent, been governed by Cold War demands, Western donors were now no longer bound by such political considerations. The Soviet Union had, on average, disbursed US$300 million a year to Africa (58 per cent went to Ethiopia), but after the break-up of the union this amount would almost certainly have fallen considerably. Donors could now pick and choose, when, why and to whom they doled out aid – if at all.

Where foreign aid is concerned, the 1990s were characterized by two themes. First, there was the dominance of multilateral

agencies, such as the World Bank and the United Nations Development Programme (UNDP), as the leading aid donors; their share of multilateral giving rose from 23 per cent in the 1970s to 30 per cent in the early 1990s. Much of the official flow of aid was on a concessional basis, with grants constituting more than 90 per cent of total official assistance by 1996 – up from 60 per cent twenty years earlier.

Second, there was the onset of donor fatigue in the latter part of the decade. With the geopolitical rationale for giving aid gone, the amount of aid to Africa dwindled dramatically. In the early 1990s, official donor aid (excluding emergency aid and debt relief) to Africa averaged US$15 billion a year, compared to around US$5 billion a year in the 1970s. Having accounted for more than 60 per cent on average of total cash to the continent (net disbursements) during the 1987–92 period (peaking in 1990 at 70 per cent), the share of official foreign aid steadily declined to a little more than 30 per cent of disbursements between 1993 and 1997. Similarly the net official development assistance (ODA – the donors' term for official aid) disbursements as a share of donor GNP fell from 0.38 per cent in 1982 to 0.22 per cent in 1997. For many developing countries (mainly in Asia and Latin America) private flows had largely replaced aid flows, rising from 26 per cent in 1987–92 to 55 per cent in 1993–7.

However, unlike other emerging zones, sub-Saharan Africa did not witness a concomitant rise in private capital inflows as aid flows declined. Despite the decline in net aid flows to Africa over the 1990s, net disbursements at the end of the period were still larger than in 1987, and, furthermore, foreign aid continued (and continues to this day) to be the predominant source of financial resources for much of the continent. In some cases in Africa, aid still represented as much as 90 per cent of net disbursements between 1987 and 1996.

So there had been a marked upward trend in the real value of foreign assistance from the 1960s; this peaked in 1992, and since then aid volumes have fallen. Africa's total net ODA has declined from a high of US$17 billion to US$12 billion in 1999.

During the 1990s another view was also emerging about Africa's failure to develop. Aside from an absence of quality governance and of free and fair democratic process, and the emergence of endemic corruption, there was a sense from some quarters that if only Africa could be released from its yoke of debt in one fell swoop, it could finally achieve that elusive goal – economic prosperity. It was debt that was holding Africa back. And in that sense it was the West's fault, as it was the West to whom Africa owed billions. Morality – Western, liberal, guilt-tripped morality – seeped into the development equation. Soon everyone would join in.

The foreign aid agenda of the 2000s: the rise of glamour aid

In 2000, Africa became the focus of orchestrated world-wide pity, and not for the first time. The Nigerian humanitarian catastrophe of Biafra in 1971 (the same year as the Beatle George Harrison's Concert for Bangladesh) had demanded that the world respond to human catastrophe. Consciousness was raised several notches with Bob Geldof's 13 July 1985 Live Aid Concert where, with 1.5 billion people watching, public discourse became a public disco.

Live Aid had not only been triumphant in bringing Africa's plight to the wider public; it also trumpeted an era of morality. In the run-up to the new millennium, crusades like the Jubilee Debt Campaign capitalized on people's desperate desire to be a part of something that would give aid and development policy another dimension. African leaders such as Tanzania's President Mkapa later encapsulated the feeling of the day in his speech at the Jubilee Debt Campaign Conference in February 2005, calling it a 'scandal that we are forced to choose between basic health and education for our people and repaying historical debt'.

Thus, the way was paved for the army of moral campaigners – the pop stars, the movie stars, new philanthropists and even Pope John Paul II – to carve out niches for themselves, as they took on the fight for more, not less, aid to be sent to Africa, even after billions of dollars of debt were cancelled – in essence, cancelling

debt on the one hand, and replacing it with a swathe of new aid, and thus the prospect of fresh debt all over again, with the other. The aid campaigners capitalized on the success of raising cash for emergency aid, and extended it to a platform to raise development aid; something entirely different.

In more recent times, the Irish musician Bono has made his case directly to the US President, George Bush, in a White House visit in October 2005, and Bob Geldof was a guest at the 2005 G8 meeting in Gleneagles, Scotland, and advised the UK's Commission to Africa. It would appear, despondent with their record of failure, that Western donors are increasingly looking to anyone for guidance on how best to tackle Africa's predicament.

Scarcely does one see Africa's (elected) officials or those African policymakers charged with the development portfolio offer an opinion on what should be done, or what might actually work to save the continent from its regression. This very important responsibility has, for all intents and purposes, and to the bewilderment and chagrin of many an African, been left to musicians who reside outside Africa. One disastrous consequence of this has been that honest, critical and serious dialogue and debate on the merits and demerits of aid have atrophied. As one critic of the aid model remarked, 'my voice can't compete with an electric guitar'.

At the end of it all, it is virtually impossible to draw on Africa's aid-led development experience and argue that aid has worked. The broadest consequences of the aid model have been ruinous. Rwanda's President Paul Kagame put it most simply: 'The primary reason [that there is little to show for the more than US$300 billion of aid that has gone to Africa since 1970] is that in the context of post-Second World War geopolitical and strategic rivalries and economic interests, much of this aid was spent on creating and sustaining client regimes of one type or another, with minimal regard to developmental outcomes on our continent.'[10]

Donors, development agencies and policymakers have, by and large, chosen to ignore the blatant alarm signals, and have continued to pursue the aid-based model even when it has become apparent that aid, under whatever guise, is not working. Even