

## AID OR NO AID – AFRICA'S DILEMMA IN THE CURRENT GLOBAL ECONOMY

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## Why the need for aid

- LDCs need aid for development
- MDGs and the LDCs
- Savings gap – no investment
- LDCs and debt
  - As a group: Total debt as % of GNI
    - 56.3 (1995) 23.7 (2006)
  - SSA: Total debt as % of GNI
    - 77.9 (1995) 26.2 (2006)
  - Size of the economy (GDP growth rate)
    - Low income : growth rate:8.0 (2005-6), per capita: 6.1
    - SSA: growth rate: 5.6 (2005 – 6), per capita: 3.0

## Africa needs aid desperately

- Of the 53 LIC, 33 in Africa
- Of the 32 HIPC, 25 in SSA
- MDGs
  - Eradicate extreme poverty and hunger (by 0.5: 1990-2015)
  - Achieve universal primary education
  - Promote gender equality and empower women
  - Reduce child mortality
  - Improve maternal health
  - Combat HIV/AIDS, malaria, and other diseases
  - Ensure environmental sustainability
  - Develop a global partnership for development

## SSA and MDGs

- Goal # 4: Reduce child mortality
  - Under 5 mortality rate: 184 (1990), 157 (2006)
  - Infant mortality rate: 109 (1990), 94 (2006)
- MDGs obstacles:
  - LDCs access to high income markets (average tariff on exports):
 

• Agriculture	1.0 (1999)	1.2 (2005)
• Textiles	0.0 (1999)	0.1 (2005)
• Clothing	0.0 (1999)	1.2 (2005)
• Support of agric as % of GDP	n.a.	1.1 (2005)

## SSA's Dependency on aid

- Aid as % of GNI 4.1 (2000) 6.0 (2006)
- As % of imports 10.9(2000) 13.9(2006)
- As % of GCF 21.5 (2000) 27.1(2006)
- Per capita dependency \$20(2000) \$52(2006)

## SSA resources

- SSA well endowed in resources and agricultural potential, can excel:
  - Means to exploit advantage
  - Means to grow secondary sector (=jobs)
  - Means to grow agricultural industry(=reduce poverty, unemployment and hunger)

### Trends of Aid flows

- **TOTAL NET DISBURSEMENT OF TOTAL OFFICIAL AND PRIVATE FLOWS BY TYPE, 1971 – 2000 (%)**

- *All developing countries*

	1971-80	1981-90	1991-2000
• ODA	36.7	50.8	40.4
• OOF	8.7	6.6	5.1
• Private flows	50.7	38.2	50.7
• Grants from NGOs	3.9	4.4	3.8
• Total	100.0	100.0	100.0

### Trends of aid flows(cont.)

- **TOTAL NET DISBURSEMENT OF TOTAL OFFICIAL AND PRIVATE FLOWS BY TYPE, 1971 – 2000 (%)**

- *SSA countries*

	1971-80	1981-90	1991-2000
• ODA	59.5	77.8	88.5
• OOF	11.2	14.4	0.8
• Private flows	29.3	7.9	10.7
• Grants from NGOs	na	na	na
• Total	100.0	100.0	100.0

### The dark side of Aid

- Increasing skepticism of aid effects
- Criticism sources
  - Writers- from studies
  - Practitioners- from actual experiences
- Reasons
  - Conditionality
  - Tying of aid
  - Corruption and misuse
  - Perpetuation of dependency (unintended consequences)
  - Perpetuation of superiority/inferiority complex
  - Loss of sovereignty, self-help, etc.

### Why donor countries give aid

- Political reasons
  - Ensure sphere of influence
  - Encourage desired behavior
- Economic reasons
  - Investment (self-interest)- human & infrastructure
  - Assist in debt servicing
  - Supplement domestic savings
- Moral reasons
  - Concern for mankind welfare

### The dilemma

- Should Africa continue begging in view of skepticism against aid?
- Without aid will Africa reach the MDGs?
- Will Africa ever dictate/negotiate the terms for aid?
- Will Africa compete successfully for aid flows and other flows? (In view of current global challenges – financial, pandemics, natural disasters and climate change)

### Recommendations

- Creation of 'charter' akin to WTO to regulate aid giving arrangements for both donors and recipients
- Target aid for trade
- Increase technical aid as opposed to financial aid