Should the United States Continue to Provide Aid to Africa?

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The ongoing financial crisis in the United States brings into question our ability to continue funding foreign aid. Africa, as a major recipient of U.S. aid, will be affected by this dynamic. With the looming financial crisis within the United States, there are concerns as to whether we can continue to afford to invest in any foreign country generally speaking and invest in Africa specifically. There are vital strategic objectives U.S. tax dollars may need to be associated with as we consider whether to fund foreign aid. Foreign aid will be a requirement for the foreseeable future in Africa. What has yet to be determined is how, and where, the U.S. goes about investing its aid. Some of the issues the U.S. has to consider is what conditions should be tied to aid. Good governance is a necessary condition for ensuring aid meets its intended purpose. Therefore before the U.S. invests assets into Africa there needs to be some understanding as to whether Africa is “Willing but Not Able”, “Able but Unwilling” or “Unable and Unwilling” to meet the required conditions to make our aid investments worthwhile. This paper looks at aid and what approaches need to be taken into account to ensure it remains an effective ‘strategic investment.’
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The ongoing financial crisis in the United States brings into question our ability to continue funding foreign aid. Africa, as a major recipient of U.S. aid, will be affected by this dynamic. With the looming financial crisis within the United States, there are concerns as to whether we can continue to afford to invest in any foreign country generally speaking and invest in Africa specifically. There are vital strategic objectives U.S. tax dollars may need to be associated with as we consider whether to fund foreign aid. Foreign aid will be a requirement for the foreseeable future in Africa. What has yet to be determined is how, and where, the U.S. goes about investing its aid. Some of the issues the U.S. has to consider is what conditions should be tied to aid. Good governance is a necessary condition for ensuring aid meets its intended purpose. Therefore before the U.S. invests assets into Africa there needs to be some understanding as to whether Africa is “Willing but Not Able”, “Able but Unwilling” or “Unable and Unwilling” to meet the required conditions to make our aid investments worthwhile. This paper looks at aid and what approaches need to be taken into account to ensure it remains an effective ‘strategic investment.”
SHOULD THE UNITED STATES CONTINUE TO PROVIDE AID TO AFRICA?

The U.S. economy is currently experiencing its worst crisis since the Great Depression. However, the U.S. domestic economy is not the only thing being affected by this economic downturn. The growing push to reprioritize resources to focus on the domestic front affects foreign policy and the tools used to achieve our interests. Foreign aid is one of those tools. Back in 2009, then Vice-Presidential candidate Joe Biden gave some insight as to where U.S. policy reference foreign aid might be heading when he said that in light of the financial crisis in the United State a Democratic White House may have to reassess its earlier promise of doubling foreign aid. Biden cautioned that a proposed $700 billion bailout of domestic financial institutions may force an Obama-Biden administration to recant on an earlier promise to double the country's commitment to foreign aid. Africa, a major recipient of U.S. aid, will be affected by this policy debate.

The United States provides assistance to 47 African countries and the United States Agency for International Development (USAID) has 23 missions in Africa. The Congressional Research Service (CRS) states that U.S. aid to Africa initially reached a peak in 1985, when global competition with the Soviet Union was at a high point. After the Cold War ended, assistance levels for Africa began to decline. In 1995, at the outset of the 104th Congress, substantial reductions in aid to Africa had been anticipated, as many questioned the importance of Africa to U.S. national security interests in the post-Cold War era. As the debate went forward, however, congressional reports and bills emphasized U.S. humanitarian, economic and other interests in Africa. While aid levels initially did fall, they gradually began to increase again in FY1997.
In recent years, U.S. assistance to Africa saw a major increase, especially in health-related programs. Aid to Africa quadrupled from $1.1 billion in FY2006 to nearly $8.2 billion in FY2009. Of the aid provided in FY2009, the United States provided more than $1 billion in humanitarian assistance to Africa. In FY2010, Africa received an estimated $8.09 billion and $6.9 billion in FY2011. The Obama Administration has requested an estimated $7.7 billion for FY2012.\(^5\) However, given the increased focus on internal issues calls into question whether this level of assistance is sustainable. The purpose of this paper will be to examine what the United States policy should be concerning foreign aid as it relates to Africa. In view of the current economic hardship confronting the U.S., should the U.S. continue to give foreign aid to the African continent?

**What is Foreign Aid?**

Foreign Policy magazine says that aid is a strategic investment to countries whose interests align with our own to increase their capacities.\(^6\) The term strategic investment has its origins in the financial world, but in this case, is very applicable to national security and strategy.\(^7\) The United States gives money to help select countries—not the entire world— to improve specific abilities, like their ability to provide public security, defend their borders, or buy and sell goods.\(^8\) This process is intended to assist the United States in achieving some of its strategic objectives. In short, we use money to generate capacity in our partners to deal with trends in the strategic environment in line with our, and the aid recipient’s, mutually aligned interests. For the purpose of this paper, I use the terms foreign aid and foreign assistance interchangeably.

Foreign aid is not national bribery. Some people think that the United States gives money to other countries to be popular. For example, if the United States lavishes
the Pakistanis with enough money, they will respect the United States. The problem is that if someone did this on an individual level, the United States would call it craven, insecure, and insulting -- which is probably how the Pakistanis perceive it. Aid as bribery doesn't work. Money can't buy love or respect - not individually, and not between states.

Aid is it not charity. Others seem to think that the United States gives money out of the pure, unalloyed goodness of our hearts. In this view, foreign aid is an extension of private goodness. Individually, we give money to the Salvation Army or World Vision so they can help our fellow man on the far side of the world. Foreign aid is functionally the same thing: the United States gives our tax dollars to USAID to do the same kind of charity work as NGOs. This view of aid can sometimes be difficult to defend. Why should the U.S. be charitable to someone in another country just because they live in an exotic country when there are Americans who need help? Additionally, there is no logical limit to how far the United States charity should extend. The United States could bankrupt itself trying to save the world.⁹

The origins of large-scale aid transfers date as far back as the late nineteenth century. 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 program expanded to allow funding of social sector activities.¹⁰
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. It is from this gathering that the dominant framework of aid-infused development emerged. 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 Bretton Woods 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 needed a massive cash injection to spur their return to their pre-war levels of development. Damaged though Europe was, unlike Africa, this money was going into long established physical, legal and social infrastructures which simply needed fixing.

Foreign Aid Principles and Purpose

While this paper scrutinizes foreign aid from a U.S. perspective, in this ever-changing global strategic environment, aid also has global implications. Today we are
witnessing the most significant shift in awareness and understanding of international development that’s been seen since the end of World War II. The demise of the Soviet Union, the integration of global communications and markets, the growing menace of global terrorism, weapons of mass destruction and transnational crime, the surge of HIV/AIDS and other infectious diseases are all hallmarks of an altered 21st century landscape for development. Failed states and complex emergencies now occupy center screen among the nation’s foreign policy and national security officials. Americans now understand that the security of the homeland greatly depends on security, freedom, and opportunity beyond the country’s borders. Development is now as essential to U.S. national security as are diplomacy and defense.\textsuperscript{15}

Given the many threats to national security in the post-Cold War, post-9/11 world, U.S. foreign assistance must address more than humanitarian and development goals. Conditions of instability and insecurity that arise from terrorism, transnational crime, failing states, and global disease must be mitigated for sustained economic and social development to take root and flourish. Thus, U.S. foreign assistance now must be understood as addressing five core operational goals: promoting transformational development, strengthening fragile states, providing humanitarian relief, supporting U.S. geostrategic interests and mitigating global and transnational ills.\textsuperscript{16}

The Obama Administration has identified a number of strategic objectives in the FY2012 Foreign Aid request. The areas include good governance, economic development, health care, food security and global climate change.\textsuperscript{17} US objectives in Africa are to create a more secure, democratic, and prosperous world for the benefit of the American people and the international community. Specifically, U.S. foreign
assistance to Africa is directed to helping African governments, institutions, and African-based organizations incorporate good governance principles and innovative approaches to health, education, economic growth, agriculture, and environmental programs. It further aims to ensure that development assistance supports the overall goal of transformational diplomacy to help build sustained and well-governed states that respond to the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system.

The U.S. is not the only donor nation dealing with these issues and is certainly not the only state facing growing financial pressures. Since we are operating in a global world today, what about examining foreign aid from an international perspective? Great Britain is undergoing many of the same pressures concerning aid as the United States. Some politicians and people argue that Britain should cancel its foreign aid budget altogether and not bother sending money to countries with a long record of political and economic failure. These people have the perception that these countries are getting handouts and one gets nothing in return but higher tax bills. Others resent the implication that the developed world should feel guilty for living in successful societies which they feel were built through years of hard work and not based on the exploitation of others.

These are common arguments against foreign aid. However, much thought has gone into the purpose of aid on all sides of the political spectrum. We return to the concept from the introduction that aid is a tool for achieving foreign policy objectives. As such, as eloquently pointed out by Alistair McConnachie, there is nothing wrong with foreign aid per se and there is much to commend it, *if it is applied properly.* He grants
the point that foreign aid has encouraged misrule and conflict in the past, but further clarifies that this does not mean that foreign aid, per se, is wrong, only that it has been misapplied. Given that aid is a strategic investment intended to assist the United States in achieving some of its strategic objectives, McConnachie’s argument that aid must flow from a principled political position intended to achieve key objectives in the interest of both the receiver and sender applies. Let’s examine these Principles and Purposes:

First, Foreign aid must be a tool of diplomacy and not an act of charity. Aid is not paternalism. It is a tool designed to achieve a well thought out end-state. This links back to the point on aid is a strategic investment. Other countries will need our assistance, but our assistance must be targeted to develop those capacities we require in the strategic environment to support our interests and goals. This helps ensure aid is targeted in a deliberate fashion in order to achieve our specific strategic objectives.

Second, Foreign aid must be a mutually beneficial process. There has to be a Quid pro Quo. In short, if we give, we must also get. There must be tangible benefits for our country, people and common good in line with our, and the aid recipient’s, mutually aligned interests. This means there should be conditionality to foreign aid. This is a tool which has the potential to keep those entities receiving assistance focused. China uses this principle to great effect in Africa. Ensuring there is a Quid pro Quo helps promote sustainability in an era of limited resources.

Third, Foreign aid must be withdrawn or reduced if a relationship, or aspects of it, is not mutually beneficial. For example, during the past decade, the U.S. Department of State and USAID have administered a growing number and range of programs in
China. Between 2001 and 2011, the United States government authorized or made available $310 million for Department of State Foreign Assistance efforts in the People’s Republic of China (PRC), including Peace Corps programs. Of this total, $257 million was devoted to human rights, democracy, rule of law, and related activities.

Unfortunately, as with many efforts to promote human rights and democracy in China, U.S. assistance has not led to the fundamental changes the U.S. was hoping for. Some experts argue that foreign-funded rule of law, civil society, and related efforts in China have produced marginal results due to PRC political constraints, such as the lack of judicial autonomy, restrictions on lawyers, weak enforcement of laws, and severe curbs on civil liberties and the ability of Chinese citizens to perform social functions independently of state control.26

Over the past decade China has evolved from a net recipient to net donor. A milestone was reached in 2005, when the World Food Program dispatched its last shipment of grain after donating to China for some 25 years. This year Britain’s Department for International Development (DFID) wound up its bilateral aid program in China. At the same, China has become a far bigger donor and has promised that, in 2010-2013, China will provide $10 billion in low-interest loans to African countries, bolster the China-Africa Development Fund by $1 billion (bringing it to $5 billion) and cancel debt owed by highly indebted countries with which China has a diplomatic relations.27 Although China’s economy is growing to the point to where it can now give aid, China’s aid to African countries has worked against U.S. interests in areas such as Sudan and Zimbabwe. This example clearly shows that there is not a mutually beneficial relationship between the U.S. and China whereas it relates to U.S.
investments and objectives. Hence, this begs the question as to whether the U.S. should continue providing aid to China.

Not only should there be a good understanding of how the principles of foreign aid should be utilized; there needs to be an understanding of the purposes of foreign aid. First, foreign aid should be to build self-reliance.28 We believe in it for our own country and we believe in it for all countries. The real purpose of aid is to break, not perpetuate, the cycle of dependency.29 Self-reliance transforms the aid recipient from an aid recipient into a true business partner on the global stage. This helps align aid with U.S. values and interests.

Second, foreign aid should be to achieve benefits for ourselves.30 These may be measured in terms of mutually beneficial trading arrangements, diplomatic and strategic favors, or in terms of fewer economic migrants, and asylum seekers arriving on our shores. The bottom line is these benefits need to be related to the positive effects or conditions we wish to create in terms of our interests. For example, it could be the long term aim of a properly directed foreign aid program to stem the flow of economic migrants and asylum seekers, as poor countries become more economically and politically stable. At the same time, the money saved by ending economic migration disguised as asylum seeking, could be used as part of the foreign aid budget intended to help countries develop self-reliant economies.31 Using aid to achieve a benefit for ourselves ensures there is a Quid pro Quo and ensures aid stays focused its original intended purpose.
The Myth of Foreign Aid

Now that we have looked at the principles and purpose of foreign aid, let’s examine aid to try and determine if it is a realistic aim or just a myth. While trying to find a good definition of what a “myth,” is, there were many. The one that best suits this paper is as follows- an unproved or false collective belief that is used to justify a social institution. In examining foreign aid should one equate it with the word myth? Some would say yes and others might argue that whereas myths deal with fictitious persons, aid deals with actual suffering humans. Therefore for this paper will deal with myth as a concept or idea.

In her book, Dead Aid, Dambisa Moyo lays out why she believes that aid is a myth. She asks several questions: 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, or more corrupt? Are its policymakers more innately feckless? What is it about Africa that holds it back, that seems to render it incapable of joining the rest of the glove in the twenty-first century? Her answer is that the roots of these problems are in aid. Moyo would be the first to say that there is still a role of some kind for aid in Africa. However, she would also be the first to say that the aid should take the form of real/tangible investment versus the format of the current aid programs. Ms. Moyo hints that those institutions which offer aid have effectively lost sight of the purpose of aid from a strategic perspective.
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. The prospects of repayment mean loans induce governments to use funds wisely, to mobilize taxes and maintain current levels of revenue collection. Grants are viewed as free resources and could therefore perfectly substitute for a government’s domestic revenues.35

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. Hence aid has not helped them reach their development objectives.36 Fixed interest rate loans would be better than floating rates. This distinction has led many donors to push for a policy of grants instead of loans to poor countries.

Ms. Moyo disagrees with this approach. She would say that grant aid does not work necessarily because grants do not foster self reliant development. Instead of helping rid the continent of corruption she contends that aid does just the opposite. With aid’s help, corruption fosters corruption; nations quickly descend into a vicious cycle of aid. Foreign aid, (particularly grant aid,) props up corrupt governments, providing them with freely usable cash. For example, in 2009 Malawi, who at one point relied on donors
for 40% of its budget from countries like Great Britain, had its aid reduced because the government had reportedly failed to uphold human rights, mishandled their economy and also purchased an extravagant presidential jet presumably with aid money.\textsuperscript{37}

There does not seem to be much of a \textit{Quid pro Quo} relationship in this example. Rather, it mirrors an organization which was given the resources to assist its people but \textit{chose} not to. This is an example of an “able but unwilling” government. Kenneth Menkhaus explains this concept in his article “State Fragility as a Wicked Problem”.\textsuperscript{38} These corrupt governments interfere with the rule of law, the establishment of transparent civil institutions and the protection of civil liberties, making both domestic and foreign investment in poor countries unattractive. Greater opacity and fewer investments reduce economic growth, which leads to fewer job opportunities and increasing poverty levels. In response to growing poverty, donors give more aid, which continues the downward spiral of poverty.\textsuperscript{39}

The bottom line here is that aid can be a myth that does not deliver fully on what was intended by the donor. Even after almost seventy years and billions of dollars donated, Africa is still the poorest and most underdeveloped continent in the world. This leads us to our discussion of aid and the United States.

\textbf{U.S. Strategic Interest in Offering Foreign Aid/Assistance to Africa}

In recent years, analysts and U.S. policymakers have noted Africa’s growing strategic importance to U.S. interests. Among those interests are the increasing importance of Africa’s natural resources, particularly energy resources, and mounting concern over violent extremist activities and other potential threats posed by under-governed spaces, such as maritime piracy and illicit trafficking. In addition, there is
ongoing concern for Africa’s many humanitarian crises, armed conflicts, and more general challenges, such as the devastating effect of HIV/AIDS.\(^{40}\)

America’s interests are inextricably linked to the integrity and resilience of the international system. Chief among these interests are security, prosperity, broad respect for universal values, and an international order that promotes cooperative action.\(^{41}\) These interests are closely connected with the interests of some of the African countries. Although African countries have consistently expressed a strong desire to provide for their security and address these various challenges themselves, many lack sufficient means to do so without foreign assistance.\(^{42}\) In cases where an African government is “willing but unable”\(^{43}\) it may be prudent for the U.S. to support foreign aid. However, investment of U.S. resources should be based on some form of conditionality.

Let’s transition to how Africa’s natural resources may support U.S. interests.

**Natural Resources in Africa**

Africa is a continent that is rich with natural resources but is hampered by weak governance, persistent violence/conflict and extreme poverty. These situations continue to adversely impact the political and social institutions and civil society within the region. There remain undiscovered or barely tapped resources in Africa. However, some economists have talked about the 'scourge of raw materials' that is large quantities of rare raw materials have put Africa under heavy pressures and tensions, leading to wars and slow development.\(^{44}\)

Despite its many challenges, Africa has always enjoyed a wealth of natural resources that has always been an asset and has sustained its people during good and hard times. Africa has a large quantity of natural resources including oil, diamonds, gold, iron, cobalt, uranium, copper, bauxite, silver, petroleum, but also woods and
tropical fruits. But the true value, the sheer scale of the wealth from Africa’s freshwaters and landscapes to its minerals and marine resources, has been invisible in economic terms until now. Achim Steiner, Under Secretary General of the United Nations and Executive Director of the United Nations Environment Program headquartered in Nairobi, Kenya says that Africa’s natural resources are central to powering its prosperity. Report after report are now demonstrating that sustainable management of Africa’s natural resources is one of the keys for overcoming poverty.\textsuperscript{45}

Sensitively, creatively, sustainably harvested and fairly shared, these resources can assist in meeting – and going far beyond – internationally agreed development goals. The 20th century was an industrial age; the 21st century is becoming increasingly a biological one. Africa, with its natural wealth or "nature capital" residing in its ecosystems – from forests to coral reefs – can be a leading player on this multi-billion dollar stage.\textsuperscript{46} Sustainable management of Africa’s natural resources is one of the keys to overcoming poverty.\textsuperscript{47} What is important is tying Africa’s natural resources to its human capacity to develop and grow its economic base on the continent.

Foreign assistance to Africa should be designed to build the capacity of Africans to fully exploit their human and natural resources, and should be provided in such a manner as to create an atmosphere of trust, whereby aid from the West is not perceived as having detrimental strings attached. The term “detrimental strings” refers to a situation where the donor establishes conditions that effectively undercut the mutually beneficial relationship aspect required for effective aid. This does not mean there cannot be conditionality. All conditionality means is there must be a positive return for the U.S. on the U.S. investment, or simply put, a \textit{Quid pro Quo}. This type of system is to
assist in motivating and putting in place a structure which will produce a checks and balance method to monitor aid progress or default. The UN Development Program (UNDP) has defined "capacity" as "the ability of individuals, institutions and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner." The terms "capacity building" or "capacity development" describe the task of establishing human and institutional capacity.48

Examples include training community workers involved in water, agriculture, nutrition and health sectors. Strengthening local government delivery with adequate staffing is a recurrent theme, as is the establishment of research and policymaking bodies.49 The diversity of these interventions reflects the many contexts in which capacity building takes place. It is as relevant at the highest level of government as in the most humble village. The tools of its trade range from women’s leadership courses to diagrams explaining water pump maintenance. Individual organizations such as local community groups are crucial providers of capacity building programs. Improving internal management structures, access to information and technology, and networking are integral to institutional capacity building.50

Capacity building can ensure foreign aid focuses on building indigenous capacities, specifically to help African countries use their own natural and human resources to improve their governance, health, education, agriculture and economic programs. Although building capacity for Africans to fully exploit their human and natural resources is important, it should also be understood that having strings attached (conditionality) to the aid is not necessarily detrimental. In fact, it may motivate those receiving aid to stay focused on the intent of the aid. It is imperative to remember that
aid in and of itself is not bad. The way in which aid is implemented is vitally important. Aid should not be the purpose in and of itself, but instead must be a program that supports a purpose/goal.

**Corruption’s Impact of Foreign Aid**

Whether it’s humanitarian assistance, military aid, debt relief, disaster assistance money or economic development assistance, it seems almost impossible to discuss Africa without the topic of corruption entering the conversation. It can be argued that one of the many reasons some countries in general, and Americans specifically, want to end foreign aid or foreign assistance is because of the waste, fraud and abuse associated with the monies and support that go into Africa in relation to the assistance given. Although African natural resources are potentially great assets, in an environment riddled with crime, they do not come without plausible concerns.

There may be a paradoxical relationship as it relates to natural resources. Sustainable management of natural resources is a key to overcoming poverty. However, many have also posited that a significant contributing factor to conflict in Africa is the presence of natural resources. It appears fairly clear that oil raises a country’s chances of plunging into war.\(^5\)\(^1\) Exactly why natural resources have this effect is still far from well understood, but the prevailing ideas suggest that it has something to do with the effect of such products on institutions in a country. How states develop and use their natural resources for the betterment of the country is critical; if a government can get revenue from oil or gems, it has little reason to develop a relationship with society, and people who feel they are not getting their fair share usually have few options for peaceful recourse.\(^5\)\(^2\)
The relationship between aid and corruption has been the subject of hot debate. Donors highlight the fight against corruption as a focus for their efforts. That corruption is a chronic problem in most African countries is well known; in some countries it is perhaps the major political issue.\textsuperscript{53} It is to be expected that some aid funds, just like other funds, are lost to corruption. But this is not a reason to give less aid-it might even be a good reason to give more aid.\textsuperscript{54} This argument seems to be somewhat flawed. Why would, or should, millions of dollars in foreign aid be given or put into a system with the expectation that the assets will be funneled to and/or used for corrupt deeds?

There are clear examples of aid donors playing an important role in fighting corruption. The World Bank and other donors have encouraged the refusal of public contracts to companies which have bribed government officials. Unfortunately, plenty of examples also exist of aid fuelling corruption, with Mobutu's Zaire being only the most extreme and infamous example. The simple availability of large amounts of aid not only fed corruption but created it, just as large amounts of oil or other natural resource profits often have done.\textsuperscript{55} Aid can lead to corruption when there is urgent pressure to disburse large amounts of money without proper oversight mechanisms being in place, or when reforms such as downsizing the public sector or privatizing national companies are pushed through too fast.\textsuperscript{56}

Under these circumstances, aid potentially has the same distorting effect as natural resources on the developing relationship between a government and society. This is the point argued by Ms. Moyo in \textit{Dead Aid}.\textsuperscript{57} This is one of the main reasons that those persons and organizations who are against foreign assistance resist supporting the idea of foreign aid in the first place. On the surface it may seem like a contradiction
to give aid in such a situation. However, the nature of the interest and the nature of the recipient are key. If an African country who is trying to fight against an organization, such as Al Qaeda in the Islamic Maghreb, has the will but not the means, it may be in the best interest of the U.S. to support funding aid since this may prevent a safe haven for the terrorist organization. Even if we know that every single dollar will not go for its intended purpose, well-designed, conditionality based oversight mechanisms can help minimize the diversion of resources elsewhere. Our greater interest here would be security and protection of the citizens of the U.S. from a potential terrorist attack.

**What can Africa Learn from the Marshall Plan?**

To rid itself of the corruption which constrains Africa, as well as develop a plan for utilizing the natural resources found on the continent, the U.S. may want to examine the successes of the Marshall Plan on Western Europe. Although the challenges of the Germany of 1945 – 1947 may be somewhat different than the Africa of the 21st century, the path and or methods to begin solving some of the issues may be similar.

Marshall was convinced the key to restoring Europe’s political stability lay in the revitalization of national economies. Not unlike Africa, Europe was devastated by years of conflict during World War II. Millions of people had been killed or wounded. Industrial and residential centers in England, France, Germany, Italy, Poland, Belgium and elsewhere lay in ruins. Much of Europe was on the brink of famine as agricultural production had been disrupted by war. The transportation infrastructure was in shambles. From 1945 through 1947, the United States was already assisting European economic recovery with direct financial aid. Military assistance to Greece and Turkey was given. The newly formed United Nations was providing humanitarian assistance.
The Marshall Plan was intended to rebuild the economies and spirits of Western Europe. The Marshall Plan made loans to European businesses, who repaid them to their local governments, which in turn used the revenue for commercial infrastructure - ports, roads, railways - to serve those same businesses. Sixteen nations, including Germany, became part of the program and shaped the assistance they required, state by state, with administrative and technical assistance provided through the Economic Cooperation Administration (ECA) of the United States. European nations received nearly $13 billion in aid, which initially resulted in shipments of food, staples, fuel and machinery from the United States and later resulted in investment in industrial capacity in Europe. Aid to Africa has instead funded government and NGO development projects, without involving the local business sector. This is a significant deviation from the Marshall Plan.

The Marshall Plan came with conditions. Each country had to adopt policies that allowed its businesses to operate normally. It made the same offer to all of them, and those that refused got no aid. The offer went out to all Europe, but the Eastern bloc, under Soviet threat, declined. Some African countries will also decline. That means they don’t get the aid. The Marshall Plan followed the principles and proposes of aid outlined earlier in this paper. The Marshall Plan worked. Aid to Africa has not.

What Were Some of the Notable Successes of the Marshall Plan?

The economic recovery of Western Europe was spectacularly successful with large mutual benefits to its people and the people of the United States. Peace now prevails among major powers that had repeatedly made Europe a battleground. Old rivalries have been subordinated in a now substantial European Union. In the perspective of a half century, this has been a huge achievement. Democratic
governance in the participating nations has been made secure. Threats from communist
and fascist parties, once a source of major turmoil, have receded into history. The
NATO alliance, which was probably not possible without the example of the Marshall
Plan, stopped further Soviet aggression and, in time, expedited the collapse of an Iron
Curtain that separated East from West. ⁶⁴

If Africa is going to rid itself of the corruption which constrains it, and get to a
starting point of developing a plan for utilizing the natural resources found on the
continent, the Marshall plan could be a great beginning, primarily because of the
conditionality process. This process may require a hard-nosed approach to determining
who does, and does not, receive U.S. assistance. But it may also lead to achieving
some U.S. goals and interests. Aid and assistance is already being pumped into the
region from several countries throughout the world. The continent has an abundance of
natural resources. What seems to be lacking is an American plan for shaping the
assistance required, a stable environment from which to work and develop the
resources, and sustainable governments who respects the rule of law. This may appear
somewhat overly simplistic, but the region has to start somewhere. At the moment,
there does not seem to be, collectively throughout the continent, the wherewithal to
jump start a suitable process towards self-sufficiency.

How Foreign Aid Helped Develop South Korea and the Philippines

After examining how the Marshall Plan helped Germany, and how it may prove to
be helpful for Africa, let’s compare the experience of South Korea and the Philippines
concerning foreign aid. In 1960, the Philippines was slightly richer than South Korea. It
had a slightly larger per capita gross national product (GNP) and a far larger base of
natural resources. By the 1990s, however, Korea’s per capita GNP was three times
greater than that of the Philippines. In addition, South Korea’s social indicators showed
greater improvement. Many different factors explain the divergence in development
between South Korea and the Philippines. Some are unique to the individual countries.
But what seemed to matter most was that the political and economic policies of South
Korea over the past 30 years were much more favorable to long-term growth and
development than those of the Philippines. Foreign aid helped South Korea’s
development somewhat, but it arguably hindered the Philippines’ development by
reinforcing the government’s political and economic policies.65

The most important period in South Korea’s development began after the fall of
the regime of Syngman Rhee in 1960. General Park Chung Hee, who took over in a
military coup in 1961, instituted a process of economic reform. He devalued the
currency, reformed interest rates, imposed tighter fiscal policies, lowered trade barriers,
and, especially, put in place a number of incentives to encourage exports. In many
ways, South Korea’s exports were the central driver of its successful development. The
government has maintained a relatively open, market-based economy ever since. In
addition, the government has been stable and a competent administrator, with only
relatively modest amounts of corruption.66 In this particular case the leadership had both
the will and a desire to institute a process of reform. This provided fertile ground for aid
to be effective.67

Foreign aid after 1960 contributed to South Korea’s successful development. It
provided an extra pool of capital that the economy used for saving and investment. The
Agency for International Development (AID) provided extensive technical support to the
officials and agencies responsible for South Korea’s export drive. U.S. military aid
helped Korea with its defense needs and thus possibly freed up some resources that could be used for development rather than the military. Foreign assistance also helped improve South Korea’s health, education, and agriculture sectors.

In contrast, the election of Ferdinand Marcos as the Philippine President in 1966 led the country down a path that was ultimately counterproductive to long-term development. Marcos, who lacked the will or desire to move his country forward, pursued more inward-oriented economic policies than those pursued by South Korea. Marcos' policies initially produced aggregate economic growth, but in the 1980s the Philippine economy experienced a severe crisis leading to substantial declines in per capita GNP. The average rural or urban worker was far worse off at the end of the Marcos era than at its start. Corruption and self-aggrandizement on the part of Marcos, his family, and friends contributed to the economy’s problems. Reforms under Marcos' successors--Corazon Aquino and Fidel Ramos--have made some progress in reversing the damage done by the Marcos era, but the Philippines' future, though promising, remains uncertain.68

The record of foreign aid to the Philippines is mixed. On the one hand, foreign aid contributed to some improvement in social indicators, particularly those for health and education. On the other hand, to the extent that $33 billion in foreign assistance (in 1997 dollars) to Marcos perpetuated his hold on power, it undermined the Philippines' long-term development. Much of that money was apparently lost, wasted, or diverted by the Marcos government. However, foreign assistance is apparently helping the Philippines emerge from the problems created during the Marcos era.69
How does Good Governance in Africa impact Foreign Aid/Assistance?

Good governance, peace, stability and security in Africa represent the most important building blocks for establishing a stable environment for which to try and create economic development. If Africa is going to have good governance, the political system must be a stable one and preferably a democracy. There is no question that assisting developing nations become peaceful, stable and economically self-sufficient is in the best interest of U.S. national security and should be a strategic goal. In order for there to be good governance in Africa there must first be the will to promote it. If Africa has the will to have good governance but not the means, there is the potential to assist with this endeavor and is probably worthwhile for the U.S. to invest in assisting Africa. However, if African states are “able but unwilling” or “unable and unwilling” then the outcome will probably be unsuccessful, leaving the nation in a weakened state, potentially ripe for corruption, and not worth the investment of U.S. resources.

Building institutional capacity is extremely important to setting in place a properly working democratic government. To support the building of institutional capacity, we focus on developing and sustaining a government’s ability to program and allocate security resources, establish national command and control, provide civilian oversight of military forces, and develop military and security recruiting, training, and sustaining programs and policies. Given the challenges facing the continent, it is probably impractical to expect Africans to take sole responsibility for the situation. However, Africa, along with the global community, should begin developing systems and institutions which promote good governance and the development of its home-grown capacity, such as its young people and its natural resources. We know that in Africa, young people below the age of 25 years comprise about 60 to 65 per cent of the
population. If we go by the African Union definition of 'youth' being up to the age of 35 years, it means about 70 to 75 per cent of our population falls within this age group. Africa’s young people are its greatest asset if we invest appropriately in their education, skills development, health, and provide them with opportunities for decent employment and entrepreneurship. African states appear to have the human capacity, what is unknown is if they have the will.

The Office of the United Nations High Commissioner for Human Rights says transparency, responsibility, accountability, participation and responsiveness to the needs of the people are critical to good governance. Full respect of human rights, the rule of law, effective participation, multi-actor partnerships, political pluralism, transparent and accountable processes and institutions, an efficient and effective public sector, legitimacy, access to knowledge, information and education, political empowerment of people, equity, sustainability, and attitudes and values that foster responsibility, solidarity and tolerance all must be in play. There is a significant degree of consensus that good governance relates to political and institutional processes and outcomes that are deemed necessary to achieve the goals of development. It has been said that good governance is the process whereby public institutions conduct public affairs, manage public resources and guarantee the realization of human rights in a manner essentially free of abuse and corruption, and with due regard for the rule of law. The true test of "good" governance is the degree to which it delivers on the promise of human rights: civil, cultural, economic, political and social rights.

The key question is: are the institutions of governance effectively guaranteeing the right to health, adequate housing, sufficient food, quality education, fair justice and
personal security? One thing seems to be clear; the main reason why Africa’s people are poor is because their leaders have made this choice. History has shown that no amount of foreign aid can lead Africa to a meaningful developmental process without effective governance. And in most cases whereas it relates to Africa, there needs to be certain conditions tied to the aid. This is not to punish but rather to promote stability and motivate African leaders to develop the will to grow a good, effective democratic system. If the U.S. government is going to invest taxpayers’ dollars into Africa by delivering foreign aid, then the U.S. government has a responsibility to invest those monies wisely.

U.S. Foreign Aid: Where to Now?

What function can foreign aid or foreign assistance play in promoting the economic development and improving the social welfare of countries in Africa to the point where they can get on the road to becoming self-sufficient? That question is complicated to answer and has been the subject of much debate within America as well as in other countries. There isn’t an easy way to fix the overall situation in Africa because no one can currently come up with a solid list of the root problems. While there is a clear preponderance of evidence which suggests that the international community will continue to fund foreign aid to Africa, perhaps what needs to be examined is how the U.S. goes about designing our foreign aid to build African capacity to realize our own aforementioned foreign policy/strategic goals. What are some options?

1. Continue current aid policy as is. Make no changes. U.S. foreign assistance to Africa is directed to helping African governments, institutions, and African-based organizations incorporate good governance principles and innovative approaches to health, education, economic growth, agriculture, and environmental programs.
2. End aid immediately. African states can implement their own programs to develop natural resources. Due to many problems, such as poor governance, corruption, and African leader’s inability to address humanitarian issues, this option has a very high risk of failure resulting in increased humanitarian disaster.

3. Provide assistance but restructure it in such a way as to gradually wean nations away from dependence on assistance. Focusing aid to help states responsibly develop their resources and capacities establishes the conditions for economic growth and the gradual elimination for the need for aid.

The African continent has struggled with unending poverty and less than productive economic development and growth for many years. There is, for sure, a concerted need for foreign aid. Given the economic hardship in which the U.S. is experiencing, should the U.S. continue to provide aid to Africa? It can be, and often is, argued that foreign aid to Africa has helped to avert hardship for many of Africa’s poor. In some instances this is true. However, what is also true is that foreign aid has failed to maintain any significant economic development in Africa. Truth be known, it appears that foreign aid has generally benefited those that are in power more so than the average citizen. In many cases it has enabled and perpetuated corrupt governments’ grip on power, and equally continues to embed the persistent underdevelopment of the continent. It can be said with some confidence that there is still a role of some kind for aid in Africa. Part of that challenge is to find a governmental system in place which either has the will, or find a nation which is interested in developing the will, to make their economic, humanitarian, and health systems better ones.
So should the U.S. continue to give foreign aid to Africa? For the near future, the answer seems to be yes. If the U.S. is going to continue providing foreign aid, it should do so with certain conditions based upon the strategic objectives the U.S. hopes to achieve. For example, the U.S. objectives in Africa are to create a more secure, democratic, and prosperous world for the benefit of the American people and the international community. If, and when, providing aid, the U.S. needs to be more stringent about how we go about awarding aid. The U.S. government must ensure that tax payer dollars are addressing the real problems which will promote and or enable the recipient(s) to achieve real economic developmental goals and not waste valuable resources. It is also important to ensure that the governmental leadership has the will, assuming they do not have the resources, to make the necessary changes to grow and develop their continent. If there is no mutually beneficial relationship between the U.S. and the nation which receives the aid, the investment should be withdrawn or at a minimum reduced.

In my view option 3 would be the best choice in attempting to solve the problem of aid in a two pronged approach. First, the U.S. can provide assistance, but restructure development in such a way as to gradually wean nations away from dependence on assistance. Although Africa is rich in natural resources, few nations are capable of developing those assets on their own and none in sufficient time to avoid economic collapse or humanitarian disaster. Responsibly developing these resources requires assistance. Second would be to clarify earlier promises to double the U.S commitment to foreign aid around the world. Aid whereas it relates to Africa is, for the most part, a “Wicked Problem.” Whether we admit it or not, foreign aid is an investment. As such,
U.S. investments should be tied to strategic goals and interests as well as have conditions (Quid pro Quo) linked to the aid.

Endnotes


4 Ibid., 1

5 Ibid.


7 Wise Geek, “What are Strategic Investments,” http://www.wisegeek.com/what-are-strategic-investments.html (accessed 15 December, 2011); The term strategic investment is used in two different ways in the financial world. In the first sense, it applies to investments made by individuals or companies with the goal of generating safe, steady returns, usually with the advice of a consulting company which keeps up with trends in the market and addresses the needs of the customer. This term is also used to describe a company's decision to invest in another, smaller company, usually a startup, with long-term strategy in mind, rather than simple profit. In the second sense, strategic investments are often used to raise capital and credibility for new companies which are struggling to make their way in the market. Larger companies make strategic investments in smaller ones for an assortment of reasons. For example, a big company might invest in a smaller company which makes similar products, or in a small company which will eventually become a client of the big company. Forward-thinking companies may also want to make strategic investments in companies working on new and innovative technologies and ideas.

8 Paul Miller, “What is foreign aid for?”

9 Ibid.

11 Ibid.
12 Ibid.
13 Ibid.
14 Ibid., 10-11.


16 Ibid., 5.
17 Ibid., 1.


19 Ibid.
20 Ibid.
21 Ibid.

22 Ibid; Paul Miller, “What is foreign aid for?”

23 Alistair McConnachie, “Foreign Aid: Principles and Purpose”

24 Dambisa Moyo, *Dead Aid*, 152.

25 Ibid.


28 Alistair McConnachie, “Foreign Aid: Principles and Purpose.”

29 Dambisa Moyo, *Dead Aid*, 49, 154.

30 Alistair McConnachie, “Foreign Aid: Principles and Purpose.”
31 Ibid.


33 Dambisa Moyo, Dead Aid, 7.

34 Ibid., 47, 67.

35 Ibid., 8.

36 Ibid.


38 Kenneth J. Menkhaus, “State Fragility as a Wicked Problem,” Prism, Vol. 1, No. 2 (03/2010): 85-100; According to Ken Menkhaus, the most important part of dealing with weak states is to identify the degree of political capacity and will on the part of the weak state to deal with its state’s fragility. Willing but Not Able-the most permissive environment for external state-building occurs when a government has will but lacks the means to address the problems associated with its own fragility. Able but Unwilling-leaders of fragile states who are able but not willing to address their fragility are more of a wicked problem. Some governments possess impressive levels of income that could be used to extend government services and improve public security, but political elites are focused solely on pocketing those revenues. Unable and Unwilling-Governments that are both very weak and venal. These are governments that focus almost exclusively on regime survival and that though poor, are content to feed off of the still impressive financial benefits accruing to those who claim juridical control of a state, however failed it may be. The common thread with all of the typologies is the importance of the choices made by the state’s leaders.

39 Dambisa Moyo, Dead Aid, 49, 54-55.


43 See note 38 for an explanation of this Menkhaus typology.


Ibid.


Ibid.

Ibid.

Ibid.


Ibid., 65.


Ibid., 71.; Dambisa Moyo, Dead Aid, 53-55


Ibid.

Dambisa Moyo, Dead Aid, 49, 52.


Ibid.


Ibid.

Using the Menkhaus typologies, South Korea is an example of a “Willing but Unable” state. See note 38 for a detailed explanation of this typology.

Congressional Budget Office, “The Role of Foreign Aid in Development: South Korea and The Philippines.”

Ibid.

The Philippines under Marcos provides a good example of a “Unwilling but Able” situation using the Menkhaus typologies. Now they are more of a “Willing but Unable” state. See note 38 for a detailed explanation of these typologies.


Ibid.