Does Foreign Aid Benefit the Poor? Discuss Using Any Case in Africa as Illustration

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In 2009, there is an estimated 1.4 billion people worldwide living on less than US$1 per day or in other words, in "absolute poverty"[1]. Every year, at least 15 million children perish from starvation, a problem that would cost a mere US$13 billion to fix[2], yet these figures have been increasing over the past five decades. The following paper will discuss the role of foreign aid in failing the poor and, using the Democratic Republic of Congo as a case study, will demonstrate how the policies of well-intended nations have laid the foundations for a humanitarian catastrophe that ignorance has tried to disguise.

Part One: The Complexities of Foreign Aid

"Take up the White Man's burden–
The savage wars of peace–
Fill full the mouth of Famine,
*And bid the sickness cease;"***[3]**

'Foreign aid' can often be a rather ambiguous term. It is spoken about by journalists, celebrities and by politicians. In the words of economist Dambisa Moyo, "Millions march for it. Governments are judged by it"[4]. Aid is part of Western culture that influences fashion, music and even food but rarely is the term clearly defined. In 2005, then Prime Minister of Great Britain, Tony Blair spoke of a "Big Push" for Africa in which he recommended a doubling of the financing of aid but he stopped short of defining what the aid would be financing, how it would be administered or how the success of the "Big Push" would be measured[5].

Roger C. Riddell views foreign aid as the transfer of any resource from "donors to recipients"[6]. However, this may be too simple a description of the complexities surrounding aid. For example, humanitarian or emergency aid is different and separate from charity-based aid, which are both different and separate from bilateral and multilateral aid[7]. The focal point of this essay will be development aid or Official Development Assistance (ODA), which is defined by the Development Assistance Committee (DAC) as:

*"flows to developing countries and multilateral institutions provided by official agencies…each transaction of which meets…two criteria:(1)it is administered with the promotion of the economic development and welfare of developing countries…(2) it is concessional in character and contains a grant element of at least 25 per cent…"***[8]**

Official Development Assistance (ODA) accounts for 70% of all emergency and development aid to all developing countries, with three quarters of this provided on a bilateral basis[9]. Bilateral aid is provided directly by the governments of the donor state through their official agencies[10]. These official agencies include the United States Agency for International Development (USAID) in the United States of America, and the Department for International Development (DfID) in the United Kingdom. According to the Organisation for Economic Co-operation and Development (OECD), there are currently 180 countries throughout the world receiving ODA[11]. In 2005, $106 billion came from 23 members of the DAC bilaterally[12]. Although this figure may appear to be substantial, bilateral aid is usually bound by a plethora of conditionalities that the recipient state or the agency responsible for administering the aid is required to adhere to[13]. For example, USAID is required to obtain supplies and services from the USA and to transfer these in transportation owned by the USA[14]. In reality, this means that a substantial amount of ODA from the United States of America is benefitting US industry rather than the intended recipient state. For reasons such as these, bilateral aid is often heavily criticised[15].

The increasing number of Non Governmental Organisations (NGOs) has led to an increasing amount of aid being delivered on a multilateral basis[16]. This differs from bilateral aid in that it is administered by agencies or institutions rather than directly by governments of donor states. The most important donors of multilateral aid are International Economic Organisations (IEOs) such as the International Monetary Fund (IMF) and the International Development Association (IDA)[17]. By 2005, the IMF was providing concessional loans amounting to $5 billion to developing countries[18]. Multilateral aid is sometimes viewed as being independent of bilateral aid and therefore of governments and politics. However, realistically the majority of multilateral aid is provided by governments and this enables politicians to retain a level of control over aid[19].

Bilateral and multilateral aid are delivered in the form of programmes in the recipient state[20]. It is estimated that currently there are over 60,000 such programmes currently being administered in developing nations[21]. However, these programmes are usually tied to the interests of the donors who have a legal obligation to regularly visit the programmes that are being funded[22]. Arguably this provides a level of accountability if the programme does not appear to be successful[23].

Before the current trend in aid-giving can be evaluated, it is necessary to have an understanding of the history of foreign aid. It is argued that the concept of foreign aid began after the Second World War[24]. However, during the colonial period, it is estimated that Churches and their associated organisations provided the majority of food, education and training to the indigenous people in the colonies in Africa[25]. In fact, many of these organisations are still pivotal in the administration and monitoring of aid today such as Christian Aid and OXFAM[26]. Perhaps it would be more accurate to claim that the modern age of institutionalised aid began post-Second World War. It was at this time that the US Secretary of State, George Marshall, announced a package to rebuild and stabilise the ravaged economies of Europe[27]. This packaged involved $13 billion being injected into the economy and became known as the Marshall Plan[28]. The Marshall Plan relied heavily on IEOs created from the Bretton Woods Conference in 1944, such as the World Bank, the General Agreement on Tariffs and Trade (GATT), and IMF[29]. As has been previously mentioned, these organizations still play a major role in the application of aid today and their activities will be looked at in more depth in the second part of this essay.

After success in Europe, policy-makers redirected their attention towards Africa. In many eyes, the success of restabilising the economies of Europe could be mirrored on the continent if enough money was injected simultaneously[30]. It should be noted, however, that this approach did have its critics including the then President of the United States of America, Harry Truman. He argued that aid had to be a coordinated effort between donors both in monetary terms and in the practical application of aid[31]. Despite such warnings, the political independence of many African states encouraged social and economic independence and many developed countries viewed aid as an opportunity to continue their influence and agenda in the former colonies[32]. As a result, aid was not provided in the institutionalised and coordinated way envisaged by President Truman but in often conflicting ways with little benefit to the recipient nation.

Since the 1950s, institutions have become increasingly important in the delivery of aid. In 1950, the United Nations (UN) raised $20 million from donors for infrastructure development, technical assistance and technical cooperation programmes[33]. In addition to this, the World Bank, in particular the IDA, became the largest source of concessional aid[34]. In the same decade, the UN created the Food Aid Organisation (FAO) and the USA passed Public Law 480 (PL480)[35], which both provide food assistance to developing nations[36].

During this period, there have also been significant changes in the reasons behind aid. During the Cold War, aid was used as an influence to gain support and push the agendas of conflicting ideologies, as will be demonstrated in the following part of this paper. In the present climate, however, policies surrounding aid are more influenced by public support. For instance, the world leaders who had gathered for the G8 Summit at Gleneagles in 2005 were joined by activist and celebrity Sir Bob Geldof who had increased public support and awareness of the issues being discussed at the summit. The increasing public pressure on the politicians to eradicate global poverty ensured that action in some form would be inevitable.

Perhaps the most significant development in foreign aid during the past sixty years has been the introduction of target driven aid. The DAC announced that donor governments should provide 1% of their Gross National Income (GNI) in aid[37]. However, this total is inclusive of Foreign Direct Investment (FDI) which has prompted many African states to become disillusioned with the prospect of aid[38]. FDI was viewed as the opposite of what the likes of President Truman wanted aid to be. It allowed foreign investors to control the domestic resources, employ their own people, and potentially exploit the local market rather than contributing to sustainable economic growth[39]. Many African leaders and supporters claim that FDI will not provide any benefits to the local people because there is no local infrastructure and that this needs to be addressed before any more resources are squandered for the benefit of donors[40]. This has been particularly relevant to the Democratic Republic of Congo.

Another example of target driven aid is the UN Millennium Development Goals, a programme launched in 2000 designed to allow Africa to become integrated into the global marketplace[41]. This programme consists of eight goals to be attained by 2015, including ending poverty and hunger, achieving environmental sustainability, and creating a global partnership**[42]**. Within these goals, there are targets such as halving the number of people who live on less than $1 a day, halving the proportion of the population without sustainable access to safe drinking water and basic sanitation, and develop further an open, rule-based, predictable, non-discriminatory trading and financial system[43]. It should be noted however, that in 2009, it is already estimated that all of the targets set in the UN Millennium Development Goals will not be reached.

Despite the complexities of foreign aid, the claims surrounding intentions of the West has always been to improve conditions for the most impoverished through integration into the Global Political Economy and access to basic living conditions such as those mentioned in the UN Millennium Development Goals. The following section will assess the success of foreign aid in achieving this by examining the case of the Democratic Republic of Congo.

Part Two: The Democratic Republic of Congo

*"Two birds disputed about a kernel, when a third swooped down and carried it off"**[44]***

Since independence from Belgium in 1960, the Democratic Republic of Congo (DRC), known as Zaire until 1997, has been a haven for conflict and corruption.[45] As a country rich in resources including diamonds, coffee, cobalt and crude oil, the DRC should arguably be one of the wealthiest nations on the African continent. The land in the DRC holds 80% of the world's coltan reserves and over 60% of the world's cobalt reserves[46], which are minerals in high demand throughout the world. Instead it is estimated that 1,000 people perish every day from disease, hunger and violence[47], that the Gross National Income (GNI) is about US$140[48], and the total external debt in 2005 was US$10837 million[49]. Since 1998, at least 5.4 million people have died and 47% of these have been children[50]. In addition to this, at least 1.5 million people have been internally displaced or become refugees[51]. Such statistics make the DRC an inevitable recipient of foreign aid.

Aid to the DRC was initially a key part of American Foreign Policy during the Cold War but this was for political rather than humanitarian reasons. From the mid-1960s, the United States of America provided over $400 million in aid for arms and military training to the newly installed President, Mobutu Sese Seko[52]. In doing so, the USA secured access to the vast quantities of minerals available in the DRC. Minerals such as uranium, coltan and cobalt were and remain essential to the US Government for multiple reasons including military[53]. The geographic location of the DRC also provided a suitable backdrop for operations against neighbouring Angola, which was backed by the Soviet Union[54].

Unsurprisingly, when the Cold War ended so did the priority of the DRC in the agenda of the government of the United States of America, at least on a direct level. The allegiance of the USA government was diverted from the DRC to neighbouring Rwanda and Uganda where US-trained rebels had ceased power[55]. In reality, these rebels began to take advantage of the availability of minerals in the DRC and illegal mining was allowed to develop under the guidance of Multinational Corporations who claimed that their investment in the region was for the benefit of the nation[56]. In many regards, such corporations were using FDI to exploit the land in a similar vein to the methods used during colonisation. For example, by encouraging tension between ethnic groups in Rwanda, Uganda and the DRC access to the minerals craved by Western societies was secured[57]. Illegal mining kept costs down and gave the illusion of growth in Rwanda and Uganda. Even the IMF and World Bank praised the economic growth in these two states despite knowing that the reason behind the growth was an increase in the export of minerals not even available within their borders[58]. For example, despite the production of gold in Uganda between 1995 and 2000 being between 0.0015 and 0.0082 tons, the export of gold during the same period was between 0.22 and 11.45 tons. In addition to this, the Citibank New York provided $5 million in loans for the exploitation of DRC resources by the rebels[59].

Foreign Direct Investment in the DRC accounted for 6% of the Gross Domestic Product (GDP) between 2002 and 2005[60]. During the same period, Official Development Assistance to the state totalled US$2561 million, or 44% of the GNI[61]. In addition to this, the external debt of the DRC had decreased to US$10837 million from US$12116 million for the period 1998-2001[62]. In terms of all sources of aid, the DRC was the eighth largest recipient in Africa during the period 1985-1994 and the third largest recipient between 1995 and 2004[63]. In light of this, it would be easy to assume that aid has had a positive outcome in the economic sense but in regards to being of benefit to the poor, the evidence is not so clear.

According to the NGO CARE International, 80% of the population of the DRC lives under the poverty line, the maternal mortality rate is 990 per 100,000, infant mortality is 89 per 1,000 births, and the mortality rate in the under-5 years is 20.5%[64]. Statistics from the IMF show that school enrolment for children has decreased from 22.5% in 1995 to 13.9% in 2001, that literacy rates have decreased from 67.3% in 1995 to 65.3% in 2001 and that currently 37% of the population have no access to medical care[65]. In addition to this, only 2% of the population is employed compared to 8% in 1958[66]. The level of unemployment is of particular interest given the high levels of FDI and ODA within the DRC.

A main problem that has plagued the DRC has been the lack of significant infrastructure. Traditionally, aid has been provided to the country in return for access to resources and the majority of the aid has been in terms of military arms and training from Western governments, in particular from the USA. Policies have been focussed on exploiting resources rather than promoting self-sufficiency. Western support illegal mining has meant that there has been limited necessity to spend money on legitimate infrastructure, especially when most operations are easier to disguise in the indigenous terrain. It is perhaps then of little surprise that the future of the DRC has come to the attention of China. In 2008, China announced a deal with the DRC worth $9 billion[67]. The deal is described as being strictly business and is not bound by conditionalities that have come to define foreign aid from the West[68]. In return of natural resources from the DRC, China will build 2,400 miles of road, 2,000 miles of railway, 32 hospitals, 145 health centres and 2 universities[69]. As far as intentions are concerned it may be that business will succeed where aid has failed in integrating countries like the Democratic Republic of Congo into the Global Political Economy to the benefit of the poor. China is, after all, a former developing nation, a former major recipient of aid and now a major player in the Global Political Economy.

Although it may be impertinent to blame aid for the problems facing the majority of citizens in the DRC, the role of aid in the conflict cannot be ignored. Over the past 5 decades, military aid has provided arms and training that has jeopardised the work of humanitarian and development programmes. While the rebels, elites and governments feud over natural resources and ideologies, the poor suffer the inevitable consequences in relative silence. However, it may be more accurate to find fault with the politics of aid rather than aid itself. As is usually the case, however, wherever there is money to spend, there are people and policies to buy.

It is often the case that the intentions of Western governments are of greed rather than empathy and of control rather than liberalization. Aid is, in theory, supposed to help the most impoverished. However, in practice aid does not benefit the poor: it benefits the elite minority and the donors whilst exploiting the silent and powerless minority. Economic progress in the DRC is arguably visible: external debt has decreased and economic growth is apparent but the corruption and conflict that has been borne out of this limited progress has ensured that the majority of the population do not share in the progress. Unless the policies do change, the continuing role of Africa in the Global Political Economy will be as a commodity to be bought, sold and exhausted by those who cannot face losing superiority even if it is for the lives of millions.

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