FOREIGN AID IN AFRICAN DEVELOPMENT DISCOURSE

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Abstract

The paper examines foreign aid as a strategy for the development of African states. It also analyzes how foreign aid became an important instrument of international economic relations between donor actors and African states. The paper discusses the relationship between foreign aid, development and underdevelopment. From the perspective of the 'World Systems Theory' the paper argues that despite the positive portrayal of foreign aid by the donor actors to the recipient countries like Nigeria and other aid dependent African countries, there exists a historic contradiction in the business of foreign aid which has not always made it possible for the achievement of the purposes they went meant for. The paper therefore, argues that based on the history of such aid relationships, it is evident that it was basically meant to benefit the donor countries, given, of course, the original motive behind the initiative for the provision of foreign aid, starting with that of the USA's assistance to her Western allies in the post-World War 11 years. In conclusion, the paper maintains that aid dependent African countries like Nigeria should be courageous in developing local initiatives in their quest for development. It also submits that African economic integration through trade, as well as agriculture-led industrialization is an inevitable path for the actualization of tangible development.

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Again, it submits that a synthesis of what is best in the various historic ideologies, that is, Capitalism, Socialism, Neo-Liberalism and African home grown ideologies could help bring about the much needed ideological re-orientation in aid dependent countries like Nigeria.

Keywords: Foreign Aid, Aid dependent African countries, Development and Underdevelopment

Introduction

The economic disequilibrium in the world today, namely the great and growing gap between the developed and developing nations, sometimes referred to as the North-South problem, has consistently thrown up the issue of foreign aid as a strategy for the development of the less developed countries of the South. Foreign aid, according to (Begg, Fischer, & Dornbusch, 2003), is an international transfer payment from rich countries to poor countries (p.511). It is the transfer of goods and services between international actors on a concessionary basis. Foreign aid is an extremely generalized term. Generally speaking, foreign aid is capital transferred from donor actors to recipient actors in form of private or public capital. It covers both grants and loans, both bilateral and multilateral, both governmental and private which includes commercial transactions where the donor makes no concessions (p.511). Foreign aid may be given without strings or it may be tied in some way by the donor actor so that the recipient actor is restricted in the way the aid is utilized (Randhawa, 2010). Aid may also be given for humanitarian purposes. It is unarguable that foreign aid has political connotations, either covert or overt. Aid may be given to alleviate some short term problems or it may be part of a long term strategy for development (Deutsch, 1975). Foreign aid comes in form of private or public capital. Private foreign capital may take the form of direct and indirect investment (pp.38-98). Such aid can take many forms, such as subsidized loans, outright gifts of food or machinery or technical help and the provision of free expert advisers.

Foreign aid is also viewed as a technique of economic state craft where aid is used as an instrument of foreign policy in order to achieve specific goals. In this light, foreign aid implies a relationship between two actors, that is, a donor and a recipient (Knorr, 1973). Foreign aid is a form of power relationship in which the donor had demonstrate its capability, which it can transmute into an aid relationship. Therefore, the relationships between the aid dependent African countries like Nigeria and the donor actors is a form of power relationship whereby such African countries have become entrenched in their peripheral position in the international economic system. Immanuel Wallerstein (1976) argued in his 'World System Theory', that the international economic system aids the development of some countries at the expense of others (pp.10-30). International development according to the 'World System Theory' can be analyzed based on three hierarchical levels which are; Core, Periphery, and Semi-periphery countries. The core countries are the advanced capitalist countries that are economically powerful, with strong military power and are not dependent on any state or country for their survival. The semi-peripheral countries are those who employ various strategies such as industrialization and economic diversification to improve their economic status. They are sometimes exploited by the core countries, but are not subject to perpetual manipulations and exploitation like the peripheral countries. While the periphery countries are made up of nations who are weak, with weak economic base and central government. Their weaknesses provide an avenue for exploitation and manipulation. The peripheral countries lack the basic technological facilities to boost their economies, as such, they export their raw materials to the core countries at a relatively cheap rate and in turn import finished goods at a highly exorbitant price. These countries depend solely on the capital given to them by the core countries, for their economic survival. The central thesis of the world system theory is that development is achieved as a result of the exploitation of one country by the other. The development of any nation is therefore predetermined by the role it plays and the class it belongs in the world economy (pp.10-30). The fortunes of the aid dependent African countries, such as Nigeria, viewed from the perspective of the 'World System Theory' has been continuous indebtedness and snarled development, despite decades of receiving different categories of foreign aid. It is from the above backdrop, that the paper discusses critically the origins, as well as the various forms of aid and its use as a tool of international power play. The paper also attempts the discourse of the issue of the ideal strategy for the development of the aid dependent African countries, like Nigeria.

The Emergence of Foreign Aid Strategy

The first major aid programme in the history of international economic relations, was the European Recovery Programme otherwise known as the Marshall Plan, through which Western European states were assisted by the United States of America after the Second World War (Esteva, 2000). It is believed by many scholars that the programme was successful in aiding the rehabilitation and reconstruction of beneficiary states. According to such contentions, it was the success of the Marshall Plan or the European Recovery Programme (ERP) that encouraged the donor actors to attempt to use the same strategy for the development of African countries from their immediate post-independence years (pp.6-15). From this historical context, aid as a strategy for development could be said to have emerged with the expansion of the vision of the USA concerning her manifest destiny, to lead the capitalist world in their containment of the expansion of the former Union of Soviet Socialist Republics (USSR). It is arguable that it was from the Cold War era foreign aid as a paradigm for international development became an instrument of the foreign policies of the USA and the other Western European states. As argued by Wolfang Sachs (2000), the emergence of foreign aid as a strategic instrument of the foreign policy of the USA, saw the erection of what he called the 'Light House of

Development', in the sense of setting agendas for global development by the USA (pp.1-10).

According to Sachs, with the breakdown of the European colonial powers, the United States of America found an opportunity to give worldwide dimension to her mission to be the "beacon on the hill" (pp.1-10). Sachs argues that the USA launched the idea of development with a call to every nation to follow in her footsteps and that, since then, the relations between the North and South had been cast in the mould of this development strategy (pp.1-10). It is therefore arguable that from the early post-World War II years, the idea of using foreign aid as a strategy of development had become accepted by most developing countries, and this was especially so with the newly independent African states caught in the vortex of the Cold War international politics. As far as the newly independent African countries, like other developing countries, were concerned, foreign aid is an international assistance for the development of their economies. This fact was exemplified by the development that took place at the United Nations Conference on Trade and Developed, (UNCTAD) which held in 1964, where there was a clear demonstration of how steep the idea of development erected on the strategy of foreign aid was, in the thinking of the leaders of the third world countries. Therefore, the main objective of the newly independent African states, in the Cold War era, was to attract as much foreign aid that they could possibly get from the competing super-powers. Evidently, the over reliance of so many African countries like Nigeria on foreign aid was what created the African debt crisis which has remained a burden on the highly indebted countries like Nigeria, since the 1980s. Even with the cancellation of the various amounts of debt owed by these African states, by the G7 nations, their debts have continued to increase, since they have remained dependent on foreign aid and international loans from the USA, Europe as well as China and other donor actors (Oseghale &,Okougbosun, 2009).

Foreign Aid: Forms and Typology

According to Randhawa, the standard definition of foreign aid comes from the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), which defines foreign aid or the equivalent term, foreign assistance, as financial flows, technical assistance and commodities that are designed to promote economic development and welfare, thus excluding aid for military or other non-development purposes, and are provided as either grants or subsidized loans (pp.4-12). Generally speaking, foreign aid is either private capital or public capital transferred from one or more donor actors to a recipient actor (Ake, 1981). Private foreign capital may take the form of direct or indirect investment. Direct investment means that the concerns of the investing country exercises *defacto* or dejure control over the assets created in the capital importing countries by means of that investment. Direct investment may take many forms, for instance, the formation of a concern in which a company of the investing country has a majority holding or the formation in the capital importing country of a company financed exclusively by the present concern situated in the investing country, setting up a corporation in the investing country for the specific purpose of operating in the other concerns or the creation of fixed assets in the other country by nationals of the investing country. Such companies or concerns are known as Transnational Corporations (TNCs) or Multinational Corporations (MNCs) (pp.105-115). Indirect investment is otherwise known as portfolio or rentier investment. It consists mainly in holding of transferable securities, (issued or guaranteed by the government of the capital importing country), such as shares or debentures, by the nationals of some other country. Such holdings do not amount to a right to control the company. The shareholders are entitled to dividends only. For instance, the USA owns over $3.2 trillion in foreign portfolio investment, mostly in the global south (Rourke & Boyer, 2004). In recent years, multilateral indirect investments have evolved, in the same manner. This is the context whereby the nationals of a given country can purchase the bonds of the World Bank floated for financing a particular project in some L

DCs (pp.334-340). Basically, public foreign capital may consist of bilateral hard loans, that is, giving of loans by the government of one country to the government of another country in foreign currency. This also includes, bilateral soft loans, that is, the sale of food grains and other farm products by one country to another country. There is also multilateral loan, that is, contributions made through multilateral arrangements for specific assistance by member countries. For instance, loans made available by the various agencies of the United Nations, like the Food and Agriculture Organization (FAO), the World Health Organization (WHO), the International Finance Corporation (IFC), the International Development Agency (IDA), the United Nations Development Programme (UNDP), as well as the World Bank, and International Monetary Fund (IMF), among others (Wolfers, 1974).

Foreign Aid as a Strategy for International Development

It is historically correct to state that the concept of foreign aid has its origin in the expansion of the Western industrial economies through their advancement in science and technology. Advanced industrial growth in the West was basically a byproduct of their momentous movement towards the integration of other parts of the world considered to be retarded, like the African continent (Ake, 1981). For African countries like Nigeria, their over indulgence in foreign aid and other kinds of foreign capital investment from their early independence years has deprived them of their ingenuity (Asante, 1991). According to Olukoshi (1989), the entrapment of African countries in foreign debts quagmire, was as a result of their integration into the world capitalist system (pp.6-19). This contention underscores the peripheralization of African countries in the international economic system. By and large, the import of foreign aid on the development of African states, such as Nigeria, had evidenced the nuance of power relationship which appears to be altruistic but in reality is a self-serving strategy on the part of the donor actors. Therefore, the experience of Nigeria, like the other aid dependent countries of Africa has created what could be described as the foreign aid dilemma (Jhingan, 1974).

In foreign aid, the idea of helping other less fortunate actors became self-help, an investment which brings profitable returns to the donor actors. Obviously, the foreign aid paradigm has been largely contributory to the economic and material benefit of the donor actors and accompanying this, is the factor of legitimizing such donor actors' activities in the political economy of the recipient actors. For instance, the profit that accrued to the USA in the aid she doled out to her Western European allies actually contributed in reviving the stagnating American economy, when it was being re-oriented to peace time production. Also, in the realm of international politics, the aid programme legitimized the USA in the role of the leading nation of the capitalist world (Palmer & Perkins, 2007). It is in this light that one can sufficiently comprehend President Truman's declaration of a 'Development Decade' which espoused foreign aid as transnational help, canonized as the universal doctrine for the development of the less developed countries (UNCTAD, 1964).

Again, the multitudinous benefits that have been accruing to the USA and other donor actors in the enterprise of foreign aid, was what informed the arguments of Claude Ake (1981) and other scholars, that aid giving, is investment made for the investor's own national security, for the purpose of maintaining its own prosperity (pp.162-170). Wolfers and other scholars have also argued that foreign aid is "unhelpful hand-outs" (pp. 42-51). It is therefore unarguable that foreign aid is a conceptually unsuitable means of promoting development because historically, it had destroyed what it professes to save, which is the capacity of a community to shape and maintain its way of life by its own forces (Cassen, 1986). Development aid has been counter-productive in the development of African states, and in the contention of Wolfers, "aid is already recognized as a form of imperialism, but it is also a form of interventionism" (p.42).

Thus, foreign aid is characterized as a form of power relationship in the foreign policy issues of donor actors. Apart from this, is the fact that it is has actually been abused by the kleptocratic governments of many aid dependent African states over the years. In this light, Wolfers further argues that “a fundamental weakness of aid programme is that aid is what the rich countries wants to give, rather than what the poor countries, in their own best interests, would choose”(pp’42-51).

Many scholars have argued that foreign aid constitutes a setback to the recipient African countries, due to the increase in foreign aid servicing (Olukoshi & Omoweh, 1989). There is no doubt that foreign aid contributed to the high rate of indebtedness and the high cost of production in most African countries, due to the interests they pay on foreign capital, as well as the heavy remunerations for the expatriate staff, and their other fringe benefits (pp.10-19). Again, the reliance of African states on foreign aid led to the habit of dependence on foreign aid and the misuse of aid, a development that can be succinctly understood from the perspective of the ‘World System Theory’ which argues that peripheral countries like the aid dependent countries of Africa, depend solely, on the capital given to them by the technologically advanced countries considered to be the core countries of the world system, for their economic survival (Wallerstein, 1976). It is trite to note here that aid dependent countries of Africa, like Nigeria, do not usually exert themselves to make policies that would lead to the development of their economies with their own domestic resources (Ekpo, 1981). Consequently, the history of the international business of foreign aid in African countries has been that of dependency, thereby justifying the argument of the peripheralization of African countries (pp.30-40). In addition to the above stated, is the fact that donor actors usually interferes not only in the defense and foreign affairs of the recipient countries but also in their economic development process. This fact was unambiguously demonstrated in the dogmatic implementation of the neo-liberal policies in Africa, which started with the Structural Adjustment

Programme (SAP) under the international hegemony of the advanced capitalist nations through their monetarist institutions, such as the World Bank and International Monetary Fund. This is one of the main consequences of the political strings attached to most bilateral loans. Similarly, commodity aid received by these African countries have been a disincentive to domestic agricultural productivity. Also, there is the dependence on imported raw material from donor countries by the industries established as aid, which was the albatross of the import substitution industries in African states (Ethier, 1995).

Towards an Effective Strategy for the Development of African Countries

Claude Ake, (1981) in discussing the problem of Africa's underdevelopment and the ideal strategy for the development of Africa, argued that underdevelopment will persist if the existing capitalist relations of production are maintained, and if the dependence of Africa on international capital continues (p.188). Therefore, in discussing the ideal strategy for the development of the less developed African countries, this paper argue that contrary to the unflinching faith of African states who believe that the only way they can develop their economies, without being dependent on foreign aid is for the rich countries to grant them free access to their markets, the first phase of the genuine effort to achieve development should start with, not only regional economic integration but the ideological hybridization of what is considered to be the merits of the capitalist or neo-liberal ideology and other historic ideologies, that is, the socialist as well as indigenous African ideologies of development. Unorthodox as it may seem, it is a genuine first step on the right path. Again, even though it is now popular amongst some scholars to argue for the total abandonment of foreign aid, this paper is of the opinion that the history of foreign aid in the development of African states elucidates the fact that the strategy cannot be wished away. However, African countries, as LDCs must come up with a combination of such eclectic ideological strategies that would help them to harness all the potentialities needed for their development. It is a truism that trade rather than handouts, is a better form of relationship, therefore, African states should develop new regional and sub-regional structures that would lead to increased volumes of trade on the continent, through an efficient transport and telecommunication system. Again, given the fact that too much aid had been embezzled by the corrupt ruling elites of the recipient African countries, rather than been used for the poorest people for whom it was intended, the paper argues for the involvement of international non-governmental organizations in monitoring the business of foreign aid. Against the background of the snarled development of African states, scholars like Begg, Fischer and Dornbush (2003) have argued that the quickest way to equalize world income distribution would be to permit free migration between countries (pp.511-512). The main thrust of their argument is that the residents of poor countries from the global South could go elsewhere in the North in search of higher incomes. They are also of the opinion that in emigrating, they would increase the capital and land per worker, for those who stayed behind. What is however, obvious, is the fact that there is no free and unrestricted immigration of people from the less developed countries of Africa to the rich countries of the North, today.

Consequently, this paper is of the opinion that in the globalized world of today, an eclectic economic framework of development will be of immense advantage to African peoples instead of encouraging brain and brawn drain from Africa. As Okwudiba Nnoli, and other scholars in their work titled the *Path to Nigerian Development* have expalained, this paper strongly believe that among other things, for African countries to become developed, the state would have to embark on new ways of harnessing the energies and goodwill of its people, through deliberate and conscious process of socializing the people for the development of the society (Nnoli, 1981). As has been stated in the previous section of the paper, Africa needs incorruptible and patriotic leadership that can bring about a new ideology out of the historic ideologies of development to harness the potentialities and strength of its peoples through the framework of such novel ideologies. This should be done in the background of the continent's inextricable realities of extreme economic liberalism, which is in contradistinction to the Western type of economic liberalism in the USA and the Western European states that is an admixture of the socio-welfare ideology of the modern state and capitalism (Okougbosun, 2004).

Again, this paper submits that the basic strategy for the development of African countries demands the optimal production of the various food and nutritional necessities needed by the teeming African population (Nwankwo, 1986). Also, ideological and creative cultural diversity is needed in the continent's quests to actualize its science and technological possibilities. Sustained agricultural production should be accompanied with accelerated efforts to copy or borrow technological know-how from the already industrialized or the fast industrializing nations through the framework of eclectic ideologies. The culture of science and technology should be consciously developed to incrementally achieve the processing of the surplus in their productive activities. The surplus of production from the agricultural sector could be processed and sold to other member-states in an integrated sub-regional and regional economic community of a common market economy. Trade should be pursued as a resultant and natural offshoot of the massive agricultural and other productive activities taking place in their economies. Transportation and communication, as well as a common currency at the regional or the sub-regional level, which would enhance exchange of goods and services, should be agreed upon by the states integrating their economies.

Conclusion

The paper finds that foreign aid which is the international transfer payment from rich countries to poor countries became the most important source of development and re-development assistance, from the immediate post-World War II period. An idea that began as the European Recovery Programme or the Marshall

Plan, whereby the USA provided bailout funds, in technical and monetary terms to her allies in Western Europe, has over the years assumed a paramount strategy in the development of the less developed African countries. The paper observes that foreign aid which is usually orchestrated as help is actually for the benefit of the helper and has created an international complex of those countries that believes that they needed to be helped, even though, such helps are more debts, and those that see themselves as more powerful and fortunate to be the helper, even though such helps are mostly for the benefit of the helpers. This reality thus exemplifies the 'World System Theory' which views the international economic system as a consciously designed structure that is a product of a long interplay of historical forces, not something that is fortuitous in its development. This paper is of the opinion that the business of foreign aid as experienced by the aid dependent African countries such as Nigeria, had ossified them in their historic peripheral location in the world economic system. The unfortunate outcome of this interplay of forces, for these African states, exposes a historic process of their peripheralization in the world's political-economy.

The position of this paper regarding the exploitation of the aid dependent African countries by the international donors has given fillip to the narrative of the origin of foreign aid as a strategy of international development that had enhanced the position of the USA vis-a- vis the European states from the immediate post-World War 11 years. From the historic experiences of the non-European nations which have developed such as China, Japan and South Korea for instance, it appears that such countries had achieved such feats by upholding certain pragmatic or practical principles that underpinned some developmental ideologies. This paper is of the opinion that since the advanced capitalist nations cannot be outwitted in their game of foreign aid, the historic imperative for the less developed African states is for them to confront the enemies within and the aggressors without. For the enemies within, the prospect of redeeming the ruling elites of such African states looks gloomy, and this fact also makes the prospect for the achievement of the needed ideological evolution, that would enable such African countries to develop to appear elusive. However, the necessary tasks that are needed to be performed in order for the less developed African states to achieve development requires a lucid comprehension of the historic experiences of their snarled development, in order for them to become awakened for their conscious historic duties and obligations that would improve the lots of their generation and the future generations. The history of foreign aid in Africa has shown that the aid dependent countries are perpetually at the mercy of donor actors, implying that the inextricable situation that these less developed African states have found themselves, demands that they have to come up with composite ideologies and strategies that would enable them to fast track their development. The submission of the paper is that massive agricultural production and development to, first and foremost, meet the domestic needs, should be considered a fundamental objective of national imperative for LDCs like Nigeria. Also, it is the conviction of this paper that economic integration through eclectic ideological frameworks, from the sub-regional level to the regional level, should be considered sacrosanct to the survival and development of African states

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