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DOES FOREIGN AID WORKS? A SUB-SAHARA AFRICAN EXPERIENCE

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ABSTRACT

The role of foreign aid in the developing world and Sub-Saharan Africa (SSA), in particular has attracted a great deal of global discuss in recent decades. Without doubt, there has been growing disillusionment with the performance of foreign aid across SSA. Fighting poverty by supporting economic growth and development in the developing world has been and continues to be a major objective of developing countries. However, in many countries it has been difficult to see any positive correlation between aid and economic growth and development. Africa is a particularly sad case in this respect (Stigltz 2002) as the region has fallen behind the rest of the developing world by virtually any measure. The gap between Africa and the rest of the developed world continues to grow. Is aid a major cause of this dismal development?

The study has shown that aid has contributed to getting infrastructure available in some SSA countries, improve poverty reduction objectives and boost economic growth while in others retarded growth, increased dependence on aid support, poverty and overall decline in welfare. Aid has become a considerable force in the national economy, making most countries completely dependent on it with its consequences. The study suggests developing countries are required to build the necessary capabilities to trade with the rest of the world based on mutual benefits to boost growth and development for their people.

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INTRODUCTION

Development aid is a phenomenon of the post-war period. As such, it has grown considerably and given rise to number of institutions, bilateral as well as multilateral, solely employed in delivering aid to poor and developing countries. Aid has traditionally been seen as a temporal intervention that can complement existing national resources and efforts to make resources available to finance growth and development. However, after almost forty years in existence, aid has become more permanent. Furthermore, in some countries, aid has become a considerable force in the national economy, making these countries more or less completely dependent on it. Without doubt, there has been growing disillusionment with the performance of aid in the developing world, SSA in particular. Fighting poverty and exclusion by supporting economic growth and development in the developing countries have been and continues to be a major objective of aid. However, in many countries it has been difficult to see any positive correlation between aid and growth and development. Africa has fallen behind the rest of the developing world by virtually any measure in terms of economic and human development. The gap between Africa and the rest of the developing world continues to grow largely blamed on aid dependence and its ineffectiveness. Or has aid prevented an even worse decline in living standards? Or has it had no effect at all? As long as aid agencies and host countries are unable to provide clear answers to these questions, aid will be under fire. Aid effectiveness will therefore continue to occupy a central position in the debate of Africa's development. It was because of the deteriorating situation in Africa, and the need to find a way out of that situation, that attracted a number of development research institutes and researchers to initiate studies on aid effectiveness across the developing world. This study will review the literature of foreign aid in SSA and the developing world at large. We proceed to define Foreign Aid and assess the relationship between aid and corruption, way forward for Africa's growth and development in the absence of aid. Is foreign aid promoting corruption and dependence is evaluated across the region. We ask ourselves, why is aid still granted with its disappointing track record for decades. Can economic growth be steered back into right direction to change the economic growth trajectory? Foreign aid: a blessing or a curse is also reviewed later in this paper. Regional integration and forming commercial partnerships and trade relations are assessed for sustainable growth. The future of Africa: trade, not aid is also examined before we conclude to detail Africa's growth potentials with or without foreign aid.

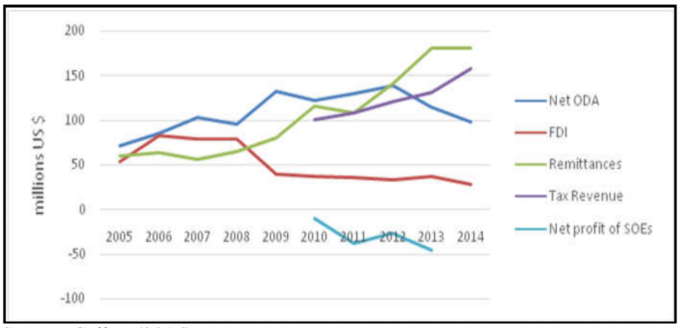
Literature review: Aid's overall impact on reducing poverty and achieving the Millennium Development Goals (MDGs) has attracted much interest in development economics discourse. In developing countries, it has been difficult to see any positive impact of aid on growth and development. SSA and most developing countries of Southeast Asia, the Pacific and Latin America continue to have a sad story on aid effectiveness. These regions have fallen behind the rest of the world by any measure though the story is not uniform across the region. Countries that are able to build capabilities – infrastructure and institutions, economic base benefitted greatly on aid effectiveness whilst many end up being hghly dependent on aid retarding domestic capabilities resulting to slow growth.

What is Aid?

Aid or Official Development Aid (ODA) ‘’is the official financing that is distributed among developing countries with the aim of promoting economic development and welfare’’, (World Bank 2006). The money that floods into Africa comes not only from individual government-to-government aid programs but also international development programs such as the World Bank, Islamic Development Bank (IsDB) and the IMF, which act as a channel to intermediate between the donor governments and receiving governments. There is considerable evidence of aid’s contribution to reducing poverty at the project level though we are concerned here with the overall contribution aid makes to poverty reduction, economic growth and development. Compared with aid and economic growth analyses, far fewer studies have been conducted to examine the aggregate relationship across countries between aid and economic growth. The 25 years’ review of the official aid system from 1960 to 1985 by the OECD/DAC stated boldly that “the most troubling shortcoming of development aid has been its limited measurable challenging contribution to the extreme poverty especially in the rural areas. ”In contrast, three recent cross--country studies reflecting the literature suggests that ‘’’aid does work”. The first concluded that inflows of aid per capita of $25 will over time reduce poverty by about 6%; the second showed that aid inflows result in poverty reduction even in cases where aid does not seem to contribute to growth; and the third suggested that aid had helped to enhance the income of all, but that those in middle and higher income groups benefitted more than the poorest i.e the target groups are not reached. Additionally, a recent study of the long--term impact of Swedish aid on poverty in three Asian countries concluded that it had been positive in Laos and Vietnam, but inconclusive in relation to Sri Lanka. Arecent (2011) study of Tanzania concluded that the recent sharp fall in poverty was due in part to the contribution made by aid funds. The aid--poverty relationship is particularly important in contemporary aid discourse because of the number of large donors who have linked their recent and current aid support to help to achieve the MDGs. The first of which is to halve the proportion of people whose income is less than $1 a day, with most of the other MDGs addressing different manifestations of poverty.

However, a number of early studies were critical of any attempt to draw a clear causal link between aid inputs and the achievement of MDGs as aid was only one variable amongst many that influence development outcomes– not least to counter an anticipated argument from aid’s strongest critics that if the MDG targets are not achieved, this would prove that aid doesn’t work. Numerous reports have been written commenting on progress towards achieving the MDGs and there is broad agreement that the core poverty goal of halving the proportion of those living in poverty will be met. Yet what is by no means clear is to what extent this has been due to the increased aid provided, and what impact aid has had on the MDGs where there has been greater progress and the influence of aid on those MDGs where progress has been far slower. While their cross-country analyses showed that poverty rates fell faster in the last ten years than in earlier periods, a time when aid levels were rising, they warned against necessarily attributing this fall to the increased aid provided. Slightly more upbeat, another synthesis of studies looking at the impact of aid provided in the framework of the Millennium Development Goals (MDGs) suggested at best that aid has only made a minimal contribution to development outcomes. The aggregate impact of official aid on growth and poverty, also assess the wider evidence on the aggregate contribution that aid makes to development outcomes.

For more than 30 years, studies have been conducted which have examined and tried to assess the overall contribution that official aid has made to the economy, growth, development and poverty reduction across a range of recipient countries. For more than two decades, donors have also commissioned studies to assess the impact of their aid interventions at the country-wide level. A rough tally suggests that between 1994 and 2005 at least 300 were produced. However these studies were not commissioned to answer the overarching question of whether the aid provided in its entirety “worked”, but rather to examine the different projects and programs and to draw lessons especially about aid delivery issues. To this day, individual bilateral donors, in particular, are still unable to produce robust and unambiguous evidence to document the direct contribution aid is making to aggregate growth and poverty reduction initiatives. However, the challenges for conducting aid effectiveness across developing countries mostly cited include the lack of information and data to track the impact of aid provided; and the knowledge that a range of other factors other than aid was also contributing to outcomes at the sectoral or national levels. It was only in 2004 that the study to assess the development effectiveness of total ODA at the country level was formally launched by the OECD’s network on development evaluation, as a prelude to more systemic assessments. The studies of Australian aid to Papua New Guinea (PNG) from 1975 to 2000 was published in 2003. Although in terms of per capita income growth, PNG would be judged a development success as tangible gains in terms of life expectancy, literacy rates and infant mortality have been achieved in PNG, although the study was clear that aid had only been one factor amongst many influencing beneficial outcomes. Indeed aid’s wider impact was judged to have added to the burdens of already weak administrative structures. In other examinations, it was only from the 1990s onwards that Australia began to realise that the key to PNG’s long-term development lay in helping to strengthen institutions and build capacity, as well as to encourage greater public debate and scrutiny of development performance.



Source: Gajigo (2016)

Figure 1. Development Finance Flows in the Gambia (2005-2014)

The development finance flows to The Gambia from 2005 to 2014 has been on the deline along side Foreign Direct Investment (FDI) and profits/loss of State-Owned Enterprises. ODA has risen from 2005 through to 2011 when it nose-dived to 2014 manifesting weak development finance inflows to the country. It is only Taxes and Remittances that increased during the period as shown in Figure 1 above. Remittances at end December 2020 rose to USD589 million relative to USD329 million in 2019 despite the challenges of Coronavirus pandemic. Increase in Money Transfer Organisations (MTOs) and increased formal remittances with no informal remittances were associated with considerable jump in remittances for the year 2020. The impact of aid flows on the economy of The Gambia has not been commissioned in the past but with low inflows over time, it was not conclusive to determine how aid reduce poverty or its effect on economic growth and development. Issues of institutional building, technical assistance and strengthened capabilities are key in enhancing aid effectiveness. Many of the country studies examine the different ways in which aid has had a positive impact at the sectoral level, with aid boosting resources to expand the ability of governments to increase recurrent and capital expenditure.

The study of Bangladesh suggests that the impact of aid on poverty was disappointing, unlike the study of Colombia that aid contributed to poverty reduction for long periods of time, and the study of India that the evidence was mixed. Thus in Colombia, Uganda and Nicaragua, it did; in Malawi, the combination of financial aid, technical assistance and institution building contributed to growth in the 1970s; the case study of Kenya concluded that it had failed to boost growth. Subsequent studies on Tanzania in 1990s, it was "hard to argue that aid has had a very positive effect on economic growth", adding that growth mainly depended on factors other than aid, but then concluded that the overall impact of the resource transfers was positive. Trends in poverty and economic growth have been largely downwards in Zambia, even in times of rising aid inflows, while a more recent study of Mozambique suggests that over time aid has had a positive effect on growth and poverty reduction Most recent country studies of Botswana unequivocally deems aid to have been a success. A point of interest is that it was also only in 2008 that an aid--recipient country, for instance, Uganda, first commissioned a comprehensive evaluation of its overall development efforts which focused explicitly on the contribution that aid had played in helping to achieve its poverty-reducing targets. Against the backdrop of a significant overall decline in poverty in the country, the study concluded that Uganda's development partners had contributed to the significant fall in the numbers of people living in poverty, though acknowledged that it was difficult to quantify the specific contribution that the aid funds had made.

Aid and Corruption: The issue of corruption is raised by aid's critics. Overall, the very act of giving and receiving aid is said to extend and deepen corruption in recipient countries and, of more direct relevance to aid effectiveness debates. Aid is said and considered not to work because so much aid is misappropriated and never reaches the intended target groups – the poor and marginalized section of society. Empirical evidence suggests that recent cross--country studies found a strong relationship between countries which received high levels of aid and high levels of overall corruption. Indeed some studies suggest the understanding of the importance of corruption to poor people has grown, more aid has been channeled into projects and programmes aimed at highlighting the systemic problems of corruption. It is noted that financial aid from rich countries has trapped many African nations in a cycle of corruption, slower economic growth and poverty. Cutting off the flow would be far more beneficial (Moyo, 2016). United Nations' agency for human settlements with an annual budget of millions of dollars, is mandated to "promote socially and environmentally sustainable towns and cities with the goal of providing adequate shelter for all." However, this has not worked for many slums in Africa and Asia despite the foreign aid receipts to help address millions of people living in deplorable slums. Giving alms to Africa remains one of the biggest ideas of our time -- millions march for it, governments are judged by it, celebrities proselytize the need for it. Calls for more aid to Africa are growing louder, with advocates pushing for doubling the roughly $50 billion of international assistance that already goes to Africa each year.

Yet evidence overwhelmingly demonstrates that aid to Africa has made the poor poorer, and the growth slower. The insidious aid culture has left African countries more debt-laden, more inflation-prone, more vulnerable to the vagaries of the currency markets and more unattractive to higher-quality investment. It's increased the risk of civil conflict and unrest considering its youthful population - with over 60% of sub-Saharan Africa's population is under the age of 24 with few economic prospects is a cause for worry. Aid is an unmitigated political, economic and humanitarian disaster. Few will deny that there is a clear moral imperative for humanitarian and charity-based aid to step in when necessary, such as during the 2004 tsunami in Asia. Nevertheless, it's worth reminding ourselves what emergency and charity-based aid can and cannot do. Aid-supported scholarships have certainly helped send African girls to school. This kind of aid can provide band-aid solutions to alleviate immediate suffering, but by its very nature cannot be the platform for long-term sustainable growth. Whatever its strengths and weaknesses, such charity-based aid is relatively small beer when compared to the sea of money that floods Africa each year in government-to-government aid or aid from large development institutions such as the World Bank. Over the past 60 years at least $1 trillion of development-related aid has been transferred from rich countries to Africa. Yet real per-capita income today is lower than it was in the 1970s, and more than 50% of the population, over 350 million people live on less than a dollar a day, a figure that has nearly doubled in two decades. Even after the very aggressive debt-relief campaigns in the 1990s, African countries still pay close to $20 billion in debt repayments per annum, a stark reminder that aid is not free. In order to keep the system going, debt is repaid at the expense of African education, infrastructure and health care. Well-meaning calls to cancel debt mean little when the cancellation is met with the fresh infusion of aid, and the vicious cycle starts up once again. In 2005, just weeks ahead of a G8 conference that had Africa at the top of its agenda, the IMF published a report entitled "Aid Will Not Lift Growth in Africa." The report cautioned that governments, donors and campaigners should be more modest in their claims that increased aid will solve Africa's problems. Despite such comments, no serious efforts have been made to wean Africa off this debilitating drug. The most obvious criticism of aid is its links to rampant corruption. Aid flows destined to help the average African end up supporting bloated bureaucracies in the form of the poor-country governments and donor-funded non-governmental organizations. In a hearing before the U.S. Senate Committee on Foreign Relations in May 2004, it is estimated roughly $100 billion of its loan funds intended for development were diverted to leaders and public officers coffers, elephant projects and other prestigious infrastructure (Chandra & Kolavalli 2006, Fukuyama 2005, Kristof 2006). In 2002, the African Union estimated that corruption was costing the continent $150 billion a year, as international donors were apparently turning a blind eye to the simple fact that aid money was inadvertently fueling graft. With few or no strings attached, it has been all too easy for the funds to be used for anything, save the developmental purpose for which they were intended.

In Zaire, known today as the Democratic Republic of Congo, the country's central bank warned in 1978 that the system was so corrupt that there was "no prospect for Zaire's creditors to get their money back." Still, the multilateral agencies gave the country the largest loan it had ever given an African nation. According to corruption watchdog agency - Transparency International, Mobutu Sese Seko, Zaire's president from 1965 to 1997, had stolen at least $5 billion from the country while many past leaders remain embroiled in a court cases that has revealed millions of dollars frittered away from health, education and infrastructure toward his personal cash dispenser. Yet the aid keeps on coming and increasing. A nascent economy needs a transparent and accountable government and an efficient civil service to help meet social needs. Its people need jobs and a belief in their country's future. A constant stream of "free" money is a perfect way to keep an inefficient or simply bad government in power. As aid flows in, there is nothing more for the government to do -- it doesn't need to raise taxes, and as long as it pays the army, it doesn't have to take account of its disgruntled citizens. No matter that its citizens are disenfranchised as with no taxation there can be no representation. All the government really needs to do is to court and cater to its foreign donors to stay in power. The aid system encourages poor-country governments to pick up the phone and ask the donor agencies for next capital infusion. It is no wonder that across Africa, over 70% of the public purse comes from foreign aid. However, in Ghana, a country where after decades of military rule brought about by a coup, a pro-market government has yielded encouraging developments. Farmers and fishermen now use mobile phones to communicate with their agents and customers across the country to find out where prices are most competitive. This translates into numerous opportunities for self-sustainability and income generation which, with encouragement, could be easily replicated across the continent.

To advance a country's economic prospects, governments need efficient civil service. But civil service is naturally prone to bureaucracy, and there is always the incipient danger of self-serving cronyism and the desire to bind citizens in endless, time-consuming red tape (Moyo 2016). This helps to explain why doing business across much of Africa is a nightmare. In Cameroon, it takes a potential investor around 426 days to perform 15 procedures to gain a business licence. What entrepreneur wants to spend 119 days filling out forms to start a business in Angola? He's much more likely to consider the U.S. (40 days and 19 procedures) or South Korea (17 days and 10 procedures) (Jaabi 2013, 2014). In a similar vein has been the approach to food aid, which historically has done little to support African farmers. Under the auspices of the U.S. Food for Peace program, each year millions of dollars are used to buy American-grown food that has to then be shipped across oceans. One wonders how a system of flooding foreign markets with American food, which puts local farmers out of business, actually helps better Africa. A better strategy would be to use aid money to buy food from farmers within the country, and then distribute that food to the local citizens in need. Then there is the issue of "Dutch disease'', (Sachs 2006) a term that describes how large inflows of money can kill off a country's export sector, by driving up home prices and thus making their goods too expensive for export. Aid has the same effect. Large dollar-denominated aid windfalls that envelop fragile developing economies cause the domestic currency to strengthen against foreign currencies. This is catastrophic for jobs in the poor country where people's livelihoods depend on being relatively competitive in the global market. Africa remains the most unstable continent in the world, beset by civil strife and war. Since 1996, 11 countries have been embroiled in civil wars. According to the Stockholm International Peace Research Institute, in the 1990s, Africa had more wars than the rest of the world combined. Civil clashes are often motivated by the knowledge that by seizing the seat of power, the victor gains virtually unfettered access to the package of aid that comes with it. In the last few months alone, there have been at least three political upheavals across the continent, in Mauritania, Guinea and Guinea Bissau, each of which remains reliant on foreign aid. The ongoing political volatility across the continent serves as a reminder that aid-financed efforts to force-feed democracy to economies facing ever-growing poverty and difficult economic prospects remain, at best, precariously vulnerable. Long-term political success can only be achieved once a solid economic trajectory has been established.

The 1970s were an exciting time to be African. Many of our nations had just achieved independence, and with that came a deep sense of dignity, self-respect and hope for the future. Proponents of aid are quick to argue that the $13 billion ($100 billion in today's terms) aid of the post-World War II Marshall Plan helped pull back a broken Europe from the brink of an economic abyss, and that aid could work, and would work, if Africa had a good policy environment Gajigo 2016, Jaabi et al 2014. The aid advocates skirt over the point that the Marshall Plan interventions were short, sharp and finite, unlike the open-ended commitments which imbue governments with a sense of entitlement rather than encouraging innovation. In addition, aid supporters spend little time addressing the mystery of why a country in good working order would seek aid rather than other, better forms of financing. No country has ever achieved economic success by depending on aid to the degree that many African countries do. The good news is that we know what works; what delivers growth and reduces poverty. We know that economies that rely on open-ended commitments of aid almost universally fail, and those that do not depend on aid succeed. The latter is true for economically successful countries such as China and India, and even closer to home, in South Africa, Rwanda and Botswana. Their strategy of development finance emphasizes the important role of entrepreneurship and markets over a staid aid-system of development that preaches hand-outs. African countries could start by issuing bonds to raise cash. However, African countries could explore opportunities to raise capital in more non-traditional markets such as the Middle East and China whose foreign exchange reserves are more than $4 trillion. Moreover, the current market malaise provides an opening for African countries to focus on acquiring credit ratings, a prerequisite to accessing the bond markets and preparing themselves for the time when the capital markets return to some semblance of normalcy. Governments need to attract more foreign direct investment by creating attractive tax structures and reducing the red tape and complex regulations for businesses. African nations should also focus on increasing trade relations with China, a promising partner, Western countries and promote intra-Africa trade. It's time for a change. It is suggested that it is not only aid's detractors who are critical of aid's past and current impact; in seeking to understand better the problems which impede aid's greater impact, at least implicitly, it is acknowledged that aid is not working as well as it could. Can this gap between what aid could do and what it does be substantially narrowed? Could aid work substantially better? Aid's advocates and those providing aid argue that it can, and what is needed is to understand the major problems that reduce aid's impact and address them.

In sharp contrast, aid's strongest critics maintain that the most substantial problems impeding the effectiveness of aid are not minor ones that can be addressed by marginally improving the way aid is given or by "learning lessons" from past projects and programmes and feeding these into the next round of aid interventions. An early proponent of these sorts of arguments was Peter Bauer, Professor of Development Economics at the London School of Economics. In Angus Deaton, a respected development economist, n his book entitled The Great Escape, published in 2016 said:

> *''Aid and aid--funded projects have undoubtedly done much good: the roads, dams and clinics exist and would not have existed otherwise. But the negative forces are always present: even in good environments, aid compromises institutions and industries; it contaminates local politics; it undermines democracy and dignity of countries. in spite of the direct effects of aid that are often positive, the record of aid shows no evidence of any overall beneficial effects. Negative unintended consequences are pretty much guaranteed when we try.'' (2016:23)*

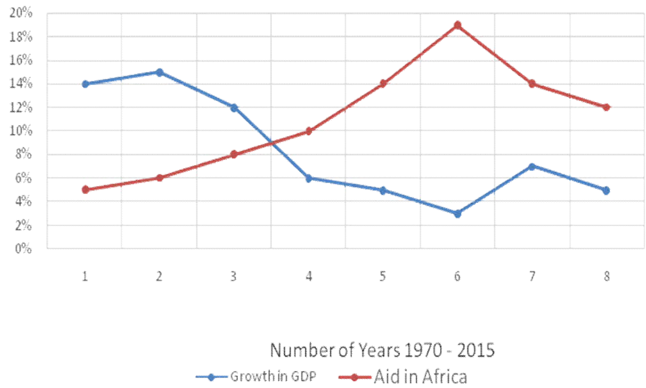
These views form one part of a larger group of arguments made about the systemic problems with aid. There are, broadly, four sorts of ways -- it has been argued that the impact of humanitarian and development aid has been undermined: firstly, by the way aid is allocated; secondly, by the manner in which aid is given; thirdly, by the aid relationship within recipient countries; and, fourthly, by the wider context within which the aid relationship exists and operates.

Way forward for Africa's Growth and Development: For Africa to move on, taking economic growth and development into their hands, like the Tigers Economies of Southeast Asia, there is the need to build domestic technological capabilities to produce goods and services, participate and compete in global markets (Chandra & Kolavalli 2006, Jaabi & Rasiah 2012, Lyons 2014, Moyo 2016). Much of the traditional theoretical and empirical literature concentrated mainly on developed and emerging economies much late comers in developing countries are forging ahead to build technological capabilities. As Lall (1992:165) put it, ''technology is not freely available to all countries as viewed by neoclassical trade theory and that technological knowledge is not equally shared among enterprises''. Instead, firms and countries select appropriate levels of capital/labour intensity in accordance to factor price ratios and their relative endowments of physical capital and labour. Accordingly, in developing SSA countries, despite trade liberalisations in the 1980s, the region failed to exploit the opportunities offered by global trade due largely to low domestic firm capabilities and weak public sector support (Lall, 1992, 2001; Rasiah, 2006, 2007). This is evident with SSA's share of global manufacturing value added fell from 0.43% in 1980 to 0.41% in 2000 and its share of manufactured exports worsened from 0.3% in 1980 to 0.2% in 2000 compared with East Asia's 6.8% and 18.4% respectively (Lall & Mbula, 2005:2). The region is clearly 'off the map'' in dynamic technological upgrading and has become marginalised in global economy. To address these problems requires strengthening domestic technological capabilities and adopt learning technological effort by attracting foreign direct investments (FDI) from overseas and add value to domestic primary raw materials for exports. This will create jobs, raise incomes and boost global market participation and competitiveness. However, this cannot to achieve in the presence of poor framework conditions for growth and competitiveness such as political instability, civil conflict, weak governance, poor macroeconomic management and weak infrastructure (UNIDO, 2004; Lall, 2005).

To enhance growth and development, SSA must participate and compete in global trade with the right capabilities. Although, global trade affects economies differently (Lall, 1992, 2001a, 2002, 2005 and Rasiah, 2004, 2007), benefitting those that built right technological capabilities and failing others that could not exploit the opportunity. Economies with enhanced technological capabilities stand to achieve sustained growth, value addition, surging employment and increased exports. The lack of it as in most SSA countries has denied the region similar experience (Lall, 1992:166-173 and Rasiah 2006, 2007:211). Reliance on exports of primary commodities with little or no value addition constrained most SSA countries from participating fully in international markets of processed products where sophisticated systems, high manpower skills, advanced technological capacity, state-of-the-art fishing infrastructure, capacity to meet sanitary and quality requirements and connectivity in the global supply chains matter. It is robust in this study with fish exports volume and value much lower and erratic particularly in the case of The Gambia. The domestic firm and national capabilities remain weak in both countries limiting fish production and exports. More public sector effort is needed in collaboration with key sectors to address these global trade capability issues through FDI and its diffusion, network cohesion and connectivity in international markets (Chandra & Kolavalli 2006, Jaabi & Rasiah 2012, Lyons 2014, Moyo 2016). Enhancing technological capabilities also requires human skills, huge investments and other input requirements often beyond the capacity of most local firms in SSA. Without public sector support in SSA by providing the required infrastructure and technological investments, firms are likely to go without building the required capabilities due mainly to related huge investment costs and skill human resource requirements. The inability of firms to meet these investment requirements, reach the minimum operating efficiency, quality control, equipment maintenance or adapt product designs to changing market conditions or maintain effective linkages with reliable suppliers are unlikely to participate and compete effectively in global markets (Lall, 1992:168). It is important that firms overcome investment, production and linkage capabilities to compete in the sophisticated global markets where human resource skills, state-of-the-art equipments, quality control and diffusion of technology are crucial. Like firms, countries differ in their abilities to utlitise and innovate technologies which go to demonstrate in their productivity, economic performance and growth.

However, it is important to note that providing Sub-Saharan Africa with aid under many forms, social, economic, humanitarian, has been the priority since the post-independence era in the 1960s. NGOs are in their hundreds of thousands trying to make the world a better place, fighting fatal illnesses, handing out food and water, providing teachers, the list goes on. There is an unmistakable moral imperative for humanitarian aid to get involved in crisis situations of temporal food supply and medicine in times of flood and wars. This type of aid is efficient in lessening immediate suffering; however it is not the solution in the long-run and does not help provide a stable platform for these countries to sustainably develop. It may have been a success with the US's Marshall Plan in the late 1940s but more recent foreign aid efforts have been found to hinder development where it is indispensable, and they involve so much more money than was needed to rebuild Europe after World War 2. Over the years, richer governments are judged by it and famous faces don't stop campaigning in plead for it but foreign aid doesn't seem to be showing any significant progress to alleviate poverty, in African countries at least, and in Sub-Saharan Africa more particularly: home to a large portion on the world's "bottom million" in extreme poverty. Since the 1950s traditional development economics has been dominated by the idea that large donations is the solution to the savings gap in developing countries but evidence shows that large influxes of foreign aid can end up doing more harm than good. An analysis of the economic growth in Asia over the past decades, which has received little foreign aid in comparison to Africa, is a good starting point. Reports from the World Bank show that out of the 700 million people who were pulled out of poverty between 1981 and 2010, 627 million of them were in China.

That leaves us with 73 million throughout the rest of the world. In other words, 89.6% were from China, giving us a clear indication that foreign aid isn't the answer. Like Jeffrey Sachs, it is thought that foreign aid was the way forward when it comes to eliminating extreme poverty but since the 2000s the "big push" theory has been subject to heated debate highlighting the negative consequences of aid which seem to have left developing countries in a worse place than before. In Sub-Saharan Africa. the statistics of foreign aid budgets to Chad, Angola or Nigeria , the level of progress suddenly appears to be very low in comparison to the huge sums received. The continent as a whole receives roughly $50 billion of international assistance annually, (World Bank 2016). Yet, instead of drastically improving the living conditions of the 600 million people who live below the poverty line, this aid makes the rich richer, the poor poorer and hinders economic growth in the region, not to mention catalysing the vicious cycle of corruption among public officers and political leaders.



World Development Indicators (2016)

From Figure 2 above, GDP growth across Africa lies above official aid into the continent but as aid increases, the level of GDP growth declines undermining the region's growth prospects. As aid is not sustainable, it started to drop after its peak. As shown above, the continent has not reached its 1970 growth rate due largely to foreign aid dependence. A lot is required to change this dynamics if the continent wil have the potentials to handle its own economic growth and development.

Is Foreign Aid Promoting Corruption and Dependence?

Aid strengthens corruption in countries where it is already widespread. Unfortunately this is the case for many of the countries that make up Sub-Saharan Africa (Saasa & Carisson 1886, Moyo 2016, Kristof 2006, Pogge 2002). The largest recipients of foreign aid are in Sub-Saharan Africa, which happens to be where the world's lowest ranked countries in many areas of governance are, especially in terms of corruption, according to Transparency International, Clemens & Moss 2005, Collier 2007, Bagachwa et al 1996, Fukuyama 2005). This shows that foreign aid simply reinforces the amount of resources available to already corrupt specific elite public officers and political leaders, thus keeping the balance of power into the hands of the executive branch of government. There is a clear correlation between increased aid and statistically significant increase in corruption. The money is not used to promote growth and to help the poor but is instead used on military equipment, white elephant projects, dishonest procurements, instead of cutting down the unemployment rate. In essence, hinders growth and development to a large extent. Another consequence is aid dependence is the case of collapsing key sectors of the economy as these countries have become used to receiving "free" money at their disposal instead improving productive sectors of the economy (agriculture and manufacturing industries) to spur growth. This prevents any form of improvement in terms of human development and per capita income.

Why are Aids still granted?

Developed countries like France tends to gives a lot to its former colonies in Africa as a consequence of guilt of the past. Australia and Nordic countries have a tendency to discriminate, or unlike France and the UK and USA can choose to give only to the less corrupt countries and better governed (democratized) countries because they have no colonial legacies thus freeing them from political pressures. The IMF and World Bank tries to instill better economic management, fiscal discipline and an efficient monetary policy environment. Thus, countries in this bracket tend to attract more grants and loans from these Britton woods institutions.

Can economic growth in the region be steered back into the right direction?

If foreign aid isn't working then it needs to be reconstructed and if global actors can't help then they must at least not make things worse. New policies and incentives can be put together to show progress rather than failure. Aid needs to be converted into trade for sustainability and consolidate on the gains for economic growth and development. It is vital therefore that capabilities of the people and enterprises need to be created and built so that they become creators of wealth and creators of enterprises so that growth is home-grown. Thorough and complete policy and decent and dignified economic management matter more than foreign aid for developing countries, (Lyon 2014). Stable and strong institutions have the potential to reduce aid from becoming a curse, thus help to complement more growth and development initiatives. Developing countries require to re-adjust to foreign aid as developed world are shrinking foreign aid. In the first few months of his presidency, President Donald Trump has aggressively pursued his "America First" agenda. In March 2017, the president outlined his first budget proposal, which largely reflects his bid to "Make America Great Again." In doing so, he has proposed to increase military spending by around $54 billion while reducing government expenditure in non-defense programs. Although foreign aid only accounts for 1 percent of the federal budget, manifesting considerable policy changes towards foreign aid - showing biggest cuts in spending. As a region, Africa accounts for around 20 percent of U.S. aid, with Egypt, Kenya, and South Sudan being the biggest beneficiaries, (Kwemo 2017). Although critics argue that lowered public international spending will adversely affect development projects, this reduction should also be seen as an opportunity for the continent to rise and for the relationship between the U.S. and Africa to evolve. Africans must identify priorities, define, and implement them not be reactionary to the politics of the West.

Foreign Aid: A Blessing or A Curse?

African countries have been recipients of foreign aid since independence. It is undeniable that some U.S. development assistance programs, such as the Millennium Challenge Corporation (MCC) and the Africa Development Foundation (ADF), have shown lasting results in programs that stimulate local economies and reduce aid dependency such as sustainable agriculture, youth entrepreneurship, and improved access to power. Despite these successes, many experts argue that the provision of foreign assistance has, at times, developed a culture of dependency in Africa and fostered paternalism as opposed to partnership with the U.S. and rest of the world. Thus, African governments need to take this opportunity to scale up policies that spur democracy, creating the enabling environment to build prosperity in Africa through concrete priorities such as job creation, regional integration, and economic engagement Reinert 2007, Rasiah 2007, Kiggundu 2005, Lall & Pietrobelli 2002). In the past couple of years, African Union is doing its best in the integration and economic empowerment process. Intra-Africa trade (free trade area) is being promoted at regional and continental level, infrastructural development, economic integration in terms of currency unions in West Africa and Eastern Africa are in pilot phases for implementation. Payment systems are being harmonized, tariff agreements and even Africa Union passport was launched few years ago.

Regional Integration: In moving away from a reliance on Western assistance, African governments must seek to improve regional integration initiatives, which are key to sustaining development and encouraging long-term prosperity for the entire continent. Increasing intra-African trade will be a key component to accelerating economic growth, as it will increase industry competition, improve productivity and develop local infrastructure, (Jaabi 2016). Africa's Continental Free Trade Area (CFTA) will establish free trade among all 54 states on the continent by 2022 and a continental union being considered in future. This will be a pivotal moment for development in Africa. The current level of trade between African states is only 18 percent compared to 80 percent for Europe, 60 percent for North America, and 62 percent for the Association of Southeast Asian Nations (ASEAN), (World Trade Organization (WTO), 2018). The CFTA would establish the world's largest single market and effectively boost trade among African states by 50 percent. When combined with good governance and political stability, intra-Africa trade and deepening market integration will significantly increase economic growth, job creation, employment, poverty reduction, inflow of foreign direct investment, industrial development, and better integration of the continent into the global economy (Collier 2007, Cornia & Court 2001, Clemens & Moss 2006, Kristof 2006, Chandra & Kolavalli 2006). It will also decrease the continent's current heavy reliance on the outside world for its growth.

Commercial Partnership and Trade : The future of the African trade regime depends more on what Africa will negotiate and not on what Africa deserves, so leaders must actively seek commercial and trade engagements. The recent Trump administration trade report to Congress clearly reflects that the U.S. will unequivocally protect America first in future trade regimes. Trade is the sustainable way forward for Africa and the developing world than foreign aid or debt if there is to be a growth path (Lall & Pietrobelli 2002, Jaabi 2012, 2016Sida 1996). Africa is not a U.S trade competitor, especially when it comes to claims of unfair practices that are costing American jobs. The African Growth and Opportunity Act (AGOA) has not stolen American jobs. It has actually created around 120,000 jobs in the U.S., and 350,000 direct and 1 million indirect jobs in Africa. Now, though, some experts speculate that the Trump administration will attempt to make U.S.-Africa trade agreements more reciprocal and envision negotiating bilateral agreements that parallel the Economic Partnership Agreements between African countries and the European Union to give American exports comparative advantages. Morocco already presents an example of a successful free trade agreement with the U.S. According to the International Trade Administration (ITA), average U.S. exports to Morocco have more than tripled since the U.S.-Morocco Free Trade Agreement (FTA): U.S. exports to Morocco increased from $482 million in 2005 to $2.1 billion in 2015. Morocco export goods totaled $977 million in 2013, a 119% increase since 2005 (Lall & Pietrobelli 2002, Jaabi 2012, 2016Sida 1996). Consequently, Morocco's ambitious economic reforms positioned the kingdom as a gateway for U.S. companies to African and European markets, becoming the prime destination for foreign direct investment in Africa. Its successful trade negotiations, its return to the African Union, and its massive investment in the continent (the second largest investor after South Africa) will bear even more dividends. it is important that African nations prioritize greater dialogue between members of regional economic communities to implement necessary policy reforms with the U.S and rest of the world in order to accelerate such reform and increase trade and investment between both continents (Collier 2007, Cornia & Court 2001, Clemens & Moss 2006, Kristof 2006, Chandra & Kolavalli 2006). U.S Assistant Secretary for Africa, Ambassador Linda Thomas-Greenfield emphasized, "The African continent has made enormous democratic and economic progress in recent years and now holds a growing place on the global stage." African policymakers must work to continue this trend, largely through the promotion of African trade.

The future of Africa: Trade, not Aid?

Foreign aid is not sustainable, its dependence has worsen situations in many countries. Aid to Africa will cut year in year out, suggesting a way out if the continent is to achieve a growth path for development. With trade capabilities, Africa stands to attract the rest of the world for a lasting trade relations. The region is of paramount importance because of Western reliance on natural resources, trade, economic opportunities, and long-term security issues Sen 1999, Rodrik 2008, Risse 2005a, 2005b, Lyons). In fact, American engagement in Africa largely serves American interests. For example, creating African jobs is not just important for economic growth; it affects national and global security (Rasiah 2007, Jaabi & Rasiah 2012, 2013; Lall 2012, Lall & Pietrobelli 2002, Kiggundu 2005, 2006). In particular, youth unemployment often serves as a powerful recruitment tool for insurgency and terrorist organizations, for example, the Tuareg groups in Mali and Chad, Al-Shabab in East Africa, Boko Haram in Nigeria and Cameroon, Arab Spring across North Africa – Tunisia, Libya and Egypt and the recent civil protests in Lagos, Nigeria in October 2020. Similarly, former President Obama's Power Africa initiative aiming at addressing the much-needed power poverty in Africa created more jobs in the U.S. because of the opportunities given to U.S. companies. Additionally, the program will save American taxpayers $86 million over five years. The U.S. Trade and Development Agency (USTDA) had increased its energy portfolio for feasibility studies by 800 percent, creating U.S. export avenue for energy companies. Encouraging a mutually beneficial pro-business approach that will create jobs in the U.S. and Africa could be a very successful strategy. Greater private sector engagement will boost local economies and reduce long-term dependency on aid. US government continues to pursue policy that it believes would have the greatest return for the American people. In the same way, African leaders should not be dismayed by possible cuts in foreign aid, instead, they should actively seek to create the enabling environment necessary to boost local economies, attract foreign investment, negotiate transfer of technology, encourage private sector growth/competitiveness, and increase regional integration. Whether the U.S administration slashes the aid budget or not, African governments must come to the realization that the continent's prosperity is not primarily in the hands of White House or Brussels officials. Africa holds the keys to its own development. It is our hope that U.S.-African engagement will remain nonpartisan, strong, and continue to make mutually beneficial partnership more palpable. As Mandela said, "*It is always impossible until it is done.*"

CONCLUSIONS

Africa has the youngest population in the world, with 200 million aged between 15 and 24 (doubling by 2045 according to African Development Bank, 2016). Given that the continent will have a shortfall of 74 million jobs that need to be created by 2024, governments need to create policies and implementation plans that will allow for a more competitive private sector that favours business growth, job creation, and the stimulation of African economies—such as sound fiscal and monetary policies; good governance, transparency, and strengthened judiciary systems; an improved investment climate, and control corruption. In particular, long-term investment in the private sector, the infrastructure and manufacturing industries and agriculture will address food insecurity and create the necessary employment opportunities for African youths. Boosting incentives to improve the quality of education will also be key to producing a skilled workforce to enable the continent to participate and compete in global markets where efficiency, quality products and services are the least pre-requisites.

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