TED: Dambisa Moyo's new book is drawing new attention to the question of aid in Africa, and her thesis is quite like yours, but aimed at a mass-market audience, as she said on Charlie Rose. Do you think it is risky to sensationalize the issue?

AYITTEY: I don't think Dambisa is sensationalizing the issue strong enough. Americans were justifiably outraged when AIG, which received billions in U.S. taxpayer's money in bail-out, paid out hefty bonuses to its executives. So where is the outrage when African leaders, who receive U.S. taxpayers' money in foreign aid, build palaces for themselves while their people wallow in abject poverty?

More importantly, the presumption that Africans don't know what is good for them and that Americans or other foreigners know what is best for Africans is extremely offensive. If you want to help American farmers, you ask them what sort of help they need and whether such assistance is working. Why don't Americans ask Africans what type of aid they need and whether the aid Americans have provided is working? So what is wrong with an African, Dambisa, telling Americans that the foreign aid they are providing isn't working and it is "Dead Aid"?

TED: It's clear that Moyo's thesis draws from your work. How would you respond to those who assert that her views and yours are idealistic and ideological.

AYITTEY: Our critics have not been paying attention to the literature on foreign aid. Our views are neither idealistic nor ideological but rather factual. There are three types of foreign aid: humanitarian relief aid, given to victims of natural disasters such as earthquakes, cyclones and floods; military aid; and economic development assistance. We have no qualms with humanitarian aid and I am sure our critics would agree that military aid to tyrannical regimes in Africa is the least desirable. Much confusion, however, surrounds the third, also known as official development assistance or ODA. Contrary to popular misconceptions, ODA is not "free." It is essentially a "soft loan," or loan granted on extremely generous or "concessionary" terms.

For example, an African government that needs $50 million to build a dam may borrow the said amount from a foreign private bank at 10 percent rate of interest for 10 years – a proto-type of a typical foreign commercial loan. However, a Western government aid agency, say US AID, may provide the funds at 2 percent interest for 20 years, with a 5-year grace period. This ODA differs from a normal foreign commercial loan in three respects: It has a lower rate of interest, a longer term to maturity and provides a "grace period." Still, it is a "soft loan" that must be paid back; it is *not* free.

This "soft loan" or aid proper is a "government-to-government" transfer from say the U.S. government to an African government under bilateral agreements or from a multi-lateral development bank (MDB) such as the World Bank to an African government. ODA to Africa may be delineated into four phases. Phase one covers the period from independence in the 1960s to the beginning of the 1970s, during which bilateral aid was the main source of development finance in Africa. Private foreign investment was not significant, largely as a result of the socialist rhetoric and policies of African nationalist leaders. There was some recourse to private credit markets in the West, but this was insignificant, and, where utilized, tended to be of very high cost, as was the case with supplier's credit.

However, as early as the 1960s, a growing concern over the effectiveness of foreign aid had begun to surface. US AID officials had realized that project support made little sense unless recipient governments improved the incentive framework for economic activity. As a result, the Peterson Commission was established by the Nixon administration to evaluate and reform U.S. foreign aid programs. It recommended that the primary function of US AID be shifted back to project lending and technical assistance, while the IMF and World Bank would provide overall policy frameworks for developing countries.

Thus, phase two began in the early 1970s when multilateral institutions, such as the IMF, the World Bank, the European Development Bank, the OPEC Special Fund, the International Fund for Agricultural Development, the UNDP, the Arab Bank for Economic Development in Africa, the African Development Bank, and the Commonwealth Development Corporation, became increasingly important sources of development assistance. For example, in 1970, aid from multilateral sources accounted for only 13 percent of the total; by 1987, that had grown to 34 percent.

By contrast, private commercial lending, including net foreign investment in Africa, has declined sharply between 1980 and 1990, although it picked up in 1994. Between 1990 and 1995 the net yearly flow of foreign direct investment into developing countries quadrupled to over $90 billion but Africa's share of this fell to only 2.4 percent. According to the World Bank, in 1995 a record $231 billion in foreign investment flowed into the Third World. Singapore by itself attracted $5.8 billion, while Africa's share was a paltry 1 percent, or $2 billion — less than the sum invested in Chile alone (*The Economist*, Nov 9, 1996; p.95).

Much of the loans extended by the MDBs during the second phase were project specific: They had to be used to fund infrastructural development (roads, dams, telecommunications, and schools) – public goods that were vital for an African country's development. A hydro-electric dam, such as the Akosombo Dam in Ghana financed by the World Bank, generated not only electricity but also provided large "externalities": a low-cost power grid for an industrial base, and a man-made lake that could provide income-earning opportunities from tourism and fishing. Road construction and, telecommunications also fall in this category, since they facilitate movement of goods and commerce. Similarly, a steady supply of a well-educated labor force aids industrial expansion. Multilateral Development Bank loans were also used to finance agricultural and industrial projects, which were largely owned by the state.

Phase three began in the early 1980s when it became apparent that most African economies were in crises. Although the crisis were triggered by the oil price shocks of 1979 and the Third World debt crisis of 1982, there was a general recognition that decades of misguided government policies had contributed immensely to Africa's economic morass. It is instructive to note that African leaders did not blame inadequate foreign aid. In fact, in May 1986, they themselves collectively admitted on their own accord, in a rare moment of courage and forthrightness, before the United Nations Special Session on Africa, that their own capricious and predatory management had contributed greatly to the continent's deepening economic crisis. In particular, they pointed to their own "past policy mistakes", especially the neglect of agriculture. The 1985 Organization for African Unity Report, which served as the core of the African sermon at the United Nations, urged African nations "to take measures to strengthen incentive schemes, review public investment policies, and improve economic management, including greater discipline and efficiency in the use of resources" (*West Africa*, April 21, 1986; p.816). Most notably, the report pledged that "the positive role of the private sector is to be encouraged". Even a year before that, the African Development Bank and the Economic Commission for Africa had produced reports that had been adopted at the OAU meeting in July 1985, stressing a change of direction of economic policy "toward more market freedom, more emphasis on producer incentives, as well as reform of the public sector to ensure greater profitability" (*West Africa*, 21 April 1986; p.817).

Subsequently, African leaders agreed to the World Bank's structural adjustment programs (SAPs) in return for loans to ease balance of payment, debt servicing, and budgetary difficulties. In June 1987, African leaders reaffirmed their determination to pursue the SAPs at a conference organized by the Economic Commission on Africa at Abuja, Nigeria. Under a structural adjustment program, an African country would undertake to devalue its currency to bring its overvalued exchange rate in line with its true value. Supposedly a more realistic exchange rate would reduce imports and encourage exports, thereby alleviating the balance-of-trade deficit. The second major thrust of SAPs was to trim down the statist behemoth by reining in soaring government expenditures, removing the plethora of state controls on prices, rents, interest, and the exchange rate, while eliminating subsidies, selling off unprofitable state-owned enterprises, and generally "rationalizing" the public sector to make it more efficient. By 1989, 37 African nations had formally signed up for over $25 billion in Western donor support. Just as it is clear that handing government bail-out money to General Motors wouldn't work without a major restructuring of the auto company, it was also clear back in the 1980s that handing over money to African governments without a major restructuring of their economies wouldn't work, which was what Structural Adjustment Programs were all about.

Phase four began after the collapse of communism in the eastern-bloc countries in 1989, when Western donor governments and the MDBs finally recognized the importance of a democratic order and added various "conditionalities" to the receipt of their aid: Respect for human rights, establishment of multiparty democracy, etc. For example, on May 13, 1992, "the World Bank and Western donor nations suspended most aid to Malawi citing its poor human rights record, a history of repression under its nonagenarian 'life-president' Hastings Banda. The decision came after protest by workers turned into a violent melee in Blantyre. Shops linked to Banda and the ruling party were looted and government troops fired point-blank at the protesters, killing at least 38" (*The Washington Post*, May 14, 1992; p.A16).

The total amount of funds transferred to African governments during the four phases has been quite substantial. According to OECD, "the net disbursement of official development assistance (ODA), adjusted for inflation between 1960 and 1997 amounted to roughly $400 billion. In absolute magnitude, this would be equivalent to almost six Marshall Aid Plans" (Eberstadt 2000; p.B4). Since ODA is merely a "soft loan", this accumulated foreign aid forms the bulk of Africa's $350 billion foreign debt. Of this, 40 percent is owed to or guaranteed by Western governments and 36 percent is owed to multilateral financial institutions, such as the World Bank and the IMF. Private commercial loans, as a share of Africa's total debt, have dropped from a high of 36 percent in the 1980s to about 20 percent in the 1990s, reflecting a declining private commercial lending interest in Africa. Much of the private unsecured commercial debt is accounted for by Nigeria, Ivory Coast, Congo, Gabon, and Zimbabwe, with Nigeria alone responsible for an estimated 50 percent of Sub-Saharan Africa's total commercial debt.

The consensus that emerged decades ago was that foreign aid had not been ineffective in reversing Africa's economic decline. Dambis and I are simply restating a fact. And it is not just Africa. That foreign aid has failed to accelerate economic development in the Third World generally was also accepted. In 1999, the United Nations declared that 70 countries — aid recipients all — are now poorer than they were in 1980. An incredible 43 were worse off than in 1970. Chaos, slaughter, poverty and ruin stalked Third World states, irrespective of how much foreign assistance they received" (*The Washington Post*, Nov 25, 1999; p.A31). Except for Haiti, all of the 13 foreign aid failures cited — Somalia, Sierra Leone, Liberia, Angola, Chad, Burundi, Rwanda, Uganda, Zaire, Mozambique, Ethiopia, and Sudan — were in Sub-Saharan Africa. The African countries that received the most aid —Somalia, Liberia, and Zaire — slid into virtual anarchy.

It was widely reported in the news media that foreign aid programs had failed abysmally in Africa:

- The New York Times reported that, "at first, many Western aid donors, particularly in Scandinavia, gave enthusiastic backing to Tanzania's ill-conceived Ujaama socialist experiment, pouring an estimated $10 billion into Tanzania over 20 years. Yet, today as Mr. Nyerere leaves the stage, the country's largely agricultural economy is in ruins, with its 26 million people eking out their living on a per capita income of slightly more than $200 a year, one of the lowest in the world" (Oct 24, 1990; p. A8).

- The Economist observed that for all the aid poured into the country, Tanzania only had "pot-holed roads, decaying buildings, cracked pavements, demoralized clinics and universities, and a 1988 income per capita of $160 [lower than at independence in 1961]" to show for it (June 2, 1990; p. 48).

Western governments and development agencies knew of scandalous failure of Western aid. Alan Woods, the former administrator for US AID noted in 1989 that, the United States had provided some $400 billion in aid to the developing countries, he pointed out that no country receiving U.S. aid since 1968 has graduated from a less-developed to a developed status. Worse, he concluded, "only a handful of countries that started receiving U.S. assistance in the 1950s and 1960s have ever graduated from dependent status." A 1989 bipartisan congressional task force of the U.S. House of Representatives Foreign Affairs Committee confirmed this: "Current aid programs are so encrusted in red tape that they no longer either advance U.S. interests abroad or promote economic development" (Wall Street Journal, March 2, 1989; p. A16).

Two years later, the U. S. General Accounting Office, the Senate Governmental Affairs Committee and a presidential commission released a report in April 1992, which revealed severe management problems at the U. S. AID. Commenting on this report, the Washington Post noted: " `Aid too often does not know whether its programs are efficiently run or how effective they are,' the report said . . . The review found that during fiscal 1989 and 1990, AID evaluated the effectiveness of only 125 of its 1,900 projects . . . The poor evaluation record had made it impossible for Congress to make effective foreign aid decisions, Frank Hodsoll, Office of Management and Budget (OMB) deputy director for management, said" (The Washington Post, July 17, 1992; p. A10). On the House floor, Congressman John Miller (R, Washington) was more scathing: "Over the past couple of years AID has been plagued with mismanagement. Scores of AID employees have been indicted for corruption. Commission after commission has investigated AID and said this agency needs to be reorganized" (Congressional Record, June 25, 1992; Vol. 138, No.93).

A blistering affirmation came from a very unlikely source. Sir William Ryrie, executive vice-president of the International Finance Corporation, a World Bank subsidiary, declared that "the West's record of aid for Africa in the past decade [1980s] can only be characterized as one of failure" (Financial Times, June 7, 1990; p. 5). In 1993, "A Clinton administration review of U.S. foreign aid programs concluded they are often wasteful, incoherent and inconsistent with the administration's objectives, and proposed a radical overhaul that would abandon country-by-country funding . . . Many countries (receiving U.S. aid) view these allocations as something approaching `entitlements'" (The Washington Post, Sept 18, 1993; p. A8).

Much of the aid to Africa was used to finance grandiose projects and to underwrite misguided, repressive policies. The rest was embezzled by elite gangsters. Mauritania, a poor arid West African country, receives aid from wealthy western countries. About 70 percent of it goes back as interest payments and the rest is embezzled. "The chief opposition party, *Union des Forces Democratiques*, claims that since 1985, the government of President Maaouya Ould Sid' Ahmed Taya has siphoned away $1.8 billion of aid money for itself and its supporters. When the party raised questions about the missing money, its leaders were promptly thrown in jail. Mohammed Ould Lafdahl, the chief opposition spokesman, says debt relief will go the same way as the original loans" (*The Economist*, Sept 23, 2000; p.52).

The West knew that billions of dollars were being transferred to Swiss banks by greedy African leaders. "Every franc we give impoverished Africa, comes back to France or is smuggled into

Switzerland and even Japan" wrote the Paris daily, Le Monde in March 1990. Even famine relief assistance to Africa was not spared. Dr. Rony Brauman, head of Medecins sans Frontiers (Doctors without Borders), which operates in Ethiopia, lamented: "We have been duped. . .Western governments and humanitarian groups unwittingly fuelled--and are continuing to fuel--an operation that will be described in hindsight in a few years' time as one of the greatest slaughters of our time." Patricia Adams of Probe International, a Toronto-based environmental group, charged: "In most cases, Western governments knew that substantial portions of their loans – up to 30 percent, says the World Bank – went directly into the pockets of corrupt officials, for their personal use" (*Financial Post*, May 10, 1999).

Back in 1996 then President Clinton – no right-wing ideologue –recognized that handing over money to African reform laggards and acrobats had not stimulated much change. U.S. foreign aid programs to Africa had failed abysmally. He submitted to Congress a report that outlined a comprehensive trade and development policy for the countries of Africa. Its primary objective was "to work with the people and leaders of Africa in the pursuit of increased trade and investment." In June 1997 the Clinton Administration unveiled this as its new Africa initiative, encapsulated in the bi-partisan Bill, "Growth and Investment Opportunity in Africa: The End of Dependency Act" (HR 4198). This sought "to create a transition path from development assistance to economic self-sufficiency for sub-Saharan African countries." It eventually became known as AGOA – The Africa Growth and Opportunity Act with the slogan, "Trade not Aid."

As the program itself acknowledged, a "strong commitment to economic and political reform" on the part of African leaders was required for the initiative to succeed in reducing African dependency on aid and expanding U.S. trade and investment. But this commitment was not forthcoming from African leaders. President Clinton himself bemoaned this fact in his Feb 5, 1996 Report to Congress: "The responsibility rests with African countries to commit themselves to these objectives and to make policy choices that will enable them to achieve these objectives. Help from outside Africa cannot overcome lack of commitment or wrong choices by the governments of Africa" (U.S. Government Report, 1996, 3).

Back then, Africans themselves had realized that Western aid had not been effective. David Karanja, a former Kenya MP for example, was blunt:

> "In fact, foreign aid has done more harm to Africa than we care to admit. It has led to a situation where Africa has failed to set its own pace and direction of development free of external interference. Today, Africa's development plans are drawn thousands of miles away in the corridors of the IMF and World Bank. What is sad is that the IMF and World Bank "experts" who draw these development plans are people completely out of touch with the local African reality" (New African, June 1992; p.20).

President Clinton was generally regarded as a "friend of Africa" but his Africa policy came under fire even in the black American community he sought to please. In April 2000, a black American congresswoman, Rep. Cynthia McKinney (D-GA), berated: "I am sorry to say this administration has no Africa policy —or what it has has tremendously failed" (*The Washington Times*, April 14, 2000; p.A17). And in a January interview with the *East African* newspaper, she described Clinton's Africa policy as "such an abysmal failure". "How can someone so friendly end up with such an outrageous, atrocious, horrible policy that assists perpetrators of crimes against humanity, inflicting damages on innocent African people?" she asked. Similar sentiments were expressed by Randall Robinson, executive director of TransAfrica which spearheaded the campaign against apartheid in South Africa. He dismissed Clinton's policies in Africa as a "disaster". But Clinton was not alone in failing to deliver.

Over the past decades, other Western governments, international aid organizations, and multilateral financial institutions have crafted various initiatives to tackle Africa's woes. Though well-intentioned, most of these initiatives came to ignominious grief. Against this backdrop came another new initiative by former President George Bush. On March 14, 2002, he announced in Monterrey (Mexico) that the United States will increase its foreign aid programs by 50 percent to $15 billion a year under a program called the "Millennium Challenge Account" (MCA). MCA will complement existing aid programs by providing additional aid to governments in developing countries that "rule justly, encourage economic freedom, and invest in people" (MCA website: www.mca.gov).

I was at a White House event in the Eisenhower Executive Office building on July 13, 2004, when President Bush signed into law a bill extending AGOA well into the future in the presence of African diplomatic corps and key Congressional lawmakers. A Nigerian officer, attached to the Nigerian Embassy and seated next to me, quipped: "The United States has done its part, let's hope African leaders would do their part". "Would they?" I queried. He scanned the faces of the African ambassadors at the ceremony and gently shook his head.

Rather ironically, President Bush did more for Africa than President Clinton. Bush quadrupled aid to Africa, spent $1.2 billion to fight malaria and $15 billion to fight HIV/AIDs in Africa and the Third World. Though based on sound logic and premise, Bush's MCA with a $5.5 billion budget was slow to start and can point to few success stories in Africa. The premise was sound because it was "performance-based," which represented a paradigm shift from the old way of giving foreign aid. Foreign aid, this time under Bush, would be given to only those countries that "show results" in:

- Ruling justly
- Promoting economic freedom, and
- Investing in people.

Each of the three broad category areas has sub-categories that must be satisfied for a country to be deemed eligible. For example, "Ruling Justly" specifies the following 6 benchmarks or indicators: civil liberties; political rights; voice and accountability; government effectiveness; rule of law; and control of corruption. "Encouraging Economic Freedom" also has 6 benchmarks and "Investing in People" has 4, bringing the overall total to 16.

Unfortunately, so stringent were these conditionalities that few African countries could meet them. So "the Millennium Challenge Corporation approved an $11 million grant to Tanzania to combat corruption and qualify for a bigger aid package" (*The New York Times,* Feb 2, 2006; p.A13). In other words, Tanzania which did not meet the conditionalities, secured aid to help it meet them! And how successful has Tanzania been in fighting corruption?

Alas, when President Bush visited Tanzania on Feb 18, he found that the country which was receiving $698 million in MCA grant had no cabinet. The entire Cabinet had been dissolved over a corruption scandal, involving the award of $172.5 million contract to supply 100 megawatts of emergency power to a Texas based company that did not exist. Even the anti-corruption czar, Dr Edward Hosea, was implicated. Other African countries that had received MDC grants were dubious "success stories." Among them were Kenya, which was gripped by political violence in Jan 2008 and Uganda, which is no democracy.

Now expect the Obama administration to unveil a new initiative to make aid to Africa more effective.

TED: Is there a fundamental place where you diverge from Moyo?

AYITTEY: Though we are both on point regarding the failure of aid programs in Africa, we diverge in two respects.

First, Dambisa wants all aid to Africa stopped in 5 years, which won't happen. Over the decades, various African civic groups and persons, including myself, have called for a cut off of aid to Africa. In a report drafted during a 5-day forum hosted by UNESCO in Paris (Feb 10, 1995), more than 500 African political and civic leaders urged donor nations to cut off funds to African dictatorships and called for free elections in such nations within two year If the West could impose sanctions against Libya and South Africa, then Africans could also call for sanctions against their own illegal regimes. This was exactly what Nobel laureate, Wole Soyinka, called for after Gen. Sani Abacha seized power in Nigeria on Nov 18, 1993:

> "Our message to the international community is that it should not say or do anything to give hope to this [Abacha] regime. It is a regime of infamy and it should be isolated. This is going to be the worst and most brutal regime that Nigeria ever had. This regime is prepared to kill, torture and make opponents disappear (<u>New York Times</u>, Nov 25, 1993; p.A11).

Remember that foreign aid is just a "soft loan" therefore, in the field of international law, a loan to an illegitimate government constitutes illegitimate debt to its people. In a testimony before the U.S. Congress Foreign Affairs Sub-Committee on Africa, on Nov 12, 1991, I warned that: "After 1992, any foreign loan or credit to a military dictatorship or a one-party state in Africa, without authorization of their people, will not be paid back. If foreign governments and agencies wish to throw away their money in Africa, they are at liberty to do so. But they should not expect Africans to pay for that indiscretion.

Billions of dollars in foreign debt have been contracted by illegitimate governments in Africa without the consent or the authorization of their people, who derived no benefits from these loans. These were "soft loans" granted by Western governments and multi-lateral development banks as "foreign aid." Yet impoverished Africans must shoulder the burden of paying back these odious loans.

What I was applying is an international legal instrument known as the "doctrine of odious debts. This doctrine originated in 1898 when the Americans captured Cuba from Spain in 1898, the Spanish demanded that the U.S. repay Cuba's debts. The US refused, arguing that the debt had been "imposed upon the people of Cuba without their consent and by force of arms . . . The creditors, from the beginning, took the chance of the investment" (*New Internationalist*, May 1999; p.23). The proceeds of the debt prevented the Cuban people from revolting against Spanish domination. "They are debts created by the Government of Spain, for its own purposes and through its own agents, in whose creation Cubans had no voice," the U.S. said (*Financial Post*, May 10, 1999).

The doctrine that "odious debts" are not the responsibility of the people and successor governments was subsequently enshrined in international law by the world's undisputed legal scholar, Alexander Sack in his 1927 treatise on the subject. Mr. Sack was a former minister of Tsarist Russia, who became a professor of law in Paris after the Russian Revolution. He believed the liability for public debts should remain the obligation of the state – the state being the territory, rather than a specific governmental structure --- based not on some strict dictate of natural justice, but on the exigencies of international commerce. Without strong rules, chaos would reign in financial relations between nations.

Sack believed that debts not created in the interests of the state – which he termed *dettes odieuses* – should not be bound to this general rule. He wrote:

> If a despotic power incurs a debt not for the needs or in the interest of the State, but to strengthen its despotic regime, to repress the population that fights against it, etc., this debt is odious for the population of all the State. This debt is not an obligation for the nation; it is a regime's debt, a `personal debt' of the power that has incurred it, consequently it falls with the fall of this power" (Quoted by Patricia Adams in *Financial Post* (Canada), May 10, 1999.

The doctrine was first applied in 1923 when the Royal Bank of Canada sought to recover debt from a new government in Costa Rica in a landmark case, Great Britain v. Costa Rica. The new Costa Rica government successfully argued that the debt had been incurred by the former dictator, Frederico Tinoco, and not by the country's people. Chief Justice Taft of the U.S. Superme Court, sitting as an arbitrator, agreed that the debt was not legitimate because "the Royal Bank of Canada knew that this money was to be used by the retiring president, F. Tinoco, for his personal support after he had taken refuge in a foreign country" (*Financial Post*, May 10, 1999). Thus, "If a despotic power incurs a debt not for the needs or interest of the state, but to strengthen its despotic regime, to repress the population that fights against it . . . this debt is odious to the population of the state," said the doctrine. "The creditors have committed a hostile act with regard to the people, they can't therefore expect that a nation freed from a despotic power assume the odious debts, which are the personal debts of that power," it added. (Adams, 1991, 23).

This principle was resurrected in South Africa, which is laboring under a debt of $47 billion (2005), which is expected to reach $110 billion by the turn of the century. Millions of South Africans lacking basic services such as housing, decent schools and hospitals toil daily to pay back the billions of dollars borrowed by former apartheid regimes to oppress them. When apartheid fell in 1994, it left behind a debt which is now the second largest component of South African annual expenditure after education. In the 1997/98 budget, debt service payments were projected at $8.8 billion. But the Alternative Information and Development Center (AIDC), a non-governmental organization based in Cape Town said South Africans should not shoulder the burden and be penalized for the debts of a system that oppressed them. In June 1997, AIDC launched a campaign against this odious debt. "`Our targets will include international financiers such as the World Bank and the IMF,' says Brian Ashley of AIDC, who plans to make a submission on South Africa's `odious debts' to the Truth and Reconciliation Commission. The TRC's Christelle TerreBlanche says the Commission is willing to listen to the AIDC submission" (*The African Observer*, 15-21 May 1997, 7).

In 1999, the Latin American and Caribbean Jubilee 2000 Coalition described the foreign debt of member nations as "illegitimate because in large measure, it was contracted by dictatorships, governments not elected by the people, as well as by governments which were formally democratic but corrupt. Most of the money was not used to benefit the people who are now being required to pay it back" (*Fianancial Post*, May 10, 1999). Activists wanted legitimate debts to be repaid, illegitimate debts ones repudiated.

Unfortunately, the campaign to stop aid or repudiate aid—induced debt did not succeed. Getting Western aid policies changed is a frustrating experience because of institutional resistance. Aid has become an "industry," with its own powerful lobbyists who seek a continuation of current programs at increased funding. Since Congressional requirements and regulations channel over 70 percent of all U.S. aid projects to American contractors, there is every incentive on the contractors' part to clamor for continued funding. According to a Clinton administration review report, the U.S. spent $27.7 billion on foreign assistance. "About 75 percent of that money was spent in the United States to purchase such items as food and equipment sent abroad or the salaries of aid workers" (The Washington Post, Sept 18, 1993; p. A8). Former Congressman Dave Nagle said in an interview that "80 percent of foreign aid is spent in the United States buying food, equipment, expertise and services. But he said many Americans wrongly believe most the $13 billion a year the U.S. has been spending on foreign assistance goes directly to foreign leaders" (*The Washington Times*, 13 October, 1995, A17). As George Soros once said, "Foreign aid generally serves the interests of donors than recipients" (*The Wall Street Journal*, March 14, 2002; p.B1). So it is not surprising that it is difficult to stop it.

Second, I believe that the foreign aid resources Africa desperately needs to launch into self-sustaining growth and prosperity can be found in Africa itself, not in China as Dambisa believes. The problem is Africa's begging bowl leaks horribly. **[INSERT HYPERLINK TO TED SPEECH]** In August 2004, an African Union report claimed that Africa loses an estimated $148 billion annually to corrupt practices, a figure which represents 25 percent of the continent's Gross Domestic Product (GDP). But this is a gross underestimate. According to one UN estimate, $200 billion or 90 percent of the sub-Saharan part of the continent's gross domestic product was shipped to foreign banks in 1991 alone. Civil wars continue to wreak devastation on African economies, costing at least $15 billion annually in lost output, wreckage of infrastructure, and refugee crises. The civil wars are over power, not redrawing artificial colonial borders. They are caused by the adamant refusal of African leaders to relinquish or share political power. Hence, and they are started by a politically-excluded group.

Senseless civil wars, preference of industry over agriculture, and misguided statist policies of price controls and marketing boards have devastated Africa's agriculture, making it difficult for Africa to feed itself. By 2000, Africa's food imports had reached $18.7 billion, slightly more than donor assistance of $18.6 billion to Africa.

Clearly, if African leaders were willing to relinquish or share political power, re-orient their development policies toward agriculture, curb corruption and invest their wealth - legitimate or ill-gotten -- in Africa, Africa would find within itself all the resources it needs for investment. In fact, more resources can be found if corrupt leaders would disgorge the loot they have stashed abroad.

TED: To get a deeper understanding of the issue, what would you suggest people read next?

AYITTEY: As you see from above, I have written quite a bit on the issue of foreign aid to Africa. In Chapter 5 of my book, Africa Unchained, there is an extensive discussion of why Western aid programs failed in Africa and the reasons why. There were blunders on both the donors' and the recipients' sides. In addition the following books may be consulted:

Achebe, Chinua (1985). *The Trouble with Nigeria*. Enugu, Nigeria: Fourth Dimension Publishing.
Adams, Patricia (1991). *Odious Debts*. Toronto, Canada: Earthscan.
Bauer, Peter T. (1972). *Dissent on Development*. Cambridge, Mass: Harvard University Press.
Bovard, James (1986). "The Continuing Failure of Foreign Aid". Cato Institute Policy Analysis, no 65, January 31.
Dollar, David and Lant Pritchett (1998). *Assessing Aid.* New York, NY: Oxford University Press.
Eberstadt, Nicholas (1988). *Foreign Aid and American Purpose*. Washington, D.C.: American Enterprise Institute.
Eberstadt, Nicholas (2000). "Pursuit of Prosperity south of the Sahara". *Washington Times*, 27 August, 2000; p.B4.
Guest, Robert (2004). *The Shackled Continent.* London: MacMillan.
Krauss, Melvyn B. (1983). *Development without Aid.* Lanham, Maryland: University Press of America.
Maren, Michael (1997). *The Road to Hell: The Ravaging Effects of Foreign Aid and International Charity*. New York: The Free Press.
Schwarb, Peter (2001). Africa: A Continent Self-Destructs. New York: Palgrave.

TED: Moyo's work speaks to that deep urge among Westerners to "do something" -- even something deeply unproductive. What's a more productive way to "do something"?

AYITTEY: I think Westerners should resist that urge to "do something" because the worst type of help one can receive is that which doesn't solve your problem but compounds it. If Westerners want to help, they must carefully scrutinize and reform current aid policies to make them more effective. Both the Clinton and Bush administrations tried to but failed. Business as usual is no longer an option, which is what both Dambisa and I are against.

The basic problem with current aid programs is that it is "leader-centered" and "partnership-driven." Aid is provided by "development partners" for budgetary support on certain reform conditionalities. But, as we all know, Africa's autocrats are not interested in reform, period. They play the donors for a dupe. So I came up with the concept of **"smart aid."**

Smart aid is that which would empower the African people (African civil society groups) to monitor how the aid money is being spent and to instigate reform from within. Empowerment requires arming the African people with information, the freedom and the institutional means to unchain themselves from the vicious grip of poverty and oppression.

Africa already has its own Charter of Human and Peoples' Rights (the 1981 Banjul Charter) to which most African nations are signatories. The Charter recognizes the right to liberty and to the security of his person (Article 6); to freedom of conscience, the profession and free practice of religion. (Article 8); to receive information, to express and disseminate his opinions (Article 9); to free association (Article 10); to assemble freely with others (Article 11); to freedom of movement and residence within the borders of a State (Article 12); and to participate freely in the government of his country, either directly or through freely chosen representatives in accordance with the provisions of the law (Article 13).

Though the Charter enjoins the member states of the Organization of African Unity (OAU) and now the African Union (AU) to "recognize the rights, duties and freedoms enshrined in this Charter and undertake to adopt legislative or other measures to give effect to them," few African governments do so. Smart aid would flood Africa with free copies of this Charter.

Further, to effect change from within and assure better governance, Africans need the following Foreign aid should be tied not on promises of African leaders but to the establishment of a few critical institutions:

- **An independent central** bank: to assure monetary and economic stability, as well as stanch capital flight out of Africa. If possible, governors of central banks in a region, say West Africa, may be rotated to achieve such independence. The importance of this institution resides in the fact that the ruling bandits, not only plunder the central bank but also use its facilities to transfer the loot abroad. In Nigeria, the late General Sani Abacha, his family and cronies systematically plundered the country's central bank. In Kenya, former president Moi placed a telephone call to former Public Service chief, Philip Mbithi, ordering him to tell Finance Permanent Secretary, Wilfred Koinange to transfer Ksh 5.8 billion ($77.3 million) from the Treasury to Goldenberg International that was involved in a massive financial fraud. "The President called me on the confidential line and asked me to inform Koinange to transfer Sh5.8 billion through Central Bank," said Mbithi (*East African Standard,* Jan 23, 2004; web-posted).

- **An independent judiciary** -- essential for the rule of law. Supreme Court judges may also be rotated within a region. In December 2001, Mokhtar Yahyaoui, president of the *Centre de Tunis pour l'independence de la Justice* (CIJ), was dismissed as a judge in Tunisia after calling for the constitutional principle of the independence of the judiciary to be respected (*Index on Censorship*, July 2003; p.161).

- **A free and independent media** to ensure free flow of information. The first step is solving a social problem is to expose it, which is the business of news practitioners. The state-controlled or state-owned media would not expose corruption, repression, human rights violations and other crimes against humanity. In fact, it is far easier to plunder and repress people when they are kept in the dark. The media needs to be taken out of the hands of government.

- **An independent Electoral Commission** to avoid situations where African despots write electoral rules, appoint a fawning coterie of sycophants as electoral commissioners, throw opposition leaders in jail and hold coconut elections to return themselves to power.

- **An efficient and professional civil service**, which will deliver essential social services to the people on the basis of need and not on the basis of ethnicity or political affiliation.

- The establishment of a **neutral and professional armed and security forces**.

The establishment of these institutions would empower Africans to instigate change from within. For example, the two great anti-dotes against corruption are an independent media and an independent judiciary. But only 8 African countries have a free media in 2003, according Freedom House. These institutions cannot be established by the leaders or the ruling elites (conflict of interest); they must be established by civil society. Each professional body has a "code of ethics," which should be re-written by the members themselves to eschew politics and uphold professionalism. Start with the "military code," and then the "bar code," the "civil service code" and so on. These reforms, in turn, will help establish in Africa an environment conductive to investment and economic activity. But the leadership is not interested. Period.

Effective foreign aid programs are those that are "institution-based." Give Africa the above 6 critical institutions and the people will do the rest of the job.

Africa is poor because it is not free.

AYITTEY:

TED: We're going to place your TEDTalk inside this blog post, so people can hear your words as you said them in Tanzania. What other speakers at TEDGlobal would help educate people on this issue? Mwenda perhaps?

AYITTEY: Consider the following speakers as well:

Idris Mohamed
Chris Abani
Salim Amin
Andrew Mwenda
Euvin Naidoo
Ngozi Nkonjo-Iweala
Bola Olabisi
James Shikwati
William Kamkwamba