Closing the Last Chapter on U.S. Foreign Aid

What To Do About Africa

by John W. Mellor

United States foreign aid was initially intended as a temporary program, setting countries on the path to self-sustaining growth. It has been extraordinarily successful by that standard. Europe and Japan graduated quickly, after massive infusions of capital, food, and technical assistance. Essentially all of Asia, some three billion people, has now attained unprecedented growth rates. It has done so with relatively more technical assistance, over a far longer period of time, than Europe and Japan, and with relatively smaller concessional capital infusions.

Putting Africa on a path of self-sustaining growth would provide the final chapter on foreign aid. However, the way things have been going in Africa, that chapter will never be written. The fault lies substantially with the conduct of foreign aid in Africa. This article deals explicitly with U.S. foreign aid, but foreign aid from most other sources has fallen victim to the same forces.

Not only has Africa not moved forward like Asia, it has retrogressed. In Africa, famines continue to occur, per capita incomes have declined, major agricultural export markets have been lost, poverty indices have risen, environmental destruction has increased, and women are increasingly impoverished. Of course, there are exceptions. Some countries show temporarily high growth rates as they simply recover to past levels of attainment; diamonds have helped Botswana; and a very few African countries have opted for agriculture-based growth with consequent broad participation in rising incomes.

To understand what to do in Africa and how difficult it will be, we must first understand what went right in Asia and then why matters have come to such an impasse in Africa. One must also understand that there are basic principles guiding growth and that they are not entirely laissez faire. U.S. foreign aid is important to successful development strategy when recipient governments are poor and weak.

The success in Asia

Everyone recognizes that essentially all Asian countries are growing rapidly (notwithstanding the current blip in three Asian countries), doubling per capita income every ten to twelve years, and rapidly closing the income gap with the wealthy countries. The proportion of population in poverty has declined precipitously over the past two decades: by one-third in India, far more in Southeast Asia, and to virtual elimination in East Asia. The immense famines of over thirty years ago seem from a vague and distant past. Women are increasingly active in causing and in benefitting from growth.

Foreign aid and the Asian success

Taiwan President Teng-hui Lee, in his 1995 Cornell University address, drew attention to the immense contribution of U.S. aid to Taiwan. In his earlier, scholarly work, he noted the particular importance of technical assistance to agriculture (Lee). The foreign technical assistance to agriculture that was so successful in Taiwan was roughly duplicated, with modest modification, in other Asian countries. Foreign aid to Africa, coming later, differed sharply from that to Asia. What are the differences?

First, senior administrators and counselors realized that U.S. foreign aid had to affect aggregate growth if the target countries were to graduate from aid. In contrast, recent aid projects have tended toward field projects that are measured only in terms of their impact on a small geographic area or group of people.

Second, because aid went to agricultural countries, where 80 to 90 percent of the population depended directly or indirectly on agricultural income, the focus was on getting agriculture moving. Concurrently it was noted that human capital was important, and in a deplorable state, so health (including family planning) and education were combined with the focus on agriculture.

Third, just as for the family farm economy of the United States, public institutions were seen as critical to the growth of agriculture. Foreign aid concentrated on the long, slow process of building effective institutions of agricultural education, research, and extension. And the focus of these institutions was on growth. The United States occupied a privileged position in the world in the strength of its own institutions in these key areas. The corollary was a high degree of agricultural professionalism and a major role for the land grant institutions as the repository of that professionalism.

Fourth, as in Europe, albeit for different reasons, physical infrastructure was needed. Unlike for institution-building, the international financial institutions, and to a growing extent foreign private capital, have effectively taken over this function.

Fifth, foreign aid, arriving as foreign exchange, was primarily spent to finance imported physical capital and technical assistance. The recipient countries were expected to pay for local costs. Now, foreign aid to many low-income countries, particularly in Africa, finances the bulk of public expenditure and essentially all public investment. That encourages public officials to maximize aid flows rather than to respond to national development needs. Such high levels of foreign aid also result in overvalued exchange rates and, hence, in disincentives to export, an outcome that penalizes the high-employment-level export activities so helpful to the poor.

Sixth, aid administrators recognized that independence movements in the poor countries of Asia and Africa were largely urban based, and so the new governments were also urban-based. Foreign aid, albeit sometimes clumsily, pressured for pro-agriculture policies until reluctant governments gradually relented. Of course, as democracy became more widespread, rural people could begin to look after their own interests.

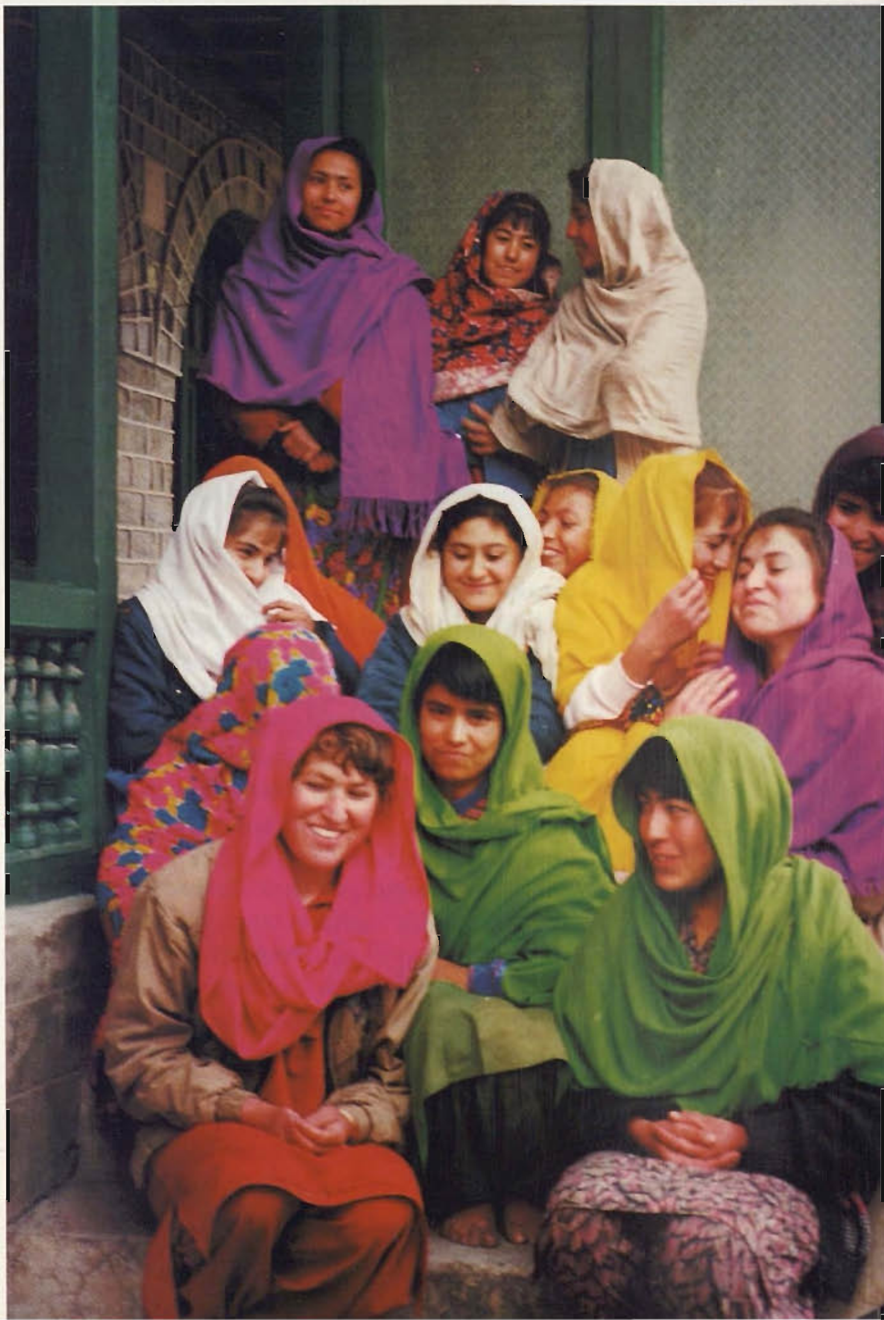
The result of application of these six features of foreign aid was slow but massive building of the institutions critical to agricultural progress and to human capital development. Largely due to U.S. foreign aid, swimming against the national currents, all Asian countries have institutionalized the basic tenets of agricultural development (technology development and dissemination, purchased input supply, rural finance, and marketing of high-value commodities).

Massive research conducted over the past few decades confirms and documents the success of the sensible approach to foreign aid in Asia. See for example, the several hundred references in the AAEA review of the postwar literature on agricultural development (Martin). Three thrusts in that research record are notable: the large multipliers from agricultural to overall economic growth, the importance of the basic institutional structures and the role of public policy in their development, and the preeminent role of agricultural growth in the abatement of poverty (Ravallion and Datt, Timmer). From the literature on Asia and specific analyses of Africa, we know what to do in Africa to accelerate agricultural growth, both for overall economic growth and for poverty reduction (Eicher in Martin).

The failure in Africa

Over the past thirty years the population in Africa has doubled from a quarter billion to a half billion, and per capita income levels have declined from levels once above those of the bulk of Asian countries to levels far below. As the population doubles again to one billion, income levels are pointed toward further decline.

Increased incomes and increased options bring active participation by women in important meetings, here in Pakistan.



In Rwanda, as the population grew and the soil became depleted, the per capita food supplies declined and the ethnic slaughter began (FAMS). The experience of Rwanda and Zaire will multiply, with no evidence that the world's rich countries will be able to insulate themselves from the increasingly large disorder and migration that follows.

Yet, Africa has a good resource base. Indeed, literature of the 1960s (*Famine 1975* by the Paddock brothers, for example) suggested triage for "hopeless, overpopulated" countries of Asia, while Africa, with its low population densities and large agricultural exports, merited a helping hand to realize its potentials. Anthropology courses taught that Africa would develop more easily than Asia because most of Africa was not hobbled by rigid cultures and long, stultifying traditions.

What, then, did go wrong in Africa?

Causes of foreign aid failure in Africa

How can we explain why foreign aid has become less effective, while learning by doing should have made it more effective? Overall, foreign aid in Africa, and particularly U.S. foreign aid, bears no resemblance to what succeeded in Asia. Four basic factors explain why. They are all related to Africa generally entering the development assistance field later than Asia.

First, and most important, foreign aid is now captive to myriad special interest groups (see the massive documentation of this point by Vernon Ruttan). Today they include child survival, vitamin A, microcredit, poverty, microenterprise (but excluding agriculture!), empowerment of women, environment, wildlife preservation, and on and on. Extrapolation of the history of special interests in foreign aid suggests that tomorrow the list will be different and longer. Priorities and strategy cannot coexist with such a panoply of special interests, each with it own objectives.

An immediate consequence of the proliferation of special interests is loss of focus on the basic processes of agricultural growth. Concurrently, recipient governments are encouraged to attempt to maximize aid flows by responding to the myriad special interests rather than on the tight priorities of getting growth underway.

Of course, each of these interests is laudable, but not when it distracts attention from the basic processes that will do the most to forward those interests. In Asia, each of those interests has been advanced rapidly; in Africa, where special interests run foreign aid, progress on each is abysmal. It is also notable that many of these interests are ones in which, unlike for agricultural growth, the United States brings precious little relevant knowledge from American experience. Poverty reduction, women's participation, the health of poor children, microcredit, and microenterprise are examples of areas in which the United States is not a leader in institutional development. And in some cases—microcredit for example—the U.S. is adapting institutional structures from developing countries like Bangladesh. The interest groups have generally been content with success in tiny projects, with little attention to what is happening to national aggregates.

Second, and very much related to the first, foreign aid has treated Africa as though it has achieved rapid growth, like Asia. What justification there is for the myriad special interest groups arose out of the success in Asia, particularly the green revolution success, which spawned a legitimate concern for second-generation problems—of women, children, and the poor, and of environmental enhancement. Those concerns inevitably branched off in many directions. But, Africa never had the first-generation solutions. Indeed, the quest for second-generation solutions has stood squarely in the way.

Third, the contemporary focus of foreign aid on free markets has removed support for sectoral programs and hence for agriculture. The free-market orientation is not against agriculture. It simply assumes that if it makes sense to develop agriculture, that's how the market will operate. The view that market price changes will induce changes in innovation and public expenditures has reinforced that assumption. As a result, the agricultural sector does not receive the attention required by its public sector institutional base, such as in ensuring a technology generation and dissemination system, competitive input and output markets, and institutional credit. Along the way, attempts to develop strategy and priorities for sectoral development have also been lost. Of course, agricultural growth requires development of free markets, but for agriculture that is not a sufficient condition.

A corollary is notable. In the early days of emphasis on Asia, general economists normally made a bow to the proposition that agricultural countries required an emphasis on getting agriculture moving—and then they returned to their specialization. Now, general economists looking at development problems tend to be strongly neo-classical, believing that if agriculture needs emphasis, the market will see to it. Rarely nowadays does a general economist point to the need to emphasize agriculture in development.

Fourth, and deriving from the preceding, professionalism has given way to the generalists. Professionalism stands in the way of bureaucratic adaptation to the constantly changing fashions of foreign aid. It is the generalists who can quickly adapt. Thus, U.S. foreign aid has lost the capacity to distinguish sound projects from mere fluff. That, in turn, has driven the land grant colleges largely out of the foreign assistance business, leaving it to private consulting firms adept at winning contracts scored mechanically against minute criteria that have little relevance to development. At the moment, large consulting firms are merging, consolidating, and making joint proposals, with a radical decline in competition. The quality of technical assistance has greatly deteriorated.

The decline in professionalism has been accelerated by staff reductions at the Agency for International Development, thereby largely eliminating the professionally competent and more senior technical persons, especially in agriculture. Similarly, a competitive bidding system for technical assistance has virtually ensured lack of continuity. It used to be that developing countries notoriously lacked personnel continuity. Now foreign aid is a far worse offender.

The need for drastic action

Reform in foreign aid is virtually impossible because of the multitude of allied special interests. Those interests, by marshalling substantial constituencies, now drive Congress and therefore aid administrators who must raise their funds from Congress (see Ruttan for detail on this point). There is no room for the focus on growth, strategic thinking, and tight priorities that is the only means of success in early stages of development.

The many vested interests in foreign aid are now so immense that the system seemingly cannot be reformed. But the problem in Africa will only get worse and ultimately must be addressed. Helping Africa now is far more difficult than if it had been done correctly twenty years ago, and it will be far worse in another twenty years. The task becomes more difficult as population pressure increases and urban orientation becomes more entrenched.

The drastic action

Leadership from the United States is important. The United States has the experience and the personnel for the institutional change that is so crucial to long-term development. The big international financial institutions can do the bricks and mortar.

To succeed, we must recognize that it is Africa and only Africa that has a growth crisis and needs foreign aid focused on growth. With that recognition, the on-again, off-again proposal in the Senate Foreign Relations Committee (but not included in the current legislation) to merge AID into the State Department would have some merit.

Such integration would serve two purposes. One, it could lead the State Department to focus on the long-term problem of economic growth in Africa, an issue that overrides all other issues including civil strife, human rights, environmental degradation, and women's concerns. Two, it would further sharpen the regional differences within foreign aid. When most of the Third World was characterized by similarly low incomes and development problems there was sense in bringing all the geographic areas into one agency to obtain economies across those areas. There is now little to be gained in Russia from knowledge of aid programs in Africa and vice versa.

Asia doesn't need development aid; it needs Fulbright-type programs to tie our institutions more closely together. Development aid will not help the former Soviet Union's political problems that interfere with the needed economic transition. Political problems in the Middle East beg for sanity and negotiation, not for development assistance. Those regions may require money, but not in the development assistance mode. The State Department is the logical forum for those decisions.

In Vietnam, increased vegetable production makes possible 5 and 6 percent growth rates in agriculture.

With recognition that all other problems in Africa are subserved under development assistance for growth, the Africa bureau of the State Department would then become the development assistance wing and would be staffed for development assistance. It would be well to elevate the head of that effort to under secretary level to spotlight not only the importance of the issue but also the focus on long-term problems subsumed under achieving economic growth. That person must have the strength to stand up to the vested interests and keep a sensible, focused, prioritized approach with a clear growth objective.

We know what to do to make steady progress over the next decade or two. We must promote a clear, prioritized focus on agriculture, education, and health. We must return to technically competent professional staff. Only with such radical return to the basic tenets of development can we close the final chapter on development aid.

Postscript: Has nothing changed in development?

Of course, there are immense changes since the Asian success began to consolidate—all helpful to the late starters. International capital flows are now so large that, if a favorable environment is created, no country must wait for slow processes of domestic capital formation to rapidly expand its infrastructure. In India, for example, foreign investments of several billion dollars in electric power generation are moving to implementation. More resources can be left for the rural infrastructure not likely to be financed by foreign capital flows.

The potential for high-value agricultural exports (driven as much by technology as by trade negotiations) is now so great that the 6 percent growth rates in agriculture that could only come at later stages of development can now be achieved early. Even some African countries, such as Kenya, have participated in this growth, setting an example for other African countries to follow.

We are now much more confident about setting priorities for agricultural growth and need make fewer mistakes than forty years ago. And, yes, we have learned important lessons about the role of women (especially in Africa) and about resource productivity (especially inorganic nitrogen) that favor even faster growth when applied in the laggard countries.

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Over the long run, the massive additions to global GDP that will continue to come from Asia open vast opportunities not only for rich countries to benefit from but poor ones as well. The educational base in even the poorest countries has grown immensely. That is to say, Africa should be able to accomplish what Asia achieved in more nearly twenty than in forty years. The broad strategy must be the same; the details must adapt to the new potentials. And, the results in growth can come sooner. ■

■ For more information

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Note: *AJAE is the American Journal of Agricultural Economics, RAE is the Review of Agricultural Economics, CJAE is the Canadian Journal of Agricultural Economics, LE is Land Economics.*