EDITORIAL: RETHINKING ASSISTANCE FOR AFRICA

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Africa is currently a fragile mess. So was Europe in 1945. The USA supported Europe through security, trade and governance policies that complemented aid. Africa needs the same co-ordinated approach from Europe now.

Introduction

In both Britain and the USA over the past decade there has been a spectacular growth of an organised civil society concerned about African development. Jubilee 2000, the mass protest at the G8 summit, and the involvement of celebrities, have sharply increased Africa as a priority for government attention. They have also democratised discussion of how it should be helped.

Unfortunately, participation in this democratised discussion has been highly lopsided. The political centre has used Africa as a way of showing that it 'cares', trivialising discussion of assistance for Africa to targets of how much money is given as aid and debt relief. The far left, marginalised on all issues of domestic economic policy, is disproportionately influential, critiquing the centre with a 1970s-style agenda for Africa of trade restrictions and public ownership. The right has stayed aloof. It regards aid as the problem rather than the solution, but stays disengaged rather than risk being branded as 'uncaring'.

Africa does indeed warrant concern. Over the past 30 years per capita income has stagnated at a very low level during an unprecedented period of growth in other developing regions. If Africa continues to diverge from the rest of the world it will not offer hope to its inhabitants and its problems will spill over to Europe: continued economic divergence is socially unsustainable. The question is not whether Africa should warrant our attention, it is what form of assistance would be most effective. Growth is the *sine qua non* of ending divergence. The obsession with the amount of aid has detracted from other forms of assistance that probably have considerably more potential for raising African growth rates. The articles in this symposium explore these other options. Benno Ndulu sets the scene with an analysis of why Africa stagnated. Just as aid has been overplayed by the left as a solution to Africa's problems, so it has been overplayed by the right as an explanation for failure. Only by a dispassionate analysis of the past can we hope to find effective remedies in the future. The economic opportunities open to African societies have been distinctive and sometimes very limited. Where opportunities have been promising, domestic politics quite unrelated to the issue of aid have often prevented them from being harnessed.

Building peace

One of the syndromes that have ruined parts of Africa has been civil war. Indeed, since around half of the economic costs of civil war are borne by neighbours, the damage has been even more pervasive than might appear. Civil war breaks out where rebellion is feasible, with the motivation typically being some cocktail of grievance and greed. Many African states are too small and poor to provide effective security and so rebellion is easy. Indeed, government armies are themselves part of the security problem due to the high risk of coups. Gwyn Prins shows how the British security intervention in Sierra Leone has been astonishingly successful in bringing the society to peace. The scale of the military involvement was modest and it has quite possibly been the most cost-effective major instance of British assistance to Africa. Its success is unsung. Currently, Britain has withdrawn its forces but provided a ten-year 'over-the-horizon' security guarantee. France provided a similar but less explicit guarantee to Francophone Africa prior to the disaster of Rwanda in 1994 and this reduced the incidence of civil war by around two-thirds, again a cost-effective form of assistance. Fear of 'neo-colonialism' has made European politicians wary of military intervention, but security is the precondition for development and often it cannot be provided internally. Africa currently has many post-conflict situations. These are inherently fragile. Despite the attention given to political solutions, neither democratic constitutions nor post-conflict elections reduce the risk of renewed conflict. In the long term, economic growth cumulates to make the society safer, but during the first decade of peace an external military presence or guarantee is the only reliable option. There may be scope, either through the new Security Council Peace-building Commission, or through cooperation with the African Union, to provide greater comfort against accusations of neo-colonialism, but, even without such support, in Sierra Leone Britain's intervention has been hugely popular.

Governance

John Githongo and Thomas Heller both tackle the issue of governance. Githongo, the celebrated opponent of corruption in Kenya, views it from the domestic perspective. Despite democratisation, entrenched interests have formidable staying power. He links this to the exploitation of ethnic identities and perceived ethnic inequalities and their interplay with corruption. Heller focuses on how politics is affected by resource wealth, a phenomenon of growing importance to Africa, and the implications for external actors. Over the past 50 years the OECD and the EU have developed an array of standards, codes and institutions concerning the economic and political governance of their members: sovereignty has been pooled. The most astonishing demonstration of the power of such standards to assist reform in a troubled neighbouring region has been the transformation of Eastern Europe through the *acquis communautaires* as its governments have aspired to membership of the EU. In Africa, despite the political fragmentation into 44 countries and the resulting tiny size of economies, governments have clung to national sovereignty. This refusal to build restraints on government has resulted in an acute credibility problem with investors, both foreign and domestic: the region has had proportionately more capital flight than any other. The IMF and the World Bank have attempted to offset the lack of voluntary restraints through policy conditionality, but to little effect. Governments have learnt how to 'game' the process, and so the conditions themselves lack credibility and merely confuse government accountability to citizens. For example, the government of Kenya sold the same reform to the World Bank in return for aid five times in 15 years. There is a considerable difference between the politics of adopting an agreed international standard and the politics of succumbing to the *ad hoc* 'demands' of IMF and World Bank missions.

The *acquis communautaires* are, of course, not pertinent for Africa. However, there is scope for the promulgation of purpose-designed standards and codes. The Extractive Industries Transparency Initiative (EITI), launched as a voluntary standard by Britain in 2002, is a modest but important step in this direction, providing for the transparent reporting of government revenues from natural resources. Such revenues are massively important for Africa, being much larger than aid flows and yet less effective for development, dollar-for-dollar. If resource revenues could become as effective as aid it would do more for African development than any feasible changes in aid programmes. The utility of such standards to domestic reformers was promptly demonstrated when the EITI was adopted by the reform team led by Ngozi Nkonjo-Iweala that entered the Nigerian government in 2003. With Nigerian leadership the EITI then spread around West Africa. Such a standard provides an objective around which reformers can co-ordinate, and a discrete benchmark which once attained is easier to defend than *ad hoc* changes in policy. The EITI could now usefully be extended to cover other aspects of resource extraction: how contracts are awarded, how price risk is spread between the parties, how government expenditures are reported, and how revenue volatility is managed. It could also be copied in other sectors beset by acute problems of governance, notably construction and armaments.

Alongside approaches like the EITI, which set voluntary standards for African governments, there is also scope for compulsory standards on aspects of business conduct between OECD companies and Africa. The bribery of an African official has only recently become an offence through a collective OECD effort: in some OECD societies it was not only legal but tax deductible. Whether this change is effective in reducing corruption in Africa depends upon how well it is enforced. Just as no individual OECD government had an incentive to legislate to disadvantage its own companies, so none has the incentive to enforce the new legislation. The scope for legislated standards extends beyond companies doing business with African governments. The disclosure and repatriation of corruptly acquired money deposited in the international banking system remains a severe problem. The recent actions of OECD governments to expose and curtail terrorist finance need to be extended to corruption. Even when the Nigerian government tracked down the Swiss bank deposits of the corrupt former President Abacha, the Swiss government attempted to block their repatriation.

Assisting the growth of African trade

In addition to security interventions and the promulgation of international standards, there is scope for assisting Africa through trade, but to date the NGO-driven trade agenda has been misplaced. Africa is the only low-income region that has failed to diversify its exports out of primary commodities into manufactured goods and services. Such exports have been the engine of growth in low-income Asia and may have similar potential in parts of Africa.

However, now that Asia is established as a supplier in these markets it is far more difficult for Africa to break in. Wages in Asia are not yet significantly higher than in Africa, and Asia benefits from economies of scale generated by its export agglomerations. In effect, Africa faces a threshold problem: until exports of manufactures and services reach a certain scale they will not be competitive with Asia, and so the threshold is never surmounted. Just as agglomeration economies protected Europe and the USA from low-wage Asia until the 1980s when the wage gap became sufficiently enormous to offset them, so Asia is now protected from Africa. Africa has missed the boat. Unless something is done to bring the boat back, Africa will only become competitive once its wage gap with Asia is similarly wide. European trade policy is critical if Africa is to be given a second chance.

In effect, Africa needs temporarily to be protected from Asia in OECD markets. While this might sound radical, both the USA and Europe are in fact already doing it. The American scheme, the Africa Growth and Opportunity Act (AGOA), is quite successful. It gives a range of African goods duty-free access to the US market and as a result Africa's apparel exports to the USA have jumped by more than 50%. The European scheme, Everything But Arms (EBA), is, by contrast, useless. As with all trade arrangements, the devil is in the detail. AGOA works because it has generous rules of origin and covers most of Africa. It would work much better were its key provisions not subject to annual renewal by Congress: 12 months is too short a horizon for investors to feel confident about installing new capacity. EBA fails where AGOA succeeds because its rules of origin are too restrictive, and because it covers the wrong countries – only those that are classified as 'Least Developed'. This restriction is an example of the gesture politics which beset Africa. Evidently, the African countries most likely to break into global markets for manufactures and services are not Somalia or Liberia, but Ghana, Senegal and Kenya, all of which are excluded. The gesture politics was repeated in the Doha Round in December 2005, with an offer of pan-OECD market access, but only for the Least Developed Countries. Ideally, what is needed is a common, pan-OECD scheme, modelled on AGOA but with a longer time horizon – a decade rather than a year. Failing that, the EU could simply revise EBA so as to correspond to AGOA both in country coverage and rules of origin. Since Europe is the most important market for Africa, EU trade policy will be decisive for pump-priming the diversification of African exports.

The developed world's complicity in Africa's problems

Africa is a battleground between entrenched interests and reformers such as Githongo in Kenya and Nkonjo-Iweala in Nigeria. Inadvertently, the developed world has often not only failed to support the reformers but has strengthened those they oppose. Our corporations and our banks have connived at corruption, both rewarding and strengthening the entrenched corrupt. The left, wanting to participate in a simple moral struggle between Western capitalism as villain and Africa as victim, has often placed itself on the wrong side of the real struggle. For example, the largest single British NGO campaign has been that of Christian Aid against African trade liberalisation. Full-page newspaper advertisements depicted a capitalist, drawn as a top-hatted pig, sitting on top of an African peasant woman, over the slogan 'Free trade, some people love it'. In fact, Africa's trade restrictions have been one of the major instruments for corruption. For example, in Kenya President Moi placed his key henchman as Minister of Trade, and in Madagascar so lucrative was a job in the customs service that the bribe for getting a place in its training school was 50 times the country's per capita annual income. No wonder that Africa's reformers have sought to liberalise its trade. How sad that Christian Aid should be trapped in the mindset of the 1970s British far-left, and what a disgrace to Britain's Christians that they should have let its agenda be so captured.

Africa has deep problems that many brave people across the region are struggling to tackle. It is incumbent upon us, both in our own interest and as a salute to their courage, to get behind them. Aid is, unfortunately, not a particularly effective instrument of support, but nor does it itself constitute the problem. The exaggerated focus on the possibilities and detrimental effects of aid has crowded out a more pertinent agenda. We are not impotent in whether our troubled neighbouring region develops. In 1945 Europe was the fragile mess that Africa is today. The USA with generosity and the wisdom of enlightened self-interest deployed a wide array of interventions to rebuild Europe. Indeed, it provided financial aid through the Marshall Plan. But this was complemented by other, probably more important, strategies. Europe's security depended upon a guarantee provided by the USA. Europe's structures of economic governance were shaped and supported by standards set in the OECD and the IMF. Europe's access to the US market was opened through the GATT. We are the beneficiaries of that generosity and wisdom. The USA did not only put Europe in its debt, *it set Europe an example*. We are now the USA, and our Europe of '45 is Africa.

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