

## **Why development aid hasn't eased poverty**

**Solly Benatar**

Development aid has an inadequate impact because development ideology is based on four fundamentally flawed assumptions: the well-rehearsed doctrine that developing countries' problems are entirely internal; that developed countries are an example to be globally emulated; that the role of developed countries in promoting development is defined by altruism; and that the poor do not have the potential to improve their own lives significantly.

Dambisa Moyo's book *Dead Aid* and Paul Collier's critical review of her argument that development aid should be withdrawn, as it does not work and has indeed compounded Africa's problems, reinvigorates the long-standing debate on whether such aid is, or can be, effective ("Over-optimistic 'solution' for Africa", February 20).

Moyo and Collier have made insightful contributions to understanding why development aid has produced less than desired results. Their conclusions are sobering but should not totally eclipse some of the successes documented by others (for example William Easterly and Jeffrey Sachs).

While Moyo has offered some potentially more effective financial strategies to encourage development, Collier points out that some of these have become moot in the light of the recent global financial crisis and, with justification, he favours improved governance of conditionalities associated with aid.

However, the time is opportune to reflect on some of the deeply fundamental problems associated with "development aid" that are largely avoided in "politically correct" debates on the topic and to note that the development myth is embedded in myths about the global political economy as briefly reviewed by Andrew Nash ("Faith in financial system may never be restored", March 25).

- Developed countries donate on average 0.3 percent of their GDP for development aid - with very few countries giving even close to the 0.7-0.9 percent recommended by the United Nations.
- The total amount donated each year (about \$90 billion or R770bn) is overshadowed by the vast quantities of resources transferred out of poor countries in a myriad of covert ways.
- Significantly less than \$90bn actually translates into meaningful development because of the large proportion spent on the salaries and luxury living of workers from donor countries who implement aid programmes.

- Further reductions result from profligate and corrupt political leaders in recipient countries diverting money to personal use, while donors unashamedly turn a blind eye to this and to failure to meet conditions linked to aid (further complicity by powerful nations in obstructing meaningful development).
- Moreover, a significant proportion of "aid" (more than 60 percent between 1980 and 1994) has been coercively linked to the purchase of weapons from donor countries. These weapons have been used to develop armies to protect their leaders and allow them unfettered control over their countries' natural resources, and over their own people. Thus, corrupt kleptocrats (well described by Moyo) are propped up by some powerful donor countries wishing to retain control of access to precious natural resources at low prices, and it becomes almost impossible to displace them from power.
- To facilitate repayment of debts generated by poorly conceived "development" agendas (through which aid is often channelled into favoured donor programmes without consideration of the recipient countries' needs, or of long-term implications), poor countries have been obliged to reduce expenditure on health and social services through structural adjustment programmes that for many decades prioritised debt repayment over social development. The legacies of consequent privatisation of health care and eroded educational systems will retard development deep into the future.
- In recent decades, donor aid has increasingly been shifted towards a growing number of emergency humanitarian disasters (some caused or aggravated by countries seeking extraction of oil, diamonds and other precious minerals). While humanitarian aid is admirable and necessary, progressively less donor money is available for infrastructural and other real development, yet such donations are still labelled as development aid.
- It should also be understood that aid is not entirely about development. To a considerable extent it can be viewed as a smokescreen to deflect the focus away from the vast quantities of wealth (material and human resources) continually extracted from poor countries by powerful nations to sustain their expectations of open-ended economic growth.
- Not least, poor countries are kept poor and dependent on aid by trade rules underpinned by so-called "free market principles" that are wilfully broken to subsidise the products of wealthy nations, thus depriving poor country farmers and traders of fair prices for their goods and of becoming independent of aid.

It is now widely acknowledged that economic growth around the world has not had a significant trickle-down effect and has indeed been associated with widening disparities in wealth and health both within countries (rich and poor) and between countries.

The fact that about 40 percent of the world's population (and of South Africans) are poorer today than 30 years ago is an indictment of the neo-liberal economic policies locked into place by the "Washington consensus" to ensure that the rich get richer, often at the expense of the poor.

It is seldom admitted that development is a more complex goal than the narrowly conceived goal of economic growth. Even the latter goal is implausible when:

- Donors give with one hand while taking more with the other.
- Economic growth as an end in itself favours the wealthy and is accompanied by widening disparities in wealth and health.
- Insufficient attention is paid to how meaningful development of infrastructure, systems and people could be achieved and sustained.

Frivolous consumerism, greed and endless economic growth as the goals of life for some are unsustainable when accompanied by little if any real concern for basic human rights and the lives of almost half the world's population who continue to be impoverished in the name of economic growth.

An example, currently in the limelight in relation to extraction of human resources, is how the US, Canada, the UK, Australia and New Zealand have for decades failed to train sufficient nurses and doctors for their needs, and so recruit them from developing countries with disregard for the adverse implications on the health and well-being of those they are depriving and with little or no attempt to make recompense for educational costs.

None should doubt the extremely adverse effects on their own people of the fraudulent behaviour of kleptocratic and despotic leaders in many poor countries, and they should indeed be called to account for their actions.

Zimbabwe under Robert Mugabe's rule is a typical example of how development aid was squandered and misappropriated, weapons purchased to defend a corrupt leader, and a perverse system sustained that permitted his continued arrogance - with donor country complicity (even if unintended or misguided).

Hence the need for great care in how aid is given to rebuild that shattered economy, and to distinguish between the further squandering of development aid and effective use of emergency humanitarian assistance (for example through such organisations as MSF) to immediately benefit many in dire circumstances.

But it is also time to have a balanced view about the extent to which such internal failures are exacerbated by external failures, and to acknowledge that unbounded greed and unregulated financial flows lie at the heart of a dysfunctional global economy and the unfolding global economic depression.

Freedom of transnational companies to evade taxation and to move money around the world without accountability is a central characteristic of a global economic system that lacks any semblance of democracy in the way it functions and that is increasingly revealed to be significantly corrupt.

Financiers who promoted so-called free markets as the solution to economic growth and to poverty alleviation have, without accountability, severely damaged the global economy, robbed many hard working middle class people of lifelong savings, undermined the lives of millions of poor people and are now seeking taxpayer money to bail them out of their financial failures resulting from greed and fraud.

Is this the example of economic governance that others should emulate?

Shortcomings such as these, obvious to perspicacious economists (see for example J K Galbraith *The Affluent Society*, 1958, and *The Economics of Innocent Fraud: Truth for our Time*, 2004), have been largely ignored.

But now it is becoming clear that failures of aid in Africa and the threats of infectious diseases, poverty and climate change are interlinked symptoms of failure of the global economic and social systems - and it is these systems that need to be fixed, not merely how aid is given.

Short-term and longer-term solutions are required to address both the recent financial crisis and long-standing perpetuation of poverty. In the short term, the concepts of "development" and "aid" and the values underlying the global political economy require revision towards a more comprehensive notion of human well-being and global development that extends beyond mere economic growth.

Longer-term solutions require translation of this paradigm shift in thinking into actions that could link economic growth and aid to developing sustainable improvement of the lives of a greater proportion of the world's population on a planet that itself desperately needs sustaining - a possibility requiring prudent living and good governance for all. This goal is arguably within the realm of human ingenuity.

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