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Making Aid Work for Africa

Paul Kagame

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Africa has fallen behind the rest of the world due to its own inadequacies. There is still hope for change if Africans can help themselves and the developed world, including those in the Asia Pacific, play fair.

AID ALONE will not develop Africa.

There is little to show for the US $300 billion in aid that has apparently been disbursed to the African continent since 1970. Economic growth and human development in Africa still lag behind the rest of the world. In part this is because past aid flows were often spent to suit the geo-strategic interests of the givers.

Today Africa represents less than two percent of world trade. While Asia and Latin America have become richer through integration with the global economy, Africa has yet to take advantage of globalization.

Fresh promises of doubling aid to Africa to US$50 billion annually are to be welcomed, but this money will not suffice in transforming our continent. To assess whether aid can be a more effective tool of development, we first have to understand why Africa has fallen behind.

Four reasons stand out

The first is bad leadership giving way to personalized governance and weak public institutions often led to costly conflict in Africa. The resulting insecurity made productive investment all but impossible. Moreover, bad leadership in one country often infected entire regions. Thankfully since the early 1990s democratic governance has made steady gains throughout Africa.

The second was a failure to invest in people—a trend that Africa is slowly reversing. We cannot expect to develop if we disqualify half of our population—women—from full and equal participation in national endeavours. That is why in Rwanda we have been reforming our laws and institutions to bring women into the mainstream of socio-economic and political development. Today half of our members of parliament are women.

Similarly, investing in education is a precondition for Africa's development and for accessing the global economy. We have no option but to rapidly increase the number of science and technology graduates, and do much better at retaining than in the past.

This leads us to the third reason, a lack of productivity and competitiveness. Countries get rich by adding value to commodities and selling these products. But that requires investment and Africa is still rarely the most attractive destination for such capital. Inadequate infrastructure, insecurity, lack of skilled labour and stifling government bureaucracies cause investors to put their money elsewhere. Again we in Africa are reforming these structures and systems, but we need to do more and faster.

Fourth, we have to be honest about the consequences of aid dependence. Countries that have used aid as a temporary support while domestic and foreign investment stocks are built up have achieved lasting success. Aid should strengthen the bonds between governments and their own citizens, including business communities. It should aim to build stronger domestic institutions and transfer skills to local managers and administrators. If aid weakens these relationships, systems and structures, it should be rejected. Development is about choices, and so is the acceptance of aid.

There have been recent, positive changes in the way some aid is given. For example, the Clinton Global Initiative (CGI) commits human and financial resources to community development in fields ranging from health care to environmental protection. CGI's strength is in its close alignment with national priorities, working hand-in-glove with African institutions. This approach stresses the effectiveness of aid as transitory support, avoiding long-term dependence.

But what really matters most for socio-economic transformation is private capital and Africa's share. Currently Africa receives less than ten percent of the US $500 billion in annual private capital flows to emerging markets—five times the amount of official development assistance to all countries. How can we increase these flows to our continent?

How to attract capital

First and foremost, we must maintain security. But security is not only—or even primarily—about the work of the military or the police. Security also derives from economic growth and political inclusiveness. Security ultimately is about building inclusive political culture in which all citizens see themselves. And this has to spread regionally to instil greater confidence for those international investors viewing Africa per se as a 'trouble spot'.

In Africa, we must above all confront the key constraints facing our economies. In Rwanda, our priorities include addressing the high costs of electricity and transportation. But these constraints are not necessarily universal to every African economy, and they certainly do not affect our countries equally, which is why there will never be a successful 'one-size-fits-all' solution to our continent's development challenges.

The barriers that governments put in the path of entrepreneurs need to be urgently removed. Individuals and companies create wealth, not governments. This is not to say that the state should become invisible. But governments should see their roles as enablers of business, and not gatekeepers that control and hamper it.

Lastly, we must develop and communicate a vision. This does not come from one person. Rather, it must be nurtured over time in a way so that all citizens can contribute to its creation and ownership. Such a vision is not about reaching an abstract set of development targets focused on poverty alleviation. It is instead a positive and substantive strategy for growth and development.

Our vision in Rwanda is to become a regional service hub for transport and communications. It is a place where energy costs are sharply reduced by the use of cutting-edge technology and realized through regional co-operation. A country where visitors can not only experience our magnificent wildlife and famous gorillas but also take a journey on our 'coffee trail', a route of plantations dotted amidst spectacular mountain scenery. This is a vision where the traumatic divisions of the past are healing in the melting pot of commercial activity and burgeoning employment. It is, in every sense, a vision of 'Team Rwanda'.

Developed world must be fair

The developed part of the world, including those in the Asia Pacific, has also to play fair in contributing to such a vision by opening their markets to African trade. Openness and the engine of economic activity behind trade are the real tools for creating wealth and defeating poverty.

These actions will only bear fruit when Africa substitutes *external conditionality*—that is, what the donors tell us to do—with *internal policy clarity*—that is, knowing ourselves what we need to do and articulating this vision clearly to our development partners. We need to learn to 'say no' whenever donor priorities do not align with domestic priorities. We need to use aid and debt relief as a catalyst for growth.

Africa must increasingly be seen on its own terms, as a continent of opportunity, and not an object of pity and charity. With its 750 million people, half of whom are under the age of fifteen, Africa offers a fast-growing and dynamic market.

This is our future and our promise.

Paul Kagame is the President of the Republic of Rwanda. He contributes this to RSIS Commentaries.