4

Are the MDGs Helping Africa to Become Independent?

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There is no shortage of evidence for African poverty. The 2005 Human Development Report published by the United Nations Development Programme shows that as of the end of 2003, most African nations found themselves in the lower group of socio-economic development, and the disparity of income within each country was among the largest in the world. Moreover, it is these nations whose progress in human development was among the slowest during the period of 1975 to 2003.

While it does not take an economist to get a rough picture of their situation, the fact that these nations are in trouble and that there is no visible sign of a breakthrough demonstrates that efforts to create a better life for a majority of African citizens have not been successful. The sub-Saharan area receives the largest official development assistance (ODA). During 1990-2003, ODA to this region increased from 12 percent to 18.6 percent of its GDP, and its share in world ODA was over 32 percent in 2003 (UNDP, 2005). It seems natural to question the potential effectiveness and probability of success of the Millennium Development Goals (MDG) that aim to double aid to 50 billion dollars by 2015, set as an initiative by the United Nations.

Why Are the MDGs Not Convincing Enough?

Aid usually comes with visions of what it hopes to effect. Those who are offered help generally are not in a position to decline it. A situation might occur in which the country offering aid exerts influence on the

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recipient. The recipients would accept, but they are free to choose the degree of cooperation for the vision to be realised.

Once help is accepted, the key to success is in the hands of the recipients, not the donors. From the beginning, both parties should define a vision together, share it and understand what achieving it will require from each side. The eight MDG goals and their measures of progress do not define a vision. They are goals, seemingly driven by donors. Do Africans feel sure enough about the UN measures to be willing to make sufficient effort?

The MDGs are a declaration of enhanced intervention in the aid programme to Africa. Doubling the aid to 50 billion dollars by 2015 certainly sends a signal to the international community, as well as to African authorities, that things will be done differently from the way they have been done in the past. It is a top-down approach. This combination of enhanced intervention, more money and a top-down approach has the danger of depriving recipients of the spirit of independence.

Knowledge and Commitment Style

If economies in the African continent start to grow, their impact on the world economy will be enormous. While the amount of ODA received is large, the net FDI flows to the sub-Saharan nations are not small relative to GDP. They increased from 0.4 percent to 2.2 percent during 1990-2003. This region is not economically unattractive. If the MDGs are perceived as attainable, more private capital flow will enter.

The MDGs are organised to allow each of the donor countries to operate individually. Although there is some coordination, the differences lie in the choice of receiving countries as well as the style of governance exercised by each donor country. Generally, the donor countries have a long history of established relations with the recipient countries, and tend to have more in-depth knowledge on the recipient countries than other countries. Therefore, it would not be easy for a third party, even the United States, to enforce a consistent aid management style among donor countries. While this tendency can be effective in nation-specific areas like education, it may leave a large grey area for areas of development at a more regional scale, such as developing sustainable trade and financial system.

Information is one of the main determinants in cross-border capital flows – both FDI and financial flows – and it is not bad that private flows move together with ODA. The question is whether the receiving

country would be able to internalise these flows into sustainable economic growth. Again, lack of a clear vision for the MDGs casts doubts.

Governance Required by the Recipient

Governance is never complete without the voluntary and active participation of the recipient. Past experience corroborates this. Capital flight, legal or illegal, from Africa is estimated to amount to about 50 billion dollars a year (Mistry, 2005). To and from where this moves is uncertain, but it is an indication of the magnitude of lack of governance. Most of these nations do not have a stable enough economic and financial system to prevent this capital flight. As the spirit of the MDGs is to provide cash flow to the African economy, it is necessary to have tighter financial regulations against illegal capital flight and close surveillance on legal capital flight.

Public Goods and the Creation of Wealth

The focal area of interest in the MDGs is to build up infrastructure to improve quality of life. Therefore, they aim to provide more public goods. Human development and environmental protection are at the centre of this agenda. These are expected to generate an endogenous self-proliferation of more sound systems beyond 2015. There cannot be any dispute over the essentiality of this agenda for Africa.

But there is a missing link. Suppose that progress goes smoothly until 2015. After 2015, any successful MDG outcomes will need to be sustained. The idea is not for the donor countries to continue providing funds. The fact is that a fall in inward ODA is anticipated for after 2015, and the major MDG goals aim to produce public goods, which does not generate cash flows to re-create these public goods. This calls for wealth creation from now to then. Are the African nations preparing for this?

There are increasing signs of rising income inequality around the world, both within nations and between nations. Providing funds in an unconditional manner and giving donations will become more important in trying to fill this gap. The MDGs are a sizeable step forward, but they have some potential flaws and limitations. They will help improve living conditions for many Africans. However, their ability to put African economies on a path of sustainable growth remains in question. The ultimate goal should be to help make Africans self-sufficient.

Comments to Woo *et al.*

I would like to start with some building blocks to look for ways on how African economies can put themselves on the path to growth. There are at least four building blocks:

1. Identification of specificities in socio-economic infrastructure that are at the micro level for African economies: people, natural endowments, religious backgrounds, and social cohesion. Growth is an outcome of concerted effort, whether deliberately designed or naturally borne, based on these micro factors.
2. Identification of development projects: which business opportunities would spur growth?
3. Business and social infrastructure that would allow opportunities to be transformed into results. These include financing means as well as social infrastructure like health and education.
4. Institutions to help coordinate project and means in an efficient and effective manner.

The chapter by Woo *et al.* focuses on blocks 3 and 4. In particular, it looks into financing methods, without overlooking the role and importance of institutions, to help African countries gain momentum for sustainable growth. The message is clear. First, the rest of the world should provide African economies with more aid. The amount of financial aid proposed in the MDG framework is in the same scale of what they have already been receiving. Second, aid should be distributed locally in a bottom-up manner. That is, donors need to first identify the needs of each economy and deliver the aid in a tailor-made way. One size does not fit all.

The chapter by Woo *et al.* is in line with Woo's contribution to a previous FONDAD book (Woo, 2004), where he pointed out why the Washington Consensus is not entirely appropriate for Latin American economies. The chapter in this volume does not deal with the implications of the Washington Consensus to African nations in full. However, it does make a point on the link between the Washington Consensus and the role of governance. It shows that the problem of a lack of governance is not exclusive to the sub-African economies, but is in fact a general problem for lower income nations. While this is sensible, I do not find the comparison very relevant, because governance is probably a critical factor in its own right for many of the African nations.

It would be helpful to explain why the financing side is critical, as it is a central agenda in the MDGs and the Monterrey Consensus. It is

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surprising to see that the scale of aid proposed by certain countries is below previous amounts. There might have been criticism based on the idea that giving more aid is not the first priority in resolving African poverty. Elaborating this would help to define the scope of the chapter in a more lucid fashion.

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