



*Strengthening Africa's Economic Performance*

[www.thebrenthurstfoundation.org](http://www.thebrenthurstfoundation.org)

## **BRENTHURST DISCUSSION PAPER 7/2007**

## MAKING AID WORK FOR AFRICA

HE Paul Kagame<sup>1</sup>

Allow me a challenging observation at the outset. While more than US\$300 billion in aid has apparently been disbursed to our continent since 1970, there is little to show for it in terms of economic growth and human development. The primary reason is that in the context of post-Second World War geopolitical and strategic rivalries and economic interests, much of this aid was spent on creating and sustaining client regimes of one type or another, with minimal regard to developmental outcomes on our continent.

But the purpose of this contribution is neither to bemoan the past nor to apportion blame. Instead I would like to share with you some thoughts on *actions* for making aid a tool for improving lives that we all wish it to do. My main argument is that if combined with sound leadership and internal policy clarity, aid can have a transformative impact on African economies and societies.

### **Africa's Challenge**

To understand how we can spend aid better, we need to pinpoint Africa's main socioeconomic challenge? The answer: increasing marginalization from the global economy.

Our continent has fallen dramatically behind other regions. Today Africa accounts for just one percent of annual global capital flows, declining from four and half percent a decade ago. Our continent represents less than two percent of world trade. While Asia and Latin America have become richer through integration with the global economy, Africa has not seized the same opportunities.

The promise to double aid to Africa to US\$50 billion annually by the G8 is most welcome and will most certainly assist if executed – but we have to first understand why Africa has fallen behind to determine whether or not this intent is the correct remedy or if indeed it is part of the solution.

In this respect, four reasons stand out.

The first is bad leadership on the African continent prior to the ongoing democratic governance gains of the past decade or so. Personalized governance and weakened public institutions became widespread often leading to costly conflicts that were in some cases catastrophic in terms of loss of human lives. The resulting insecurity made productive investment all but impossible. Moreover, poor leadership in one country often infected entire regions.

---

<sup>1</sup> HE Paul Kagame is President of the Republic of Rwanda.

Thankfully, with hard work of the past decade, we are beginning to harvest considerable peace and security dividends on our continent.

The second was a failure to invest in people—something that Africa is also reversing, though this takes a generation. We cannot expect to develop if we disqualify half of our population—women—from full and equal participation in national endeavors. Equal rights for women are an economic, social, cultural and political necessity. Today half of Rwanda's parliamentarians are women. We cannot just pay lip service to this moral and developmental necessity. Similarly, investing in education is a precondition for socioeconomic transformation and for accessing the global economy.

That leads us to the third reason: A lack of productive capacity and competitiveness.

Countries get rich by adding value to commodities and selling the products thus created, and also by providing services on a similar basis. In today's world, competition amongst nations for investments that create mass employment thereby truly transforming economies and societies has intensified. Clearly, Africa has not yet become a serious contender in this competition. This is due to a variety of reasons, including the fact that crucial utilities are too expensive, if they exist at all in some cases, because government bureaucracies exist that stifle entrepreneurial energy, due to perceived or real insecurity, and because skilled labour remains in short supply. As a result, investors—African and foreign—put their money elsewhere, and continent fails to grow.

Finally, we have to be honest about the consequences of aid. Where aid has been used as a temporary support while domestic and foreign investment stocks are built to underpin economic growth and development, success has been realized. The point therefore is that aid is not bad *per se*. It is useful where the donor and the recipient share the fundamental understanding that the heart of development is the relationship between governments and their own citizens, including business communities. Aid that strengthens this relationship is welcome; aid that weakens it should be rejected.

### **A Key Aim: Gain a Bigger Global Share**

What Rwanda and our continent need most is a greater share of the \$500 billion in annual private capital flows to emerging markets—five times the amount of official development assistance to all countries. Currently Africa gets less than ten percent of these capital flows. The question before us is this: how can we increase these investments to our continent?

Here I would like to suggest four actions.

First, we have to establish and maintain security, peace and stability nationally and regionally. Investment and development are impossible in the absence of these fundamentals.

Let me also underscore the point that security, peace, and stability are not only—or even primarily—about the work of the military or police. These also flow from political inclusiveness—a lesson we have learned from our own experience in our country, where active participation by all Rwandans is a key component of our national strategy for greater prosperity.

Second, we must confront the key constraints facing our economies in both national and regional contexts. In Rwanda, our priorities in this regard include reducing the high costs of electricity and transport. Today transport makes up around 40 percent of our export value, an amount that inevitably gets shaved off the returns to manufacturers and farmers. Many countries on our continent face similar challenges, but these are by no means universal to every African economy, which is why there will never be a successful ‘one-size-fits-all’ solution to our continent’s socio-economic transformation or that of the developing world in general.

Third, we have to remove the barriers that governments put in the path of entrepreneurs. This requires changing the mindset of governmental bureaucracies that hinder the creation of prosperity. That is not to say that the state should ‘wither away’ so to speak—far from it—but governments should see their roles as enablers of business, and not gatekeepers for controlling and hampering it.

Fourth, we must learn to create and communicate a vision. A vision for a country’s future does not come from one person. A vision is nurtured over time in a consultative fashion so that all citizens can contribute to its creation and ownership. This was the approach we took in Rwanda in developing our Vision 2020 strategy. We must be mindful that leaders have to constantly remind citizens and development partners of the core tenets of our vision.

In addition to the noted four actions that we Africans must undertake, the developed world has also to play fair by, among other things, opening their markets to African trade. The rich world should indeed open its markets. Trade and the engine of economic activity behind it are the real tools for creating wealth and defeating poverty.

Such actions are necessary if we are to realize our own vision and meet our aspirations, and if Africa is to be a voice to be heard in global affairs—and no longer be seen primarily as a problem to be solved. Such a vision is not about mechanically meeting an abstract set of development targets focused on poverty alleviation. It is instead a positive and substantive strategy for growth and development; in our case, it envisions Rwanda acting as a regional service hub for transport and communications, where visitors can not only take pleasure in the unique experience of the mountain gorillas but also enjoy Rwanda’s natural beauty along a walking and biking ‘coffee trail’. It is a country where energy costs are sharply reduced by the use of cutting-edge technology and realized through regional co-operation, and where business is seen automatically as a partner of government in the route to shared prosperity. It is a Rwanda where the traumatic divisions of the past are healed in the melting pot of commercial activity and burgeoning employment. It is, in every sense, a vision of ‘Team Rwanda’.

## **Conclusion: The Internal Policy Clarity Imperative**

To realize our development vision, we in Africa must substitute *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 clearly and consistently to our people and our development partners.

We must, above all, appreciate that development is not really about money in a narrow sense. It is about improving productivity and competitiveness of nations and companies in them. It is thus about leadership, governance, capacity robustness, planning, incentives, prioritization, and responsibility.

To achieve these imperatives, we in Africa must adopt a 'development through growth' mindset, as opposed to a 'development through aid' one. This requires that, among other things, we need to learn to 'say no' to donors whenever their priorities do not align with domestic objectives and agenda.

The good news is that Africa is increasingly recognised internationally for investment opportunities—as opposed to being a subject for pity, charity, and of aid. With its 750 million people, half of whom are under the age of fifteen, Sub-Saharan Africa offers a fast-growing and dynamic market. This is our future and our promise.

Besides its youthful future, Africa's socioeconomic and political transformation will hinge on several related factors, including focused leadership, commitment to a shared vision, policy clarity, and domestic capacity to pursue a chosen development course primarily based on investment and commercial robustness. Aid can contribute to these factors but cannot substitute them.