

Fertility, growth and the future of aid in sub-Saharan Africa

Jakkie Cilliers



Sub-Saharan Africa continues to experience very rapid population growth and is thus likely to remain poor. Aid should support government efforts to reduce high fertility rates that will, in time, allow citizens to benefit from inclusive economic growth, and reduce poverty. The first part of this report gives an overview of aid trends and characteristics in Africa. It then presents four scenarios on future levels of aid with a time horizon to 2030.

Key points

- ▶ Research confirms that aid to poor countries in Africa helps across various dimensions.
- ▶ Remittance flows and foreign direct investment to middle-income African states are increasing but not to poor and fragile countries, which remain aid dependent.
- ▶ Levels of aid to Africa have been drifting sideways for several years and it is unlikely that the international community will ramp up for a big aid push to Africa.
- ▶ For Africa to grow, African governments and donors need to focus on the continent's high demographic dependency ratio and work to reduce rates of fertility.

The purpose of aid

The post-1994 improvements in Africa's growth rates tapered off after 2008, but have been the longest in the continent's independent history. Yet, by 2015, the annual average income in Africa was only US\$180 above that in 1974.¹

Because Africa's income growth has not been able to outpace population growth, it remains the poorest region globally. Since 1960 the continent has received more official development assistance (aid) than any other region.² From 1960 to 2015 the international community provided a cumulative amount of around US\$1.6 trillion in aid to Africa.³ Asia and the Middle East, the other two regions that have historically received large amounts of aid, trail significantly behind Africa.

This paper finds that rapid population growth lies at the root of sub-Saharan Africa's inability to reduce poverty and improve livelihoods, despite the provision of significant amounts of aid and, recently, strong growth. It concludes that much greater emphasis needs to be placed on efforts to reduce fertility rates and therefore to improve the size of the working-age population versus dependents, the majority of whom are children.

Whereas Latin America and Asia have been able to rapidly reduce levels of poverty, that has not been the case in sub-Saharan Africa

According to the Organisation for Economic Co-operation and Development (OECD), which tracks aid flows through its Development Assistance Committee (DAC), aid is intended to promote the economic development and welfare of developing countries. The OECD records that US\$51.2 billion in net aid flowed to Africa in 2015.⁴ However, this amount excludes many new donors, private contributions by organisations such as the Soros Foundation and some aid channelled through non-governmental organisations (NGOs).⁵ For example, aid from China, estimated at US\$5.4 billion in 2015, is not included in these statistics.⁶ The OECD's own large-scale survey on global private philanthropy, which is due for publication in 2018, estimates that US\$11.5 billion in private flows benefitted Africa between 2013 and 2015.⁷

Total aid amounts are therefore most likely higher than reported by the OECD. There is also significant pressure to increase aid to meet the commitment by many developed countries of 0.7% aid to gross national income (GNI) in the Sustainable Development Goals (SDGs).

The bulk of the allocation to the African continent has steadily shifting towards countries south of the Sahara, since North African countries have long since graduated to middle-income status. By 2015 only around 10% of aid went to North Africa.

In December 1995 the General Assembly proclaimed the First United Nations (UN) Decade for the Eradication of Poverty, which was followed by the adoption of the UN Millennium Development Goals (MDGs) in 2000. More recently, the ambition ‘to end poverty in all its forms everywhere’ is reflected as Goal 1 in the SDGs. However, whereas Latin America and Asia have been able to rapidly reduce levels of poverty, that has not been the case in sub-Saharan Africa, which continues to lag behind the rest of the world in this crucial measure of human wellbeing. Close to 43% of people in sub-Saharan Africa currently live on less than US\$1.90 per day (the global measure below which persons are considered to live in extreme poverty). The level in the next most affected region, Asia, is less than one-quarter of that and declining rapidly. In spite of its rapidly increasing population, the forecast drawn from the International Futures (IFs) forecasting system used in this report⁸ is that India will likely reduce its poverty levels from an estimated 13% in 2017 to below 3% by 2030, compared to a persistent high level of 38% in sub-Saharan Africa.⁹

The classification of aid into nine sectors ranging from education to the provision of humanitarian assistance reflects the wide purpose of aid, which, beyond poverty alleviation, includes improving wellbeing or quality of life, stimulating economic growth and supplementing government expenditure. The OECD uses eight broad categories in which to group aid-delivery modalities, consisting of: (1) budget support; (2) core contributions and pooled programmes and funds; (3) project-type interventions; (4) experts and other technical assistance; (5) scholarships and student costs in donor countries; (6) debt relief; (7) administrative costs; and (8) other in-donor expenditures.

The contribution of aid

Since the aid sector is complex and the environment in which it works is hugely diverse, there has been a lack of consensus on the contribution that aid has been able to make to improved livelihoods. In particular, the inability of sub-Saharan Africa to make real progress in poverty reduction tends to obscure the successes achieved in improving the general wellbeing or quality of life of many Africans. Success stories include the eradication of river blindness in West Africa, the eradication of smallpox, improvements in modern contraception and declines

in malaria deaths. Project evaluations of development aid projects (although often done by consultants and organisations themselves involved in aid) generally present a positive result within specific sectors and communities (such as education and the provision of basic healthcare). However, the contradiction between findings of local success and aid’s apparent lack of impact on macro indices such as poverty reduction and more rapid growth was a jarring element in several decades of associated research.¹⁰

Aid is, by definition, palliative, unless it is able to kick-start and sustain inclusive economic growth

At the macro level the aid industry was, until recently, unable to establish a clear causal relationship between aid, economic growth and the alleviation of poverty. This is, according to Arndt, Jones and Tarp, because outcomes such as basic healthcare and primary education were not included when considering the aggregate accomplishments of aid.¹¹ Their research, as well as that of others that reinterpret previous work, finds that aid has a modest positive impact on growth, that it promotes structural change, improves social indicators and reduces poverty, although the magnitude of this relationship is modest, varies greatly across recipients and diminishes at high levels of aid.¹²

Despite these positive findings, aid is, by definition, palliative, unless it is able to kick-start and sustain inclusive economic growth, which was the experience with the Marshall Plan in Europe after the Second World War and the vast amounts of aid and technology transfer provided to a country such as South Korea (and Japan) some years later. This is because aid serves to ameliorate the worst effects of war, hunger, poverty, poor/bad governance and lack of provision of services, but cannot compensate for the lack of sustained and inclusive growth that alone is able to raise incomes, grow employment and reduce poverty. Both these examples of aid success – Europe and South Korea – were enabled by specific global considerations (such as the East–West divide), facilitating domestic conditions (such as high levels of education in Europe despite the destruction of

the Second World War) and cultural homogeneity and leadership (in South Korea).

Despite the poor progress in reducing poverty and with much of Africa's average income levels steadily falling behind those of other regions, other indicators of wellbeing – like changes in infant mortality, education and life expectancy – are showing positive progress.¹³

Infant mortality is an important measure of general social improvement, since it reflects broader changes in health and governance. In 1985 the average infant mortality rate globally was estimated at around 55 deaths per 1 000 live births, but the number was 116 in sub-Saharan Africa. By 2015 the global rate was 26 deaths, with sub-Saharan Africa at 58. The gap between the global and the sub-Saharan Africa rate thus decreased from 61 deaths in 1985 to 32 deaths by 2015 – a reduction by almost half, reflecting rapid and sustained progress.¹⁴

Without aid, government revenues in Africa's 27 low-income countries would be 10% of GDP instead of 21%

A similar, if less impressive, trend is evident when comparing average life expectancy. In 1985 the average life expectancy of Africans was estimated at only 51 years, and the global average at 63 years. By 2015 average life expectancy was 62 years in Africa and 72 years globally. The gap has narrowed by about two years, and this despite the impact of the HIV/AIDS pandemic, particularly in Southern Africa. Had it not been for HIV/AIDS, progress would have been much more impressive. With the worst of the pandemic behind us, rapid future progress (and even some catch-up) is likely.

Comparing mean years of education – the average number of completed years of education of a country's population aged 15 years and older – tells a story of steady improvements but no convergence. In 1985 adult Africans had slightly more than three years of education, compared to a global average of 5.5 years. By 2015 the African average was 5.7 years compared to 7.9 years globally. So, while things have improved, Africa has not been able to catch up with the global average, but neither has it fallen back. Rapid population growth plays a role here, but what is interesting is that the relationship has

remained stable despite a decline in African expenditure per pupil compared to the global average. This decline happened because African economies (and hence government revenues) have grown more slowly than the global average.

On these most basic of indicators there is, therefore, much to celebrate. But exactly how much of these improvements in infant mortality, life expectancy or other indices is attributable to aid remains unclear.

It is, of course, easier for Africa to make rapid progress since it is coming off a low base and more difficult for other regions to continue with progress from higher levels of human development.

Africa also continues to suffer from the lowest levels of access to basic infrastructure (water and sanitation [WASH] and access to electricity) anywhere in the world.¹⁵ The absence of basic infrastructure hinders human development, both physically and cognitively. Lack of access to improved WASH, for example, increases communicable disease prevalence and childhood malnutrition, while lack of access to electricity increases the risk of respiratory disease and death in children and limits school-going children's ability to study. Each of these has important negative knock-on effects that hinder long-term human development.

Poor countries often have little tax revenue and are unable to finance the provision of services or to close the savings–investment gap that would, at least in theory, lead to more rapid growth. In the absence of significant domestic savings and the physical and human capital to attract private investment, aid serves as an important avenue through which donors can augment government capacity or compensate for incapacity by relying on other methods of service delivery, and hence impact upon the provision of basic services.¹⁶

For example, without aid, government revenues in Africa's 27 low-income countries would be 10% of GDP instead of 21%. In an environment where income from domestic revenues is limited, aid therefore boosts government revenues by 11 percentage points.¹⁷ It is for this reason that SDG 17 (which includes aid targets) calls on states to 'strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection'.¹⁸

Recent trends in aid

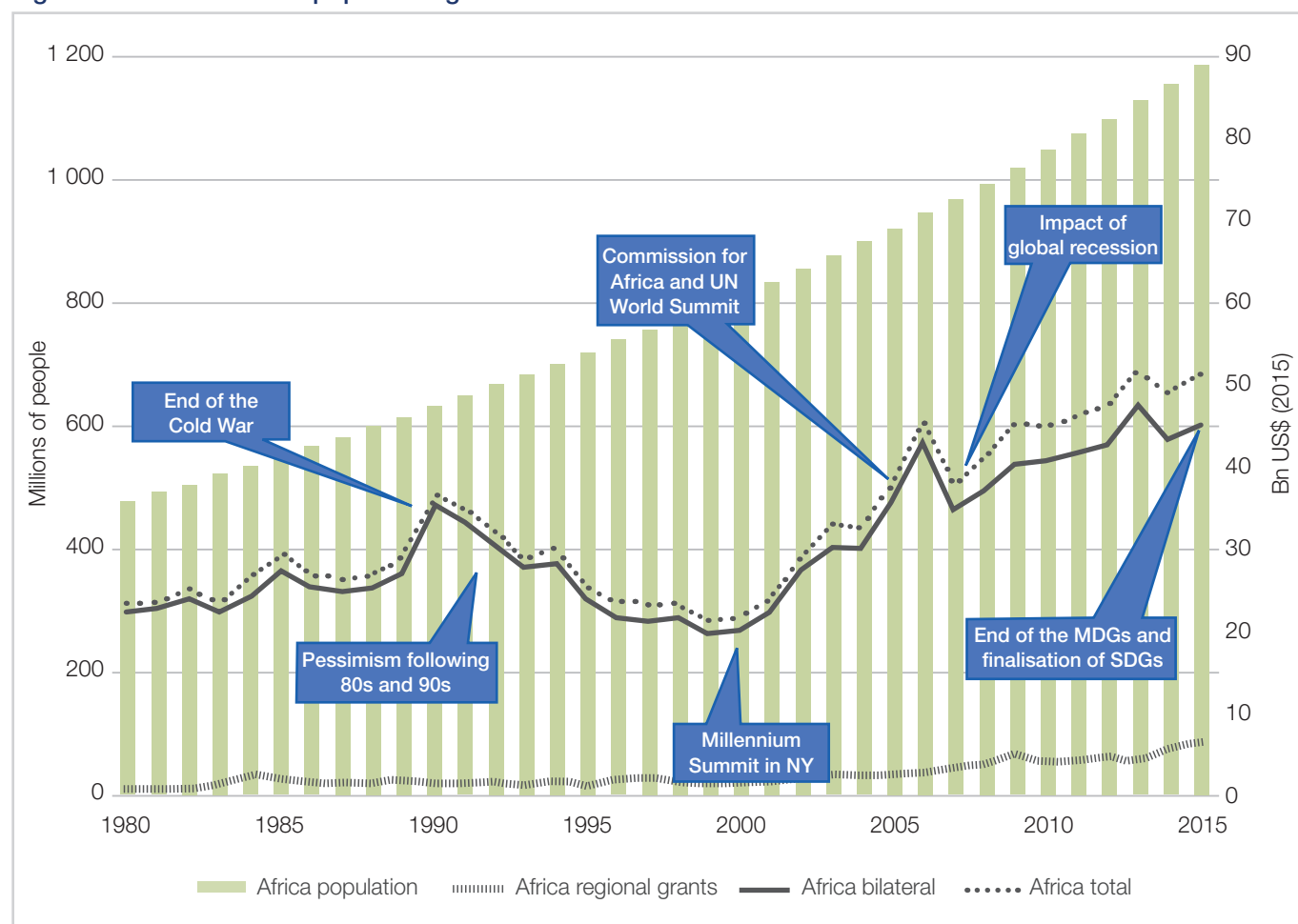
Having largely been used for geostrategic rather than development purposes, the end of the Cold War allowed the aid community (then largely consisting of OECD countries) to pay greater attention to aid effectiveness and value for money, although this shift has been far from uniform or consistent. The dissolution of the Soviet Union unshackled Western donors from the need to prop up African dictators in competition with their former competitor, but also meant that Africa lost some of its previous geostrategic relevance.

Generally, aid levels to Africa declined steadily for the subsequent decade, with large country-to-country variations between groupings such as Kenya, Somalia, Sudan and the former Zaïre (which experienced some of the largest declines) and others. Beyond the disillusionment with aid to Africa and the impact of the

end of the Cold War, a number of external factors also played an important role in these trends, such as the 1991 start of a prolonged recession in large aid provider Japan, and the resource pull exerted by transition economies.

Aid only started to regain its popularity with the 2000 UN Millennium Summit in New York. The post-2000 momentum in aid was substantially bolstered by the support of international celebrities such as Bono and Bob Geldof. 'Aid became part of the entertainment industry,'¹⁹ wrote Dambisa Moyo in her scathing 2009 book *Dead aid*. In addition, 2005 was marked by various initiatives (such as the *Report of the Commission for Africa* spearheaded by UK prime minister Tony Blair and the European Consensus on Development). The 2005 World Summit in New York also called for increased aid transfers in order to reach the MDGs of halving poverty and hunger by 2015.

Figure 1: Aid to Africa vs. population growth



Source: OECD stats, UNPD.

In recent years, a series of high-level forums on aid effectiveness, in Rome, Paris, Accra and Busan in 2003, 2005, 2008 and 2011 respectively, have been important in providing momentum to the aid lobby and associated debates. The 2011 Busan Partnership for Effective Development Cooperation (that itself followed up on the G20 meeting in Seoul the previous year) proved to be a turning point in discussions on aid and development. It was here where the Global Partnership for Effective Development Cooperation (GPEDC) was launched, which was subsequently reaffirmed in Mexico in 2014 and again in Nairobi, two years later.

Busan established, for the first time, an agreed framework for development cooperation that included traditional OECD donors, new donors from the South, civil society organisations and private funders. It helped to step up efforts to start looking beyond the MDGs to a process that would conclude in 2015 with the finalisation of the follow-on SDGs.

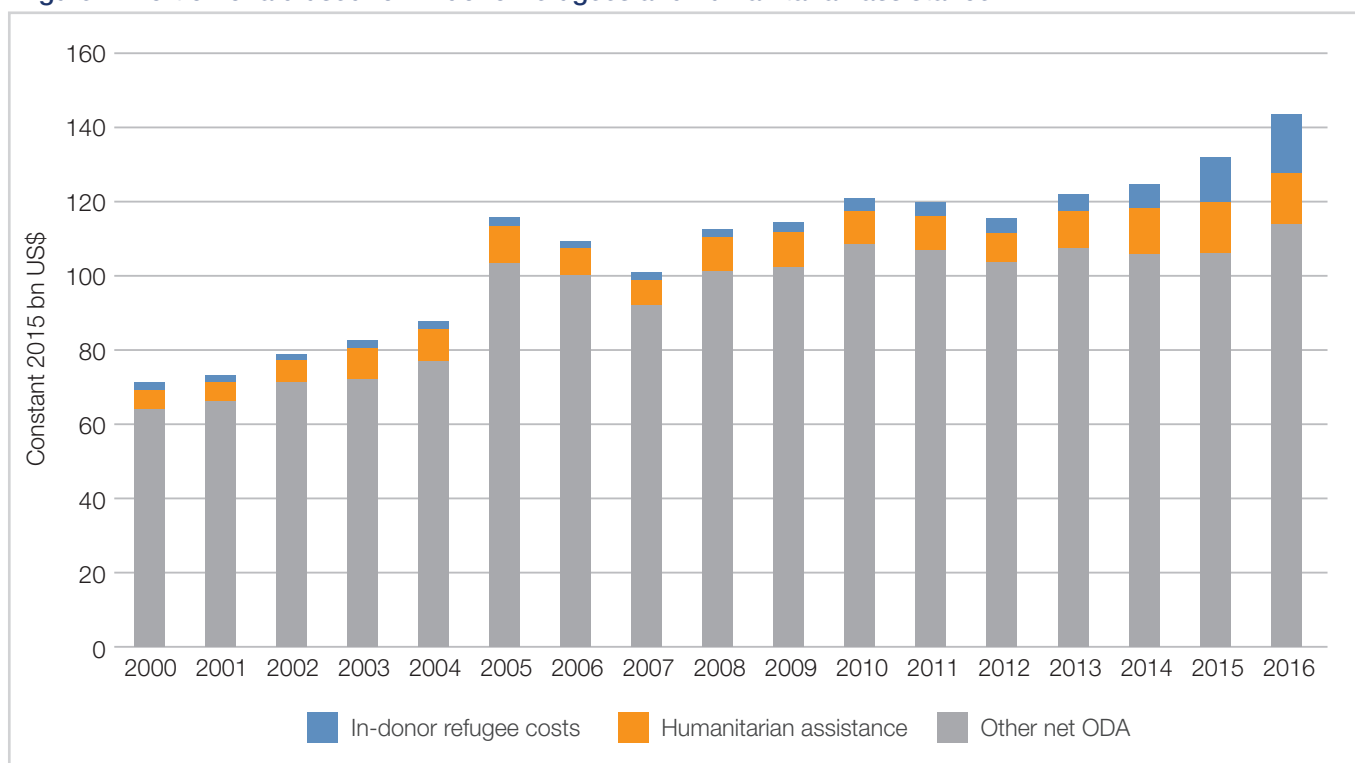
The result of these and other reforms saw a steady shift in aid as a per cent of GDP to low and lower middle-income countries (where the majority of extremely poor people are to be found) as opposed to upper middle-

income countries, as well as greater efficiencies (as donors untied aid and allowed aid recipients to use their aid dollars to procure from the cheapest suppliers and not those prescribed by donors).²⁰

When aid is adjusted for inflation (i.e. expressed in constant figures), levels of aid have slowly drifted sideways

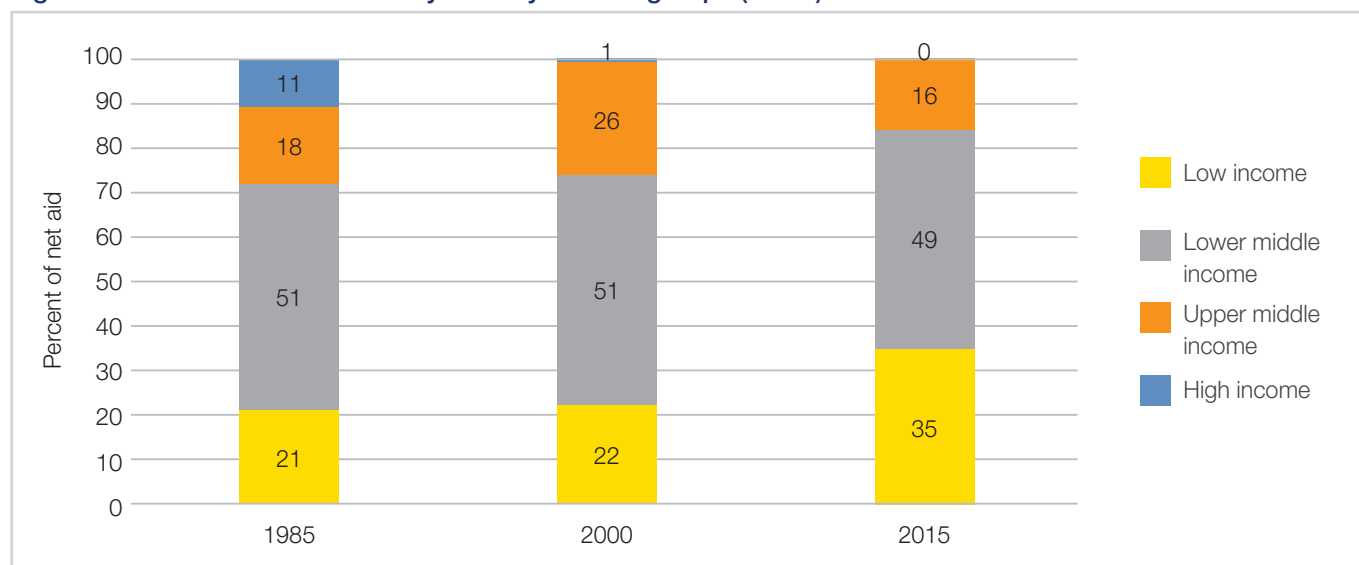
The large number of aid dollars that was unlocked in the process needs to be placed within an important context, however. When aid is adjusted for inflation (i.e. expressed in constant figures), levels of aid have slowly drifted sideways, as evident in Figure 1.²¹ This trend has been accelerated by the use of larger portions of aid budgets for humanitarian aid and in-country refugee costs – the latter referring to the domestic use of aid by donors (such as in Germany) rather than this expenditure being used in developing countries. Whereas in 2000 10% of aid was used for in-donor country refugee costs and humanitarian aid, by 2016 this portion had more than doubled to 21%, as reflected in Figure 2.²²

Figure 2: Portion of aid used for in-donor refugees and humanitarian assistance



Source: OECD (2017), DAC statistics.

Figure 3: Portion of aid received by country income groups (world)



Source: OECD stats.

Note that the number of countries in each of these categories has changed over time. This graph presents % of flows to the country classifications as in 2017/18.

By 2015 around 35% of aid went to low-income countries (see Figure 3). The share of aid going to lower middle-income countries generally remained unchanged, while the percentage of aid going to upper middle-income countries declined to 16% by 2015.²³ So there is a general shift in aid to poorer countries, although it is important to emphasise that aid disbursements are determined by many considerations, not only the living conditions (or needs) of aid recipients.

A number of donor country considerations – such as a sense of shared history (or a belief that a recipient country may be able to learn from donor country experiences), potential trade, interest in resources and often, the personal whims and preferences of the political leadership in donor countries – play a role in both the level of aid and the choice of recipients and sectors.

For example, in 2017 three departments in the Federal Government of Germany each announced an initiative on Africa that had more to do with the politics between three parties in the governing coalition of Chancellor Angela Merkel ahead of national elections in September. Thus, the Federal Ministry for Economic Cooperation and Development (headed by Gerd Müller of the Christian Social Union) announced its Marshall Plan;²⁴ the Federal Ministry of Finance (headed by Dr Wolfgang Schäuble of the Christian Democratic Union), announced its Compact

with Africa (which was later taken up by the G20);²⁵ and the Federal Ministry for Economic Affairs and Energy (headed by Brigitte Zypries of the Social Democratic Party) presented its Pro! Africa initiative.²⁶ All seek to ‘crowd-in’ the private sector (thus benefiting stable middle-income countries) and provide no significant additional aid to poor countries.²⁷

There is a general shift in aid to poorer countries, although aid disbursements are determined by many considerations

Despite positive progress elsewhere, sub-Saharan Africa made only modest progress towards the eight MDG goals. This was despite aid levels to Africa increasing to around US\$48 billion by 2010, very close to the US\$50 billion target set by the Commission for Africa.²⁸ These developments helped to build momentum towards the comprehensive set of 17 SDGs agreed to in 2015.

In the decades after the collapse of the Berlin Wall and buoyed by the third wave of democracy that it unleashed, Western donors insisted on ‘capacity building’ and the importance of the rule of law. In the process donors insisted that a strong causal link existed between development and democracy in poor countries,

despite considerable evidence to the contrary.²⁹ To be sure, stronger institutions, the rule of law and greater transparency do mean that aid is less fungible, with clear improvements in value for money.

Traditionally much aid was not transparent – a situation that has improved markedly in recent years, culminating in the commitments in SDGs 16 and 17 for greater access to information and provision of data. Yet there is much that is not known, particularly of agencies from Italy, Japan, France, China and the United Arab Emirates (UAE), which score ‘very poor’ in the 2016 Aid Transparency Index. The index finds that only 10 donors of varied types and sizes, accounting for 25% of total aid, have met the commitment to aid transparency made in Busan in 2011.³⁰

In current (i.e. not constant) dollars, external financial flows (consisting of aid, remittances and private capital flows) to sub-Saharan Africa have increased substantially since 2001. Unlocking private investment has become an important development paradigm within and outside of the aid community. Considerable attention is being given to efforts such as Aid for Trade and the European Union (EU) blending framework, which uses grants to mobilise additional support in the form of loans or equity.³¹

Unlocking private investment has become an important development paradigm within and outside of the aid community

These approaches are, however, contested by some developing countries, since they are considered to be located within a neo-liberal economic framework that minimises the role of the state and expands that of the private sector at low levels of development, thereby increasing inequality and hence poverty.

Data on aid is set to evolve in 2018. First, reports on aid from the OECD will only count the grant element of loans and not the entire amount of the loan.³² The result is likely to reflect a significant reduction in reported aid flows from a country such as South Korea, which largely provides concessional loans, whereas data from the EU will be unaffected since it provides only grants.

Second, the UN will start to roll out a new international financial statistical standard, the Total Official Support for

Sustainable Development (TOSSD), as a statistical input into SDG indicator 17.9. Initial work on TOSSD is led by the OECD DAC and a first report is scheduled for 2018, ahead of the 2019 UN stocktake of SDG implementation. TOSSD will measure all external financial flows regardless of the financial instrument used or whether they are delivered through bilateral or multilateral channels, and includes private finance and that channelled through officially supported NGOs.³³

Finally, the OECD is to release its estimates on private philanthropy.

Collectively, these three efforts will significantly improve our understanding of aid flows and the quality of the associated data.

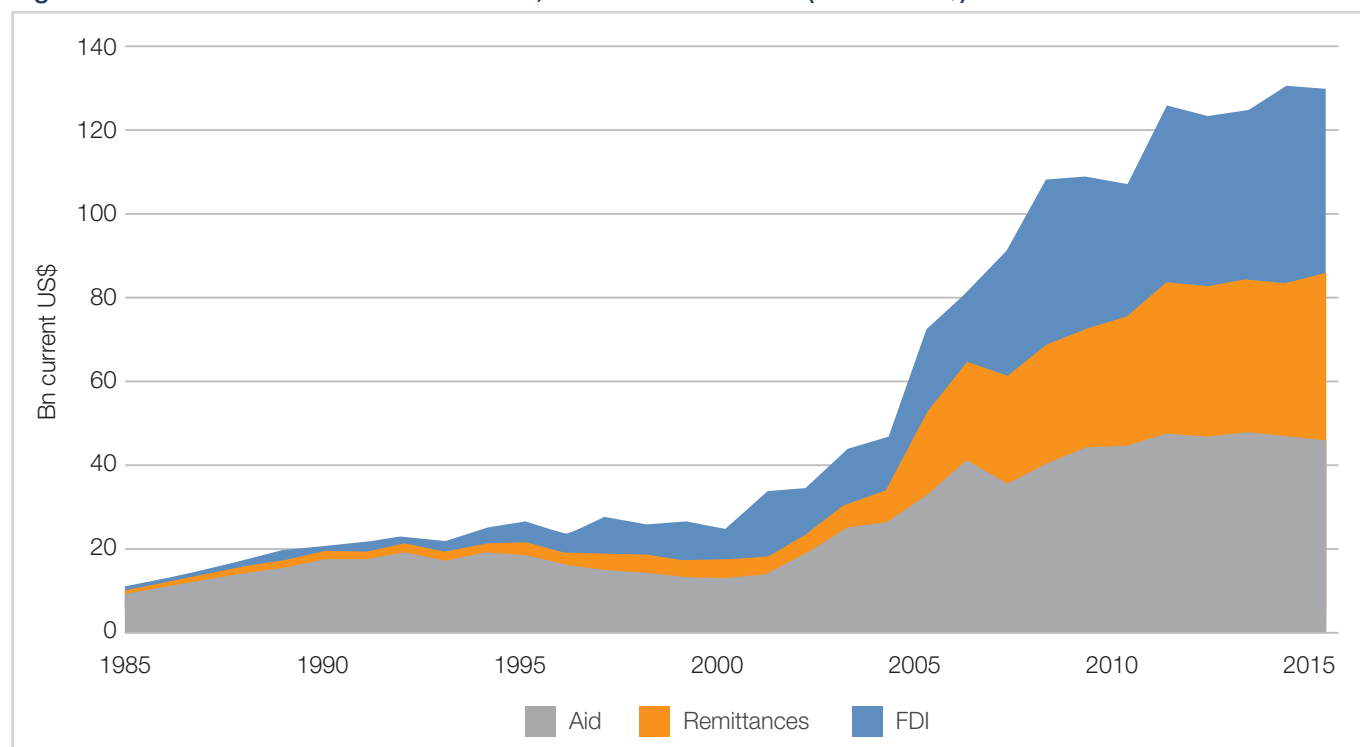
Aid flows versus private capital flows and remittances

The efforts to expand trade and integrate African economies into the global economy referred to in the previous section are not new. The Lomé Agreement of 1975 provided duty- and quota-free access for exports from African, Caribbean and Pacific countries into the EU.³⁴ The Cotonou Partnership Agreement (CPA), which replaced the non-reciprocal Lomé trade access, now provides for reciprocal free trade agreements (preferences expired at the end of 2007). The CPA incorporates various aid effectiveness principles, unties aid and allows for the phasing in of economic partnership agreements (EPAs) between the EU and regional groupings of CPA countries, including in Africa.³⁵

In some ways (particularly in relation to its non-reciprocal status) the previous Lomé Agreement is similar to the US Millennium Challenge Corporation (MCC) that was established in 2004 with its tagline of ‘reducing poverty through growth’, where a low-income or lower middle-income country could apply to qualify for a compact, based on good governance, economic freedom and investments in its citizens.³⁶ Generally, however, intra-regional trade has not expanded to the extent envisioned with either the EU or US efforts – and has thus not achieved the expected results in increasing diversification and reducing commodity dependency.

Against this background SDG 17 calls for a revitalised global partnership for sustainable development between governments, the private sector and civil society, based

Figure 4: Sub-Saharan Africa – flows of aid, remittances and FDI (current US\$)



Source: World Development Indicators.

on shared principles and values. These include long-term debt sustainability, the mobilisation of additional financial resources for developing countries from multiple sources, and investment promotion regimes for least developed countries.³⁷

On average aid flows to sub-Saharan Africa continue to exceed either remittances or private capital flows, although the latter two have both increased significantly in the last decade. By 2015, remittances (US\$39.2 billion) and private capital flows (US\$44.4 billion) each approximate aid flows. In current dollars, private financial flows to sub-Saharan Africa increased from less than US\$2 billion in 1990 to around US\$44 billion in 2015,³⁸ although, once inflation is taken into account, the increases in flows are much less impressive.

Much more is needed, such as the European External Investment Plan (EIP) – announced in 2016 – which will encourage investment in Africa, and the EU Neighbourhood, which has the potential to unlock up to €88 billion by 2020.³⁹

In terms of volume Nigeria is the largest recipient of remittances, and Lesotho is the most remittance-

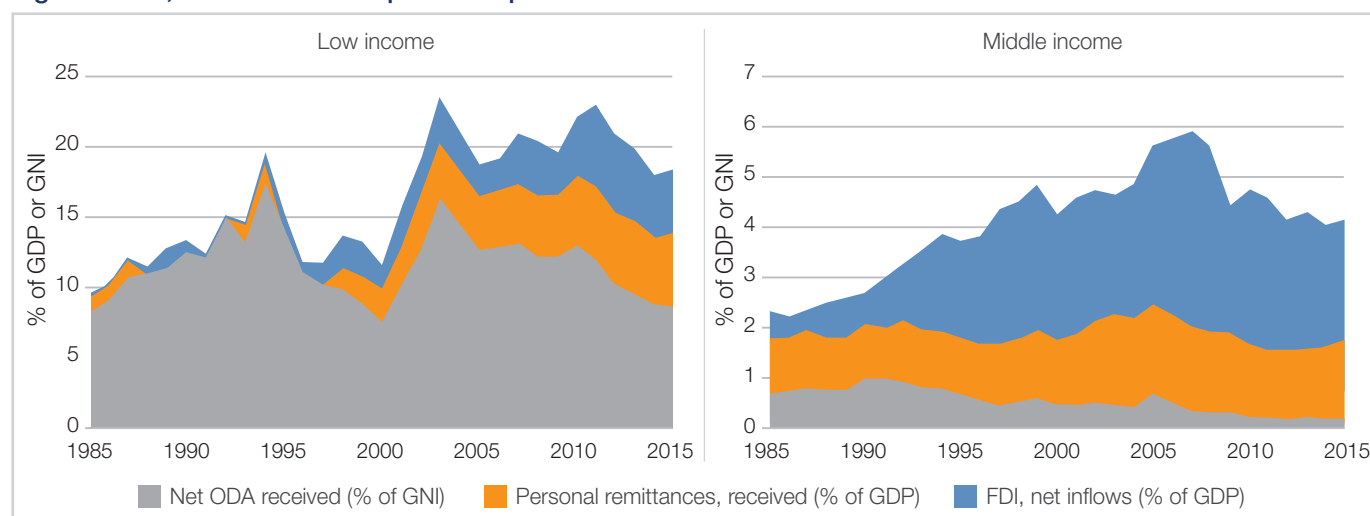
dependent country in sub-Saharan Africa when measured as a per cent of GDP. Other countries with high remittance flows – when scaled to the size of their economies – include Cape Verde, Liberia, Senegal and Togo. On average remittances to sub-Saharan Africa increased to 2.6% of GDP in 2015.⁴⁰

Low-income countries are still aid-dependent although middle-income countries are rapidly benefiting from FDI

The trend in respect of personal remittances and foreign direct investment (FDI) is reflected in Figure 5, which presents the share of net inflows of aid (of GNI), personal remittances (of GDP) and net aid (of GDP) received by low- and middle-income countries globally. It illustrates the large aid dependence of low-income countries and the extent to which middle-income countries are rapidly benefiting from FDI.

A separate annex presents the average FDI and remittance flows as a per cent of GDP for 2010 to 2015 for countries in sub-Saharan Africa.

Figure 5: Aid, remittances and private capital flows



Source: World Development Indicators.

Low-income countries in Africa remain particularly aid-dependent (although aid as a share of GDP is also declining here), a few countries depend heavily on remittances, and private capital flows benefit an even smaller number of countries. The reason is that most FDI goes to middle-income countries with more diversified economies and the associated financial infrastructure to absorb such investments, and not to poor countries or fragile states.⁴¹

The general trend suggests a steady decline in aid dependency in sub-Saharan Africa

To access international capital markets, countries need a sovereign credit rating by an international rating agency to evaluate its credit worthiness.⁴² In mid-2017 the only African countries with a sovereign credit rating by all three key international rating agencies (Moody's, S&P and Fitch) were Angola, Egypt, South Africa and Morocco.⁴³ And fully half of total FDI to sub-Saharan Africa in the decade to 2012 went to only two countries, South Africa and Nigeria.⁴⁴

Yet the general trend suggests a steady decline in aid dependency in the region. In 2015, 22 out of 54 African countries received more FDI than aid.⁴⁵ Middle-income countries are experiencing the sharpest declines in aid as a share of total inward flows – despite the fact that the

portion of aid that goes to lower middle-income countries (compared to low-income countries) has remained relatively constant.⁴⁶ Thus, according to Sy and Rakotondrazaka,

the claim of the demise of aid is still premature; the growth of private capital flows has benefited few countries; remittances have become significantly more important for some countries; and the rise of external flows means that sub-Saharan African countries will have to manage the volatility associated with such flows.⁴⁷

Eventually only the private sector, working with government, will be able to unlock sustained employment and wealth creation, but this only kicks in once countries achieve middle-income status. At low levels of development, the role of the state is particularly important in providing basic infrastructure such as for healthcare and water, as well as education. It is unclear how the pursuit of profit in partnership with the private sector will sit with the need for state building in Africa's low-income countries or, indeed, with sustained poverty alleviation.

New donors, the fragmentation of aid and South-South cooperation

Recent years have seen the addition of many new donors such as Turkey and South Korea (in addition to countries such as the UAE, Saudi Arabia, Venezuela, Kuwait and Brazil, which have provided assistance to other developing countries for many years). The result is

an increase in the amount of funds for development but reduced coherence and coordination.

A recent edited volume, *The fragmentation of aid*, points to the associated trends, since the early 2000s, of the proliferation and fragmentation of actors that now provide aid and other forms of international cooperation.⁴⁸ By offering alternatives to developing countries, emerging donors have introduced competitive pressures into the existing system. This has weakened the bargaining power of traditional donors, as well as their ability to impose common standards and the opportunity for reductions through harmonised donor reporting.

For a while, traditional and emerging donors sought to develop triangular cooperation relationships that brought recipients, new or emerging donors in the South and traditional donors in the North together, but these efforts have waned in recent years as transaction costs appear to crowd out other benefits.

A modern aid landscape that is fragmented, complex and incoherent. Aid is more fungible in this environment

The increasing number of donors (ranging from smaller new donors such as Poland and Lithuania to much larger donors such as Turkey, Mexico and China) and international institutions that offer multilateral aid, coupled with the proliferation of different trust funds,⁴⁹ among other new instruments, has complicated coordination and increased the reporting burden at recipient level.⁵⁰ The result is a modern aid landscape that is fragmented, complex and incoherent. Aid is more fungible in this environment (since donor reporting is not harmonised and integrated) and recipients are able to evade accountability should they so wish.

Then there is the increase in investment flows, including bilateral projects, in the South. South–South cooperation (such as that from China and Turkey, but also between countries such as South Africa and the Democratic Republic of the Congo [DRC]) has a long history dating back to the Bandung Conference of 1955 (on Asian–African cooperation).

However, the associated aid flows are not currently captured by organisations such as the OECD. South–

South relationships are self-characterised as ‘horizontal’ rather than the traditional ‘vertical’ cooperation (between North and South). On the face of it, this is a mode of cooperation where partners refrain from political dialogue or interference in the domestic affairs of recipient countries.⁵¹

Yet South–South cooperation is primarily an expression of political solidarity among developing countries. In the absence of a secretariat (similar to the DAC of the OECD), an agreement on a precise definition and associated data, it is impossible to determine its real added value.

Despite its characterisation as horizontal cooperation, South–South cooperation is also often overtly linked with commercial interests and appears to give prominence to infrastructure projects as part of aid activities. Research has found that it prioritises resource-rich recipient countries such as Angola, Nigeria and Sudan, upon which donor countries rely for commodity flows.⁵²

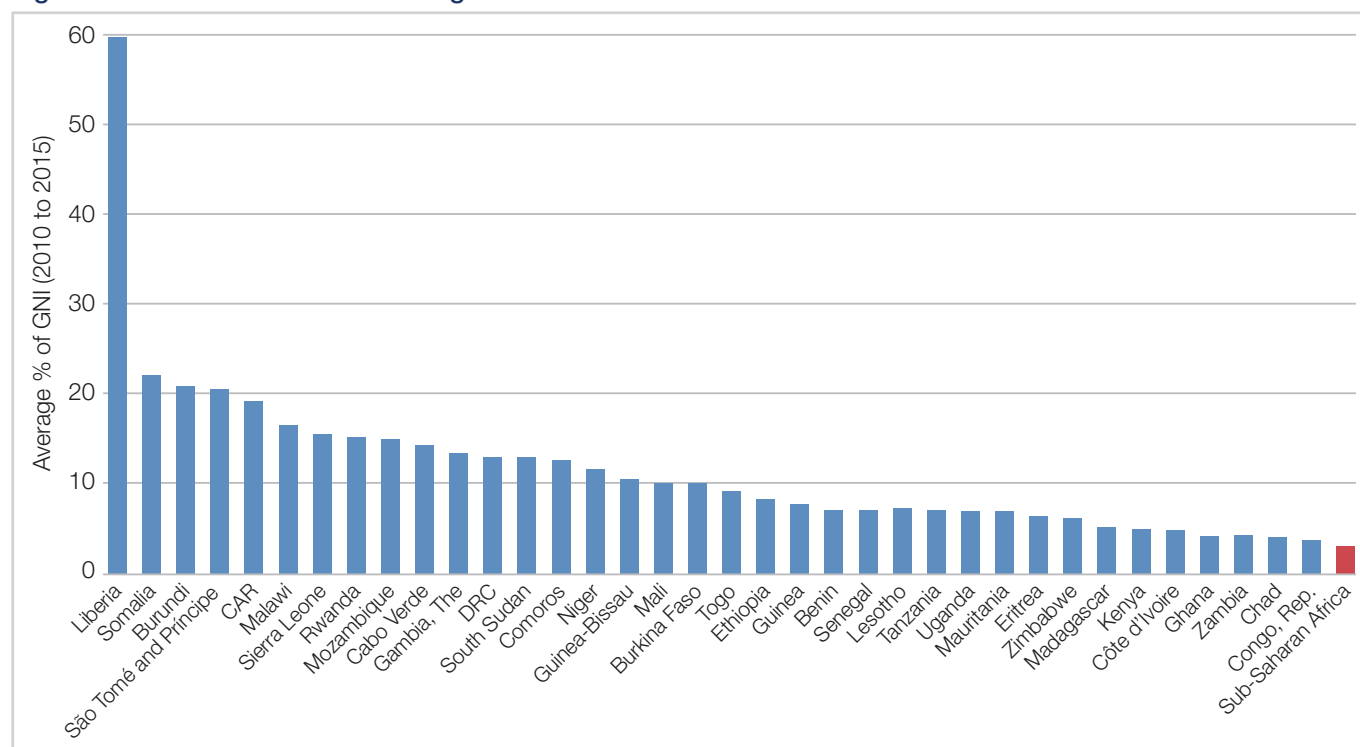
Reminiscent of Western aid practices some decades earlier, the allocation of official Chinese aid (often touted as constituting the largest component of South–South cooperation) is overtly political, apparently intending to unlock greater opportunities. Thus, a 2016 report that geocoded 1 650 Chinese development finance projects across 3 097 locations in Africa from 2000 to 2012 found that ‘Chinese official financing to a political leader’s birth region nearly triples after that individual assumes power’.⁵³

Aid dependence, aid intensity and governance

Two measures are helpful in considering the extent to which a number of sub-Saharan African countries have become addicted to aid, namely aid dependency and aid intensity.

Aid intensity is measured as the ratio of aid to GNI.⁵⁴ Where the ratio exceeds 10%, countries are classified as highly aid dependent.⁵⁵ Using the average of aid as a per cent of GNI for the period 2010–2015, 16 countries in sub-Saharan Africa can be considered highly aid dependent, namely (from lowest to highest) Guinea-Bissau (at 10%), Niger, Comoros, South Sudan, DRC, The Gambia, Cape Verde, Mozambique, Rwanda, Sierra Leone, Malawi, Central African Republic, São Tomé and Príncipe, Burundi, Somalia (at 22%) and Liberia (at a

Figure 6: Countries above the average for sub-Saharan Africa – aid as % of GNI



Source: World Development Indicators.

Note that countries below the average are not shown.

record 60%).⁵⁶ These are all low-income, post-conflict and/or fragile states. See Figure 6.

When aid income becomes too large a portion of GNI there has been considerable speculation (but less evidence) that the results could be similar to the resource curse (where abundance in natural resources results in poor economic growth, less democracy and poor development outcomes) as it reduces accountability. In theory, it allows governments to survive with low tax levels, creates fiscal dependence and hence undermines the social contract. Thus ‘a large and sustained volume of aid can have negative effects on the development of quality institutions’.⁵⁷ One study found that aid recipients could not absorb more than 45% of GDP in aid, characteristic of Burkina Faso, Malawi, Mali, Rwanda and Uganda in 2015, among others.⁵⁸ More recent research shows that where aid is conditional, as in the cases of programmes supported by the International Monetary Fund (IMF), its impact is stronger where institutions are also strong.⁵⁹

When income is derived from domestic tax revenues there is a natural incentive for citizens to monitor the

spending decisions of their elected representatives (or to agitate for representation in non-democracies). By contrast, aid generally depends on oversight from donor agencies with limited leverage and insight into national processes. The relationship between high levels of aid and the impact that it has on the quality of institutions and governance generally has been hotly contested, with recent findings concluding that aid has a small positive net effect on political institutions.⁶⁰ Earlier work by the African Futures Project at the ISS also found a likely positive relationship between aid and early democratisation in Africa.⁶¹

A recent example of the complex challenges faced by donors occurred when the presidency of ‘donor darling’ Mozambique was exposed as having entered into US\$2 billion government loans, hidden from the IMF and donors, in 2013. These loans were used to purchase, at hugely inflated costs, fishing boats, naval vessels, radar and other maritime security equipment to establish a coastal security system (apparently to protect its off-shore gas terminals) and to set up a state-backed tuna fishing company (despite this not being considered

commercially viable). The loans were arranged by Credit Suisse, a Swiss bank, and Russia's VTB Capital, which earned nearly US\$200 million in fees for arranging the loans.

The discovery led to the suspension of aid to the government of Mozambique (but not to field-based projects run by NGOs). Events such as this tend to pour cold water on an aid industry that is struggling to retain its levels of funding and reinforce stereotypical views of governance in Africa, yet do little to force accountability in the private financial sector.⁶²

Until recently, large aid volumes were suspected of having an economic impact similar to the so-called Dutch disease, according to which the inflow of foreign currency leads to currency appreciation, making other products or sectors less competitive on the export market, and so lowering competitiveness, growth and employment creation. According to this line of reasoning, aid makes exportable sectors grow slower than non-exportable sectors, and large aid volumes reduce the ability of countries to expand into manufacturing.⁶³

Aid has a modest positive effect on growth with an average internal rate of return of around 10%

Recent studies using longer data series are significantly less negative. They show that characteristics such as increased trade openness or greater government effectiveness can substantially mitigate these effects. Today the emerging consensus among researchers is that aid has a modest positive effect on growth with an average internal rate of return of around 10%.⁶⁴ Thus the previous pessimistic aid-growth mainstream of analysis has turned to cautious optimism as researchers started using longer and more comprehensive datasets, revising earlier findings.⁶⁵

Aid scenarios

The three scenarios below use the IFs forecasting system to explore the impact of different levels of aid to Africa and sub-Saharan Africa to 2030 and 2040 (see Table 1). The first presents a realistic **Current Path** or expected aid trajectory.⁶⁶

The Current Path forecast from IFs is that the average number of persons living in extreme poverty in Africa will likely increase by more than 100 million people to around 556 million people by 2030 (out of a total population then likely numbering 1 666 million), although the portion of extremely poor people is set to continue its slow decline (from 38% in 2015 to 33% in 2030). Previous work by the African Futures Project at the ISS explored various growth scenarios and their impact upon poverty, but all point to the huge challenge in reducing the region's large poverty burden.⁶⁷

Whereas Africa received about US\$51 billion in aid in 2015, annual levels of aid to Africa would expectedly reach around US\$90 billion by 2030 and US\$121 billion by 2040 in the Current Path forecast. In this forecast, aid to sub-Saharan Africa increases from US\$43 billion in 2015 to US\$87 billion in 2030, i.e. by 202%, which is roughly the same increase experienced in the period 2000–2015. That period followed the Millennium Summit in New York, whereafter aid levels increased rapidly, until the 2007/8 global financial crisis dampened aid flows and populist governments in the West started pulling back on the provision of aid.

The historical trend presented in Figure 1 saw per capita aid levels to Africa slowly decline after 1980 but aid to sub-Saharan Africa remain constant on a per person basis, as aid steadily shifted to low-income countries. The Current Path forecasts for sub-Saharan Africa (see Figure 7) envision that per capita aid to the region increases only modestly from 2015 to 2030 as donors pursue the SDG goals and the economies of developed countries that provide aid continue to expand.

In a second scenario, **More Aid**, aid to Africa is approximately 32% (or US\$29 billion) larger in 2030 than in the Current Path. Although the increase in aid dollars in the More Aid scenario appears aggressive, it is important to place that in context. Should, in 2015, donors have met their aid targets (as agreed to in SDG 17), total aid would have amounted to US\$450 billion in that year alone.⁶⁸ Actual bilateral aid levels were less than one-third of this amount at around US\$131.5 billion (of which US\$51.2 billion was allocated to Africa).

Clearly, the achievement of the SDG aid target by 2030 would have an enormous impact on Africa's development prospects, since levels of aid per capita

Table 1: Aid scenarios

		Year			
		2000	2015	2030	2040
Africa	Population size (mil people)	812.9	1 185.0	1 665.0	2 030.0
	Aid in Current Path (bn US\$)	20.0	51.2	90.4	121.0
	More Aid (bn US\$)	–	–	119.5	147.3
	Less Aid (bn US\$)	–	–	66.4	75.6
Sub-Saharan Africa	Population size (mil people)	668.6	1 000.0	1 440.0	1 784.0
	Aid in Current Path (bn US\$)	17.0	42.8	87.0	119.0
	More Aid (bn US\$)	–	–	109.3	145.0
	Less Aid (bn US\$)	–	–	65.3	74.3

Source: IFs v 7.29. US\$ numbers in constant 2015 values.

would increase dramatically. This is, however, an unlikely scenario given current trends – and it is also unlikely that recipients would be able to absorb such massively increased levels of aid without significant changes in delivery mechanisms. The More Aid scenario therefore does not approximate donors' meeting their SDG targets, but does provide for a substantial increase in aid volumes.

Finally, in a **Less Aid** scenario, aid to Africa in 2030 is only 30% more (at US\$66 billion) than in 2015.⁶⁹ This is a scenario where donors choose to actively pursue private investment flows as a more suitable avenue through which to support poverty alleviation in Africa, and/or where other pressing priorities such as refugees or humanitarian assistance divert aid dollars elsewhere.

In summary: in the More Aid scenario, sub-Saharan Africa receives US\$29 billion more aid in 2030 than in the Current Path scenario, and in the Less Aid scenario sub-Saharan Africa receives US\$22 billion less aid in 2030 than in the Current Path.

The remainder of this report looks at the impact of these three aid scenarios on sub-Saharan Africa, namely the 47 countries where an estimated 429 million out of 1 billion people (43% of the 2015 population) live in extreme poverty.⁷⁰

Impact of aid scenarios

A first consideration (presented in Figure 7) is that in the More Aid and Current Path scenarios aid increases on a

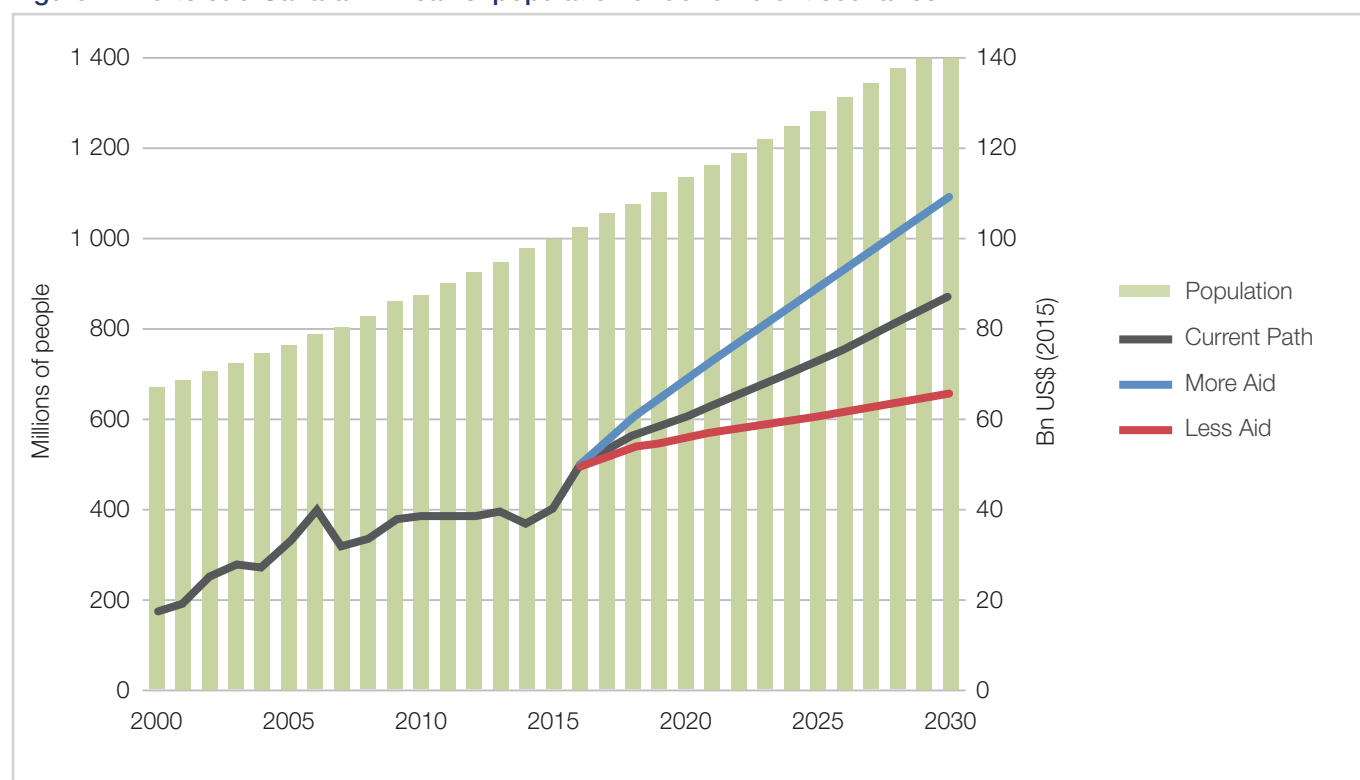
per capita basis, and declines in Less Aid. In fact, in More Aid, aid per capita would be 55% more in 2030 than in 2015. The Current Path forecast is that aid levels would be 23% higher in 2030 than in 2015, and 14% lower in the Less Aid scenario. The analysis presented in the earlier sections of this report would therefore suggest a modest impact upon indices such as declines in poverty levels and improvements in the provision of services in the More Aid scenario.

In the More Aid and Current Path scenarios aid increases on a per capita basis, and declines in Less Aid

The impact of the scenarios on government consumption in sub-Saharan Africa is presented in Figure 8. The one-percentage point difference between the More and Less Aid scenarios means that in 2030 governments in sub-Saharan Africa would have around US\$40 billion or US\$19 per capita more in financial resources to spend on education, health, infrastructure and research and development, as well as on other, less productive effort such as the military. The cumulative additional funds amount to US\$277 billion over the horizon from 2017 to 2030 (i.e. the cumulative difference between Less and More Aid).

Generally, debt levels would, on average, be lower by about 1% of GDP in the More Aid scenario compared to

Figure 7: Aid to sub-Saharan Africa vs. population under different scenarios⁷¹



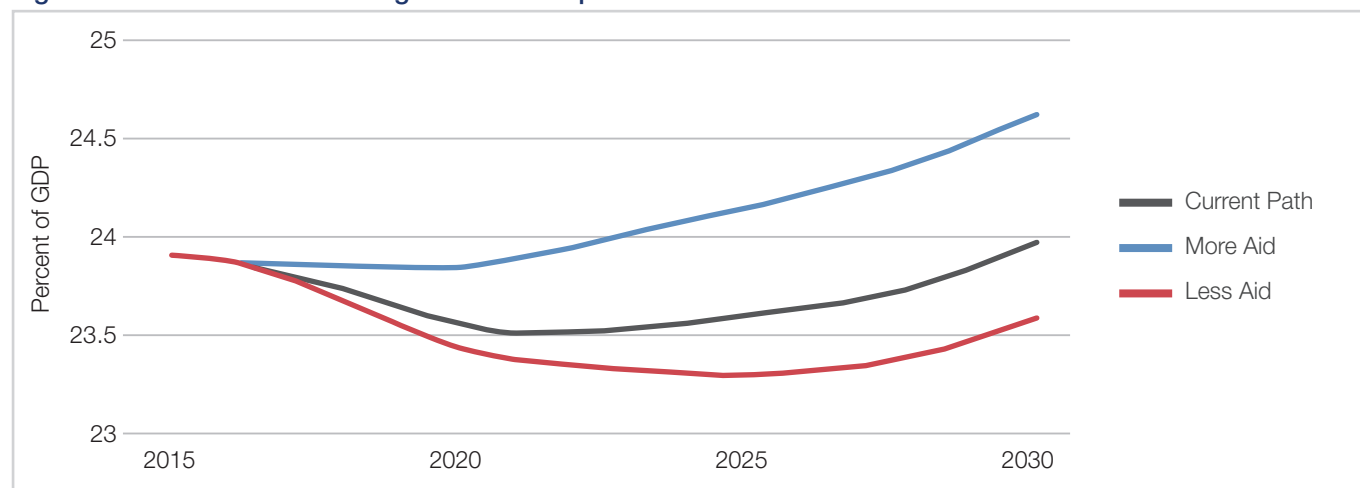
Source: IFs v 7.29.

the Less Aid scenario, since recipient countries would likely be able to use some aid to replace government revenues.

Using IFs, the economy of sub-Saharan Africa is forecast to be US\$15 billion larger in 2030 in the More Aid scenario than in the Current Path (with a cumulative increase from 2017 to 2030 of US\$64 billion).⁷²

In the case of the Less Aid scenario, the economy of sub-Saharan Africa would be US\$8 billion smaller than in the Current Path (having 'lost' a cumulative amount of US\$30 billion in the period 2017–2030). GDP per capita in 2030 would differ by US\$24 (in purchasing power parity) between Less Aid and More Aid – a huge amount given the very large population (1 441 million

Figure 8: Sub-Saharan Africa – government expenditure under different scenarios



Source: IFs v 7.29.

people by 2030) and the rapid increase in population to 2030.

Finally, by 2030, 13 million fewer people in sub-Saharan Africa would be living in extreme poverty when comparing the More Aid with the Less Aid scenario.

What more can be done?

Previous sections have argued that it is very difficult to use a single measure (such as poverty) to measure the impact of aid given its spread across sectors as varied as democracy, human rights, economic development, education, social services, health, environment, etc. Much as the More Aid scenario points to improvements in many dimensions, the question must be asked, what more could be done with aid to help place sub-Saharan Africa on a long-term positive trajectory of growth and development?

This question is complicated by the fact that the remarkable economic transition of the Asian Tigers and China occurred under an authoritarian, state-led developmental model, not as a democracy or under free-market conditions.

In recent years, the rapid changes in the prospects of Ethiopia and Rwanda have bolstered those who argue, as Moyo does, that economic development should precede democratisation and what Africa needs is not democracy but 'a decisive benevolent dictator to push through the reforms required to get the economy moving'.⁷³

Yet Africa has been poorly served by decades of authoritarianism. Although substantive democracy (as opposed to nominal, electoral democracy) remains distant in many states, it is unlikely that Africans would countenance democratic reversals, given the generally dismal performance of non-democracies and the subsequent widespread support for democracy.⁷⁴ The challenge facing Rwanda and Ethiopia, often cited as examples of developmental authoritarianism (they are, in fact, exceptions), is that the process of democratisation is inevitably unstable. Once the democratic deficit becomes too large, instability is almost assured.

Similar to the situation in these two countries, the Asian Tigers did not experience their rapid transition through adhering to Western standards of good governance or low levels of corruption. An outward orientation that sought to embrace aspects of free trade (accompanied

by determined efforts at supporting and building domestic industry) appeared to have played an important facilitating role, as did developmentally orientated leadership.

A big push in development assistance seems to have played a role only in exceptional instances, such as in South Korea.

By way of comparison, Zambia has received around US\$40 billion in aid since independence in 1964, yet its GDP per capita in 2016 has hardly recovered to its peak levels in 1967.⁷⁵ Like Zambia today, South Korea in 2017 is heavily affected by rampant corruption that extends to the highest office of the land.

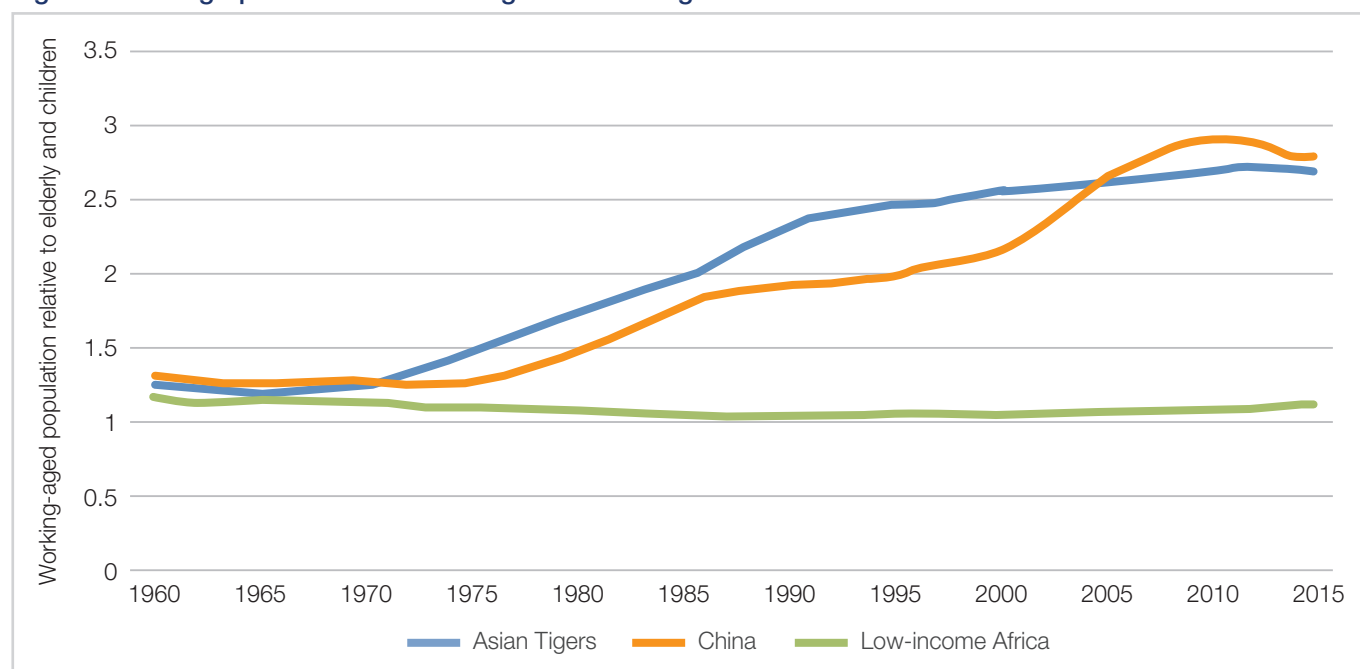
There are, of course, large differences in the extent to which corrupt elites in Africa export their ill-gotten gains (what Moyo refers to as negative corruption) and the domestic circulation of corrupt monies within most Asian economies (positive corruption). While the recirculation of ill-gotten gains back into the domestic economy would make a huge difference in resource-rich countries such as Angola, the DRC and Nigeria, even this does not appear sufficient to explain the large divergence in development outcomes.

The developmental divergence between the Asian Tigers and much of Africa appears to have been facilitated by the rapid demographic transition

Structurally, the developmental divergence between the Asian Tigers (and a country such as China) and much of Africa appears to have been facilitated by the rapid demographic transition that increased the size of the working-age population (ages 15–64) compared to children and the elderly, although such a broad preliminary finding necessarily warrants an intense country-specific analysis.⁷⁶ This dividend obviously also needs to be put to use, implying the importance of appropriate investment in human development, education, healthcare, basic infrastructure policies and leadership, where aid does play a significant role.⁷⁷

Figure 9 compares the ratio of children and elderly to the working-age population of the Asian Tigers (South Korea, Hong Kong, Singapore and Taiwan) and China with the average for Africa's current 27 low-income countries.

Figure 9: Demographic dividend – average for Asian Tigers and China vs. African low-income countries



Source: UNPD data in IFs v 7.29.

According to Cincotta, who has written extensively on this issue, a favourable 'demographic window' exists when 0–14 year-olds make up less than 30% of the population and those 65 or older make up less than 15%. Alternatively, the window opens when the median age structure is between 26 and 41 years.⁷⁸ The median age for sub-Saharan Africa is currently 19: no countries other than Mauritius, Seychelles and South Africa fall in this median age bracket of 26 to 41.

To accelerate the achievement of such a favourable demographic window, a final scenario models a rapid decrease in fertility rates from sub-Saharan Africa's current average of 4.8 children per woman of childbearing age to increase the proportion of working-age population relative to dependents.⁷⁹

Getting to Africa's demographic dividend

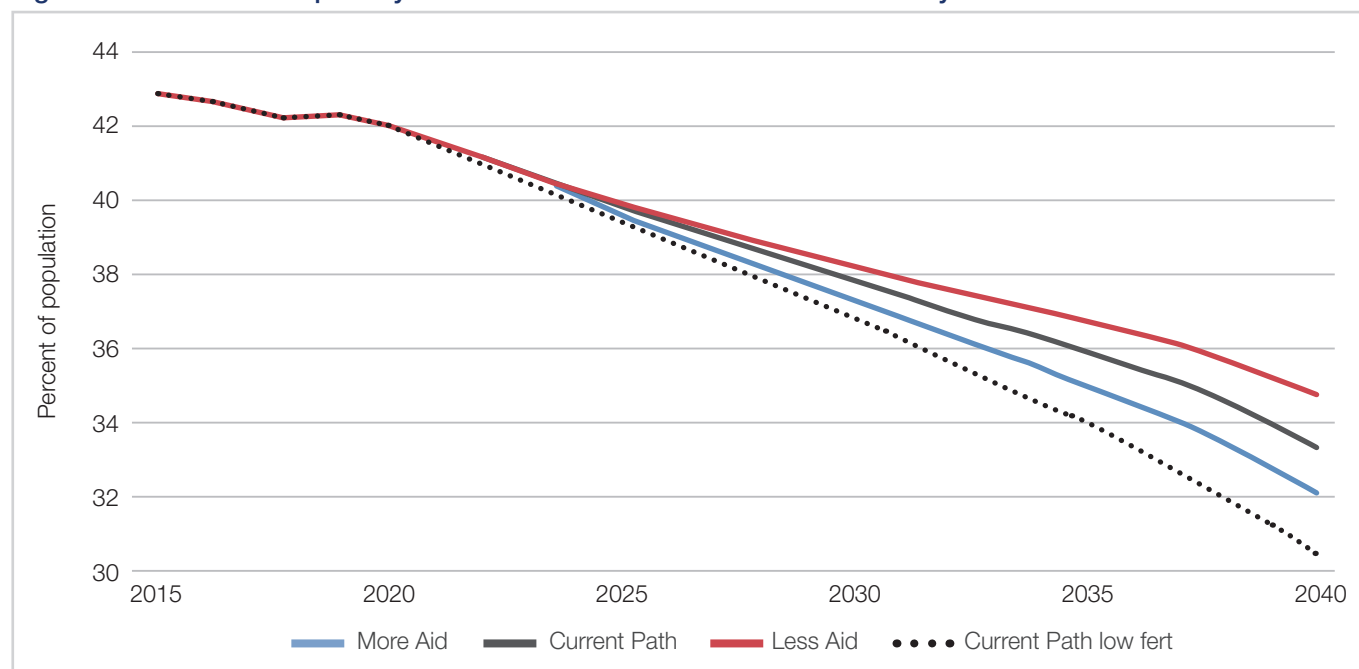
The average number of births per women of childbearing age in Ethiopia in 2015 was around 4.1 and expected to decline to 3.4 by 2030. Traditionally, the best way of reducing fertility is by improving levels of secondary school female education, yet with some of the lowest levels of female education in Africa, Ethiopia has managed to reduce fertility rates more rapidly than almost any of its low-income peers. This trajectory is expected to accelerate in the future. Ethiopia has done

this largely through rolling out basic health schemes and encouraging the widespread use of contraceptives, much of which was provided by donors such as USAID. In fact, without donor support in its health sector, it is doubtful whether Ethiopia would have been able to achieve its remarkable development transition of recent years.⁸⁰

A favourable 'demographic window' exists when 0–14 year-olds make up less than 30% of the population and those 65 or older make up less than 15%

Following this line of reasoning, a final scenario presents the impact of reductions in the average fertility rates in the rest of sub-Saharan Africa in the Current Path scenario to match that of Ethiopia by 2030. The impact is compared to the More Aid scenario and presented in Figure 10 with a forecast horizon to 2040.⁸¹ The results indicate that the reduction in fertility rates has a significantly more positive impact on poverty rates by 2030 than the provision of more aid – a trend that gains momentum in subsequent years. In fact, in the Reduced Fertility scenario 7 million fewer people live in extreme poverty in 2030 and 22 million in 2040 when comparing the Current Path/low fertility forecast with the More Aid scenario.

Figure 10: 2030 extreme poverty – more Aid vs. Current Path with low fertility



Source: IFs v7.29

Thus, if African governments were to use their own resources and that of donors towards reductions in fertility (and hence increase the median age), sub-Saharan Africa would achieve significant development benefits.

Instead, in January 2017 the country that is the single largest aid provider on health globally, the US, reinstituted and dramatically expanded the Mexico City Policy adopted under Republican administrations since 1984. The Global Gag Rule, as it is also known, requires foreign NGOs receiving US global health assistance to certify that they do not use any funds (i.e. including from other donors) to provide abortion services or advocate for the liberalisation of abortion laws. The decision extends restrictions on an estimated US\$8.8 billion in US global health assistance. However, its impact is much larger since most NGOs in the sector work across various reproductive and health areas, including the provision of contraceptives, etc.⁸²

It is important to underline that the results presented in this section are tentative and include a disparity of countries, implying the need for further country-specific analysis. Causality is extremely difficult in complex settings such as these and the paths to improved outcomes are often indirect, making it difficult to

provide an accurate summation of the full impact of the interventions modelled in this report.

Conclusion

Aid clearly helps, but the amounts of aid required to make a meaningful difference to the growth trajectory of poor countries in sub-Saharan Africa are huge and unlikely to materialise on current forecasts. Even in the More Aid scenario, aid can at best serve as a supportive inflow of capital – and it only works where there is accountability and careful monitoring of its use. Eventually, domestic political factors largely determine the impact of aid and successful implementation usually happens when programmes are aligned with a domestic support base that is influential enough to generate momentum for reform.⁸³

Aid funds public goods in poor and fragile states that private capital cannot. These states attract little private investment. Efforts at aid for trade and a focus on improving trade connectivity help stable, middle-income states, but poor and fragile countries are likely to remain aid dependent. Although donors are concerned that decades of aid is creating dependency, the declining levels of aid to middle-income countries (which include a sizeable portion of the poor) would indicate that this concern is probably misplaced.

The use of aid to strengthen a nation's domestic resource mobilisation, as well as its capacity for public expenditure and ability to oversee such expenditure, has steadily increased in recent years. Yet more needs to be done, by working with African governments to build tax policy and the administrative capacity to manage public finances. This trend, known as DRM (domestic resource mobilisation) in the aid industry, places appropriate emphasis on the provision of technical assistance by a development agency (such as IrishAid) to a partner country's revenue authority (equivalent to the Internal Revenue Service in the US), as well as to its treasury/department of finance. It also includes educating taxpayers about the benefits of taxes and bringing in oversight capabilities from Parliament and its committees.

Success is slow and varied, for without the evolution of political systems (i.e. democratic accountability) and the establishment of independent institutions – including a professional core of public servants – progress is easily reversed.

Governments and donors in sub-Saharan Africa will need to get serious about measures to reduce the region's high fertility rates

Still, in many countries such as Mozambique, Malawi and Zambia there is little or no distinction between the ruling elite and the state, and money readily flows from state to party and to private hands. Even in South Africa, with its developed and mature financial systems, the ruling African National Congress has been able to establish an extensive system of patronage under the mantle of black economic empowerment.

Sub-Saharan Africa's inability to grow rapidly enough to reduce poverty and provide improved livelihoods is also structurally determined by its high demographic dependency ratios, although levels of corruption, regime type (democratic or not) and the quality of governance all play a role. With the exception of countries such as South Africa, Botswana and Namibia, sub-Saharan Africa has a very young population and, as a result, cannot benefit from a demographic transition. It has too few persons of working age compared to its many children.

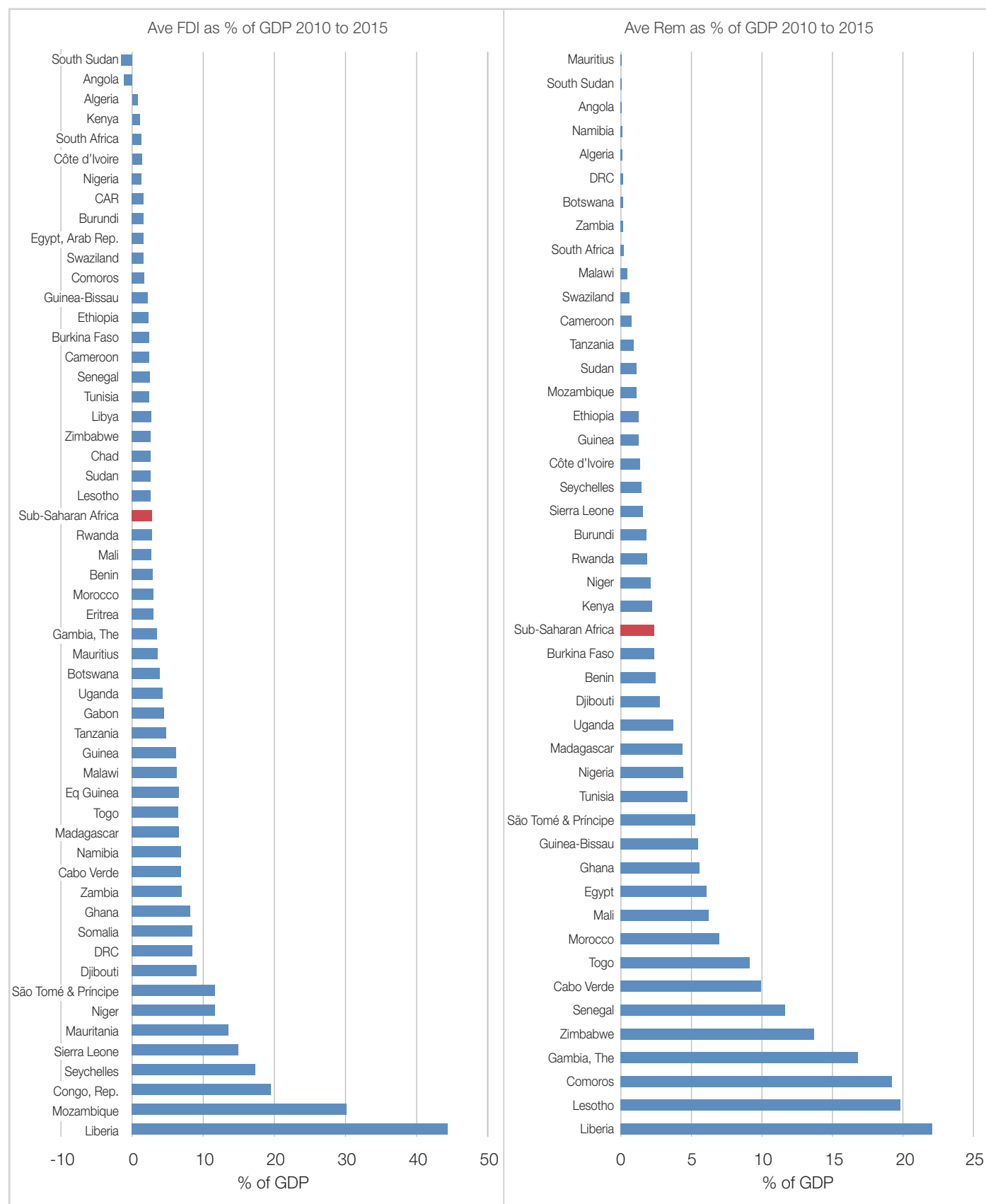
Governments and donors in sub-Saharan Africa will need to get serious about measures to reduce the region's high fertility rates if they want to improve the livelihoods of future generations. Donors can do a lot to assist in this process through providing contraceptives and enabling improvements in health and education, but only if African governments lead the way.

Beyond this prognosis, previous analysis done by the ISS would indicate that a number of African countries, the least developed and violent ones, will remain dependent upon aid well into the 21st century.⁸⁴ These countries are structurally fragile with very low levels of domestic revenue collection. Some receive modest amounts in remittances; most receive little in the way of private capital inflows. In these instances, the donor community should focus part of its efforts on reducing the costs of sending remittances to sub-Saharan Africa and assist in the productive use and leverage of these funds.

Private capital is not flowing to poor countries. It is therefore important to also make every effort to provide guarantees and incentives that would encourage such flows in a responsible manner. This will require additional oversight by donors and African governments alike.

Finally, a previous section has pointed to sub-Saharan Africa's very large infrastructure deficit – a deficit that appears to dwarf its education or health backlogs. Should the SDG push for aid to low-income countries ever materialise, this is clearly where much of that additional support should go.

Annex: Average FDI and remittance flows (as a % of GDP) for 2010–2015 for individual sub-Saharan Africa countries



Source: World Development Indicators.

Notes

Appreciation for comments received from Elsabé Loots, Zachary Donnerfeld, Julia Bello-Schünemann and Ulrika Cilliers.

- 1 When measured in constant 2015 dollars. World Bank, World Development Indicators, http://databank.worldbank.org/data/reports.aspx?Code=NY.GNP.PCAP.CD&id=1f4a498&report_name=Popular-Indicators&populartype=series&ispopular=y#
- 2 This is true irrespective of the way in which aid is calculated: total amount, per cent of GDP or aid per capita. Africa has historically received around 33% of total aid amounts.
- 3 An estimated total of US\$454 billion in aid has flowed to Africa's current 27 low-income countries since 1990. Country income classifications are revised annually. See Organisation for Economic Co-operation and Development (OECD) Stats, Aid (ODA) disbursements to countries and regions [DAC2a], <http://stats.oecd.org/Index.aspx?DataSetCode=Table2A#>. All US\$ figures have been converted to constant 2015 values unless mentioned otherwise.
- 4 Aid is directed through bilateral or multilateral channels, with the average ratio for members of the OECD being around 70% bilateral to 30% multilateral. Multilateral channels would include the United Nations (UN) and its various agencies such as the UN Development Programme (UNDP), the World Bank and the African Development Bank. Bilateral aid is provided directly from a national agency such as USAID or the Swedish International Development Cooperation Agency (SIDA) to the country or region concerned. See OECD, DAC report on multilateral aid, 2011, <http://www.oecd.org/dac/aid-architecture/49014277.pdf>
- 5 Consisting of US\$6.2 billion in regional grants and US\$45 billion in net aid to states. This is as recorded by OECD Data, Net ODA, <https://data.oecd.org/oda/net-oda.htm>
- 6 Naohiro Kitano, A note on estimating China's foreign aid using new data: 2015 preliminary figures, JICA Research Institute, 26 May 2017, 1. Also see OECD, Development co-operation report 2017, http://www.oecd-ilibrary.org/development/development-co-operation-report-2017/profiles-of-other-development-co-operation-providers_dcr-2017-43-en
- 7 Calculated from OECD, Development co-operation report 2017, Profiles of other development co-operation providers, 172, http://www.oecd-ilibrary.org/profiles-of-other-development-co-operation-providers_5jftfkg7tf0.pdf?contentType=%2fns%2fChapter&itemId=%2fcontent%2fchapter%2fdcr-2017-43-en&mimeType=application%2fpdf&containerItemid=%2fcontent%2fserial%2f20747721&accessItemids=&isFastTrackArticle=true&option6=imprint&value6=http%3a%2f%2foecd.metastore.ingenta.com%2fcontent%2fimprint%2foecd. Data on private philanthropy is contradictory. For example, according to the 2016 Index of Global Philanthropy and Remittances, which adopts a wide definition, private philanthropy amounted to US\$64.4 billion in 2014. Thus, in the case of the US, the largest provider of official aid (at US\$33 billion in 2014), private philanthropy provided an additional US\$44 billion in that year. See Hudson Institute, Index of Global Philanthropy and Remittances, 2016, 6, <https://s3.amazonaws.com/media.hudson.org/files/publications/201703IndexofGlobalPhilanthropyandRemittances2016.pdf>
- 8 IFs is hosted and developed by the Frederick S Pardee Center for International Futures, University of Denver. The model is an open-source tool and is available for free at www.pardee.du.edu. It leverages historical data (over 3 500 historical series), identifies and measures trends, and models dynamic relationships to forecast hundreds of variables for 186 countries for every year from 2014 to 2100. The IFs Current Path is a dynamic forecast, within and across key development systems, that represents a continuation of current policy choices and environmental conditions.
- 9 India has a much higher proportion of working-age population relative to elderly and children than Africa, providing ammunition to the argument that the demographic dividend is an important factor when considering income growth.
- 10 See, for example, Channing Arndt, Sam Jones and Finn Tarp, Assessing foreign aid's long-run contribution to growth and development, *World Development*, 69, May 2015.
- 11 Ibid., 6–18.
- 12 Frans Lammersen and William Hynes, Aid for trade and the sustainable development agenda: strengthening synergies, OECD, Development Paper 5, December 2016, <http://www.oecd.org/dac/aft/Aid4Trade-SustainableDevAgenda.pdf>
- 13 Unless indicated otherwise these are taken from IFs.
- 14 Calculated from IFs, which uses a pre-processor to extrapolate and interpolate for levels and rates where data does not exist.
- 15 Kanishka Narayan and Zachary Donnerfeld, Envisioning a healthy future: Africa's shifting burden of disease, Institute for Security Studies (ISS), African Futures Paper 18, 13 October 2016, <https://issafrica.org/research/papers/envisioning-a-healthy-future-africas-shifting-burden-of-disease>
- 16 Dambisa Moyo, *Dead aid*, New York: Farrar, Straus and Giroux, 2009, 13.
- 17 The figure for lower middle-income African countries is only 1.5%.
- 18 UN, Sustainable Development Goals, Goal 17: Revitalize the global partnership for sustainable development, <http://www.un.org/sustainabledevelopment/globalpartnerships/>
- 19 Dambisa Moyo, *Dead aid*, New York: Farrar, Straus and Giroux, 2009, xvii.
- 20 While the total number of low-income countries has declined to 48 in 2017/8 (out of the 204 countries and territories that the World Bank includes in its review), 27 of these low-income countries are in Africa. For lower middle-income countries the global number is 58, of which 18 are in Africa, and of the upper middle-income countries only eight out of 29 are African. The Seychelles is the only African country that the World Bank classifies as a high-income country. When, on 1 July 2017, the World Bank released its most recent country classification (for 2017/2018), it defined low-income economies as those with a 2016 GNI per capita of US\$1 005 or less; lower middle-income economies between US\$1 006 and US\$3 955; upper middle-income economies between US\$3 956 and US\$12 235; and high-income economies those with a GNI per capita of US\$12 236 or more. World Bank, Data: World Bank country and lending groups, <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>; Neil Fantom and Umar Serajuddin, Classifying countries by income: a new working paper, World Bank, The DATABlog, 1 December 2016, <https://blogs.worldbank.org/opendata/classifying-countries-income-new-working-paper>; World Bank, Data: The World Bank Atlas Method – detailed methodology, <https://datahelpdesk.worldbank.org/knowledgebase/articles/378832-what-is-the-world-bank-atlas-method>
- 21 Once adjusted for inflation and population growth, aid to sub-Saharan Africa has fluctuated between US\$24 (in 2000) and US\$56 per person (in 2006), with an average at US\$43 per person from 1985–2015. Author calculations from OECD.Stat, stats.oecd.org.
- 22 Using constant 2015 dollars. OECD, DAC statistics, 2017, <http://www.oecd.org/dac/>. In 2016 11 donor countries spent over 10% of their ODA on refugees. Austria, Germany, Greece and Italy all used over 20% of ODA for refugee costs. A 1988 DAC rule allows donor countries to count certain refugee expenses as ODA for the first year after their arrival. OECD, Development aid rises again in 2016 but flows to poorest countries dip, 11 April 2017, <http://www.oecd.org/dac/development-aid-rises-again-in-2016-but-flows-to-poorest-countries-dip.htm>
- 23 Author calculations from OECD.Stat, stats.oecd.org
- 24 Germany, Federal Ministry for Economic Cooperation and Development, A Marshall Plan with Africa, http://www.bmz.de/en/countries_regions/marshall_plan_with_africa/index.html
- 25 Germany, Federal Ministry of Finance, G20 Compact with Africa, <http://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Featured/G20/2017-03-30-g20-compact-with-africa.html>

- 26 Germany, Federal Ministry for Economic Affairs and Energy, Pro! Africa: promoting the prospects, taking the opportunities, strengthening the economies, http://www.bmwi.de/Redaktion/EN/Downloads/strategiepapier-pro-afrika.pdf?__blob=publicationFile&v=5
- 27 Interviews conducted by author in Berlin, 30 August 2017.
- 28 In current US\$. See OECD, Data results, <http://stats.oecd.org/qwids/#?x=2&y=6&f=3:51,4:1,1:1,5:3,7:1&q=3:51+4:1,79,11,92,93,87,94,95,96,90,91,97,98,G20,G21+1:1+5:3+7:1,2+2:240+6:2010>. According to the final report on the MDGs, 'By 2011, all developing regions except sub-Saharan Africa had met the target of halving the proportion of people who live in extreme poverty ...' See UN, The Millennium Development Goals report, 2015, 15, [http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20\(July%201\).pdf](http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20(July%201).pdf)
- 29 Stephen A O'Connell and Charles C Soludo, Aid intensity in Africa, Department of Economics, University of Oxford, 23 November 1998, 2, <http://www.csae.ox.ac.uk/workingpapers/pdfs/9903text.PDF>
- 30 Publish What You Fund, Aid Transparency Index, 2016, 1 http://ati.publishwhatyoufund.org/wp-content/uploads/2016/02/ATI-2016_Report_Proof_DIGITAL.pdf
- 31 The Aid for Trade Initiative was formally launched at the Sixth WTO Ministerial Conference in Hong Kong in 2005, with the intention to help developing economies to integrate into the global economy. See UN, Sustainable Development Goals, Goal 8: Promote inclusive and sustainable growth, employment and decent work for all, <http://www.un.org/sustainabledevelopment/economic-growth/>; Frans Lammersen and William Hynes, Aid for trade and the sustainable development agenda: strengthening synergies, OECD, Development Paper 5, December 2016, 10, <http://www.oecd.org/dac/ati/Aid4Trade-SustainableDevAgenda.pdf>. According to the OECD Creditor Reporting System, official aid-for-trade commitments channelled to Africa reached US\$18.2 billion in 2015.
- 32 Currently aid totals consist of grants and concessional low-interest loans where the grant portion of the loan is at least 25%. Aid is therefore generally expressed as a net figure after subtracting principle repayments received on concessional loans. See OECD, DAC statistics: classification by type of aid, <http://www.oecd.org/dac/stats/type-aid.htm>
- 33 OECD, What is total official support for sustainable development?, <http://www.oecd.org/dac/financing-sustainable-development/tossd.htm>
- 34 European Commission, ACP – the Cotonou Agreement, https://ec.europa.eu/europeaid/regions/african-caribbean-and-pacific-acp-region/cotonou-agreement_en
- 35 Seven EPAs have been concluded, including the EU–Eastern and Southern Africa EPA with Madagascar, Mauritius, Seychelles and Zimbabwe; the EU–Central Africa EPA with Cameroon; the Southern African Development Community EPA group of six countries; the EPA with the West Africa region, covering 16 countries; and the EPA with the East African Community, covering five countries. Of the 79 ACP countries, 49 are now in an EPA.
- 36 Millennium Challenge Corporation, About MCC, <https://www.mcc.gov/about>
- 37 UN, Sustainable Development Goals, Goal 17: Revitalize the global partnership for sustainable development, <http://www.un.org/sustainabledevelopment/globalpartnerships/>
- 38 World Bank, World Development Indicators, http://databank.worldbank.org/data/reports.aspx?Code=NY.GNP.PCAP.CD&id=1ff4a498&report_name=Popular-Indicators&populartype=series&ispopular=y#
- 39 According to the announcement, the External Investment Plan (EIP) will boost investments in Africa and EU Neighbourhood countries, and will in particular support social and economic infrastructure and small and medium-sized enterprises, by addressing obstacles to private investment. With an input of €3.35 billion (to 2020) from the EU budget and the European Development Fund, the EIP will support innovative guarantees and similar instruments in support of private investment, enabling the EIP to mobilise up to €44 billion in investments. If member states and other partners match the EU's contribution, the total amount could reach €88 billion. See European Union External Action, EU unveils External Investment Plan to boost investment in Africa and the EU's Neighbourhood, 14 September 2016, https://eeas.europa.eu/headquarters/headquarters-homepage/9799/eu-unveils-external-investment-plan-boost-investment-africa-and-eus-neighbourhood_en
- 40 Ibid.
- 41 Portfolio flows and foreign debt are generally considered to be more volatile than FDI, and FDI is generally more volatile than remittances or aid. Ibrahim Alley, Capital flow surges and economic growth in sub-Saharan Africa: any role for capital controls?, African Development Bank Group, Working Paper 252, March 2017, 10, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/WPS_No_252_Capital_flow_shocks_and__economic_growth_AA.pdf. The author writes that 'equity capital and bond capital flows are negatively correlated with growth while FDI and aggregate private capital's positive correlation with growth are weak and statistically insignificant' (5). The study looked at trends before and after the 2007/8 global financial crisis and found private flows were more weakly correlated with economic growth in sub-Saharan Africa than elsewhere.
- 42 Ibid., 7.
- 43 A further 13 countries were rated by two of the three agencies, namely Botswana, Republic of Congo, Cameroon, Cape Verde, Ghana, Kenya, Namibia, Nigeria, Rwanda, Senegal, Tunisia, Uganda and Zambia. See Country Economy, Sovereigns ratings list, <http://countryeconomy.com/ratings>
- 44 Amadou Sy and Fenohasina Maret Rakotondrazaka, Private capital flows, official development assistance, and remittances to Africa: who gets what?, Brookings, May 2015, 1, https://www.brookings.edu/wp-content/uploads/2015/05/global_20160811_private_capital_flows_africa.pdf.
- 45 Angola, Botswana, Cameroon, Republic of Congo, Djibouti, Egypt, Equatorial Guinea, Gabon, Ghana, Lesotho, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Nigeria, Seychelles, South Africa, Sudan, Tunisia, Zambia and Togo. See World Bank, World Development Indicators, http://databank.worldbank.org/data/reports.aspx?Code=NY.GNP.PCAP.CD&id=1ff4a498&report_name=Popular-Indicators&populartype=series&ispopular=y#
- 46 Calculated from ibid.
- 47 Amadou Sy and Fenohasina Maret Rakotondrazaka, Private capital flows, official development assistance, and remittances to Africa: who gets what?, Brookings, May 2015, 14, https://www.brookings.edu/wp-content/uploads/2015/05/global_20160811_private_capital_flows_africa.pdf
- 48 Stephan Klingebiel, Timo Mahn and Mario Negre (eds), *The fragmentation of aid*, Rethinking International Development Series, Basingstoke: Palgrave Macmillan, 2016. Fragmentation can be described as many donors contributing too little in too many countries.
- 49 Examples from the EU would be the Bêkou Trust Fund for the Central African Republic, the Regional Trust Fund for Syria and the Emergency Trust Fund for Africa.
- 50 See European Centre for Development Policy Management (ECDPM), EU trust funds – shaping more comprehensive external action, Briefing Note 81, November 2015.
- 51 J Walz and V Ramachandran, Brave new world: a literature review of emerging donors and the changing nature of foreign assistance, Center for Global Development, Working Paper, 2010, 273, <http://www.cgdev.org/content/publications/detail/1425691> identifies three distinct models of development cooperation and aid delivery (the DAC model, the Arab model and the Southern model), which do not necessarily converge.
- 52 Ibid., 6–7.
- 53 Axel Dreher et al., Aid on demand: African leaders and the geography of China's foreign assistance, AidData, Working Paper 3 (Revised), October 2016, 5, http://aiddata.org/sites/default/files/inline/wp3_-_revised_working_paper_series_dreher_et_al_2016_october.pdf

- 54 GNI is GDP plus income paid into the country by other countries for such things as interest and dividends (less similar payments paid out to other countries).
- 55 According to Elsabé Loots, Aid and development in Africa: the debate, the challenges and the way forward, *South African Journal of Economics*, 74:3, September 2006, 365–366. Using IFs, the average government revenue for lower middle-income countries is estimated at 19% and 20% with and without aid, and 11% and 22% for low-income countries, with and without aid.
- 56 World Bank, World Development Indicators, http://databank.worldbank.org/data/reports.aspx?Code=NY.GNP.PCAP.CD&id=1ff4a498&report_name=Popular-Indicators&populartype=series&ispopular=y#
- 57 Elsabé Loots, Aid and development in Africa: the debate, the challenges and the way forward, *South African Journal of Economics*, 74:3, September 2006, 374.
- 58 The World Bank only provides data on net ODA as a per cent of central government expense for 13 sub-Saharan African countries. World Bank, World Development Indicators, http://databank.worldbank.org/data/reports.aspx?Code=NY.GNP.PCAP.CD&id=1ff4a498&report_name=Popular-Indicators&populartype=series&ispopular=y#
- 59 Ernesto Crivelli and Sanjeev Gupta, Does conditionality mitigate the potential negative effects of aid on revenues?, *The Journal of Development Studies*, 53:7, 2017, 1057.
- 60 Tony Addison, Oliver Morrissey and Finn Tarp, The macroeconomics of aid: overview, *The Journal of Development Studies*, 2017, 53:7, 992.
- 61 Jakkie Cilliers, The future of democracy in Africa, ISS, African Futures Paper 19, 20 October 2016, <https://issafrica.org/research/papers/the-future-of-democracy-in-africa>
- 62 Joseph Cotterill, State loans at heart of Mozambique debt scandal, *Financial Times*, 25 June 2017, <https://www.ft.com/content/805d2b58-59a2-11e7-b553-e2df1b0c3220>
- 63 See Raghuram G Rajan and Arvind Subramanian, Aid, Dutch disease, and manufacturing growth, Center for Global Development, Working Paper 196, 18 December 2009, <https://www.cgdev.org/publication/aid-dutch-disease-and-manufacturing-growth-working-paper-196>; David Roodman, Does aid cause Dutch disease?, Center for Global Development, 18 December 2009, <https://www.cgdev.org/blog/does-aid-cause-dutch-disease> and associated discussions. Research on countries such as South Korea during the 1950s and 60s as well as recent studies in Cambodia, Lao PDR, Myanmar and Vietnam find no evidence of such linkages, however. Ni Lar, Hiroyuki Taguchi and Hiroaki Sakura, Does foreign aid cause 'Dutch disease'? case of Cambodia, Lao PDR, Myanmar and Vietnam, *Journal of Reviews on Global Economics*, 5, 2016, 180.
- 64 Tony Addison, Oliver Morrissey and Finn Tarp, The macroeconomics of aid: overview, *The Journal of Development Studies*, 53:7, 2017, 991.
- 65 Such as from P Salaya and R Thiele, Aid and sectoral growth: evidence from panel data, *Journal of Development Studies*, 46:10, 2010, 1779–1766.
- 66 The scenarios were done using IFs version 7.29. In the Current Path, aidrcm is adjusted to 0.7 in 2016 and interpolates to 1 by 2040 for Africa. In Less Aid, aidrcm is adjusted to 0.7 in 2016 and interpolates to 0.35 by 2040 for Africa. In More Aid, aidrcm is adjusted to 0.7 in 2016 and interpolates to 2.3 by 2040 for Africa. In the low-fertility scenario tfm interpolates to 0.7 from 2016 to 2040 and aidrcm is adjusted to 0.7 in 2016 and interpolates to 1 by 2040.
- 67 Ciara Aucoin and Zachary Donnenfeld, Unlocking Africa's potential: the relationship between effective governance and poverty, ISS, African Futures Paper 21, 15 November 2016, <https://issafrica.org/research/papers/unlocking-africas-potential-the-relationship-between-effective-governance-and-poverty>. The associated economic growth forecast is just above 4% for the 47 countries included in the region.
- 68 Calculated as follows: the target for high-income countries (contained in SDG 17) of providing 0.7% of GNI for aid would translate into US\$374 billion in 2015. Should upper middle-income countries meet their goal (0.2% of GNI) it would provide roughly US\$75 billion of additional aid. Currently Denmark, Luxembourg, Norway, Sweden, the UK and Germany meet the 0.7% goal. OECD, Development aid rises again in 2016 but flows to poorest countries dip, 11 April 2017, <http://www.oecd.org/dac/development-aid-rises-again-in-2016-but-flows-to-poorest-countries-dip.htm>
- 69 The combined 2015 GNI (at PPP in current US\$) for high-income countries is close on US\$53 trillion and that for upper middle-income countries US\$38 trillion. Calculated from World Bank data portal at World Bank, <http://data.worldbank.org>
- 70 IFs includes 47 countries in sub-Saharan Africa, namely Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Eritrea, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé & Príncipe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, South Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe.
- 71 Data is for 2015 but using the most recent World Bank 2017/18 classification of income groupings.
- 72 At market exchange rates.
- 73 Dambisa Moyo, *Dead aid*, New York: Farrar, Straus and Giroux, 2009, 42.
- 74 Jakkie Cilliers, The future of democracy in Africa, African Futures Paper 19, 20 October 2016, <https://issafrica.org/research/papers/the-future-of-democracy-in-africa>
- 75 Calculated using OECD data.
- 76 Axel Marx and Jadir Soares, South Korea's transition from recipient to DAC donor: assessing Korea's development cooperation policy, *International Development Policy*, 4:2, 2013.
- 77 See, for example, David E Bloom, David Canning and Jaypee Sevilla, Economic growth and the demographic transition, National Bureau of Economic Research (NBER), Working Paper 8685, December 2001, <http://www.nber.org/papers/w8685.pdf>
- 78 See Cincotta's response to questions at Hom Nath Chalise, What is demographic dividend and how long is the demographic window of opportunity of different country?, Research Gate, https://www.researchgate.net/post/What_is_demographic_dividend_and_how_long_is_the_demographic_window_of_opportunity_of_different_country, where he also lists his various publications on this matter.
- 79 See, for example, Richard P Cincotta and Robert Engelman, Economics and rapid change: the influence of population growth, *Population Action International*, October 1997, https://www.researchgate.net/publication/251845795_The_Influence_of_Population_Growth
- 80 Zachary Donnenfeld et al., Ethiopia development trends assessment, USAID, ISS and Frederick S Pardee Center for International Futures, 15 June 2017, <https://issafrica.org/research/books-and-other-publications/ethiopia-development-trends-assessment>
- 81 According to IFs, 33 of the 47 countries in sub-Saharan Africa had total fertility rates higher than Ethiopia in 2015, ranging from 7.5 births per woman in Niger to 4.2 births in Kenya.
- 82 Human Rights Watch, Trump's 'Mexico City policy' or 'global gag rule', 22 June 2017, <https://www.hrw.org/news/2017/06/22/trumps-mexico-city-policy-or-global-gag-rule>
- 83 This is in line with the thinking set out in Doing Development Differently, <http://doingdevelopmentdifferently.com/>
- 84 Jakkie Cilliers and Timothy D Sisk, Assessing long-term state fragility in Africa: prospects for 26 'more fragile' countries, ISS, Monograph 188, 27 November 2013, <https://issafrica.org/research/monographs/assessing-long-term-state-fragility-in-africa-prospects-for-26-more-fragile-countries>

About ISS Africa in the World Reports

Africa in the World Reports consider the implications and lessons from Africa for global policy. The ISS works on complex threats that have transnational and global impact, and require innovative solutions at the international and local level. These reports cover topics like terrorism, organised crime, the impact of migration, and long-term futures analysis of conflict, development and governance in Africa.

About the author

Dr Jakkie Cilliers is the founder of the Institute for Security Studies (ISS). After stepping down as executive director in 2015 he now serves as the chairman of the Board of Trustees and head of the African Futures and Innovation programme at the Pretoria office of the ISS.

About the ISS

The Institute for Security Studies (ISS) partners to build knowledge and skills that secure Africa's future. Our goal is to enhance human security as a means to achieve sustainable peace and prosperity. The ISS is an African non-profit organisation with offices in South Africa, Kenya, Ethiopia and Senegal.

Our work covers transnational crimes, migration, peacekeeping, crime prevention and criminal justice, peacebuilding, and the analysis of conflict and governance.

The ISS uses its networks and influence to provide timely and credible analysis, practical training and technical assistance to governments and civil society. This promotes better policy and practice, because senior officials can make informed decisions about how to deal with Africa's human security challenges.

Acknowledgements



This report was made possible with the support of the Hanns Seidel Foundation. The ISS is also grateful for support from the other members of the ISS Partnership Forum: the governments of Australia, Canada, Denmark, Finland, Ireland, Japan, Netherlands, Norway, Sweden and the USA.