Foreign Aid and Statehood in Africa

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Abstract

Has foreign aid destroyed state institutions in Africa? African states depend on development assistance to conduct basic government operations, yet few of these states are well governed or effective at providing public goods. The two trends, mounting foreign aid and static or diminishing state performance, raise an obvious question: Is aid dependency contributing to misrule and state failure in Africa? Many critics argue the two phenomena are related. I find they are not. My analysis fails to show a negative association between aid receipts, democracy, and several measures of public good provision. Instead, the evidence is consistent with a positive or neutral relationship between aid and governance. Since the international community seems bent on reducing foreign aid, an important issue is whether African states can maintain and improve their performance with less foreign assistance. They may need continued subsidies to function at even a modest level.

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Foreign aid is supposed to encourage low-income states to develop, yet critics across the ideological spectrum accusing it of doing the opposite. Conservatives and libertarians condemn foreign aid for giving untrustworthy leaders resources they can use to repress their populations. Progressives and radicals take a similar position. They see aid corroding indigenous democratic institutions needed for national wellbeing and self-determination.

Sub-Saharan Africa (hereafter simply Africa) is often cited as an extreme example of aid's destructive political effects. Africa is "aid dependent," in the sense that few of its states can carry on routine functions or deliver basic public services without external funding and expertise.[1] Yet, the region makes little political and administrative headway—this despite a growing amount of Africa's aid being earmarked to improve the quality of government through democratization, civil service reform and other activities. Even the African governors of the World Bank conceded in 1996 that aid on balance has been undermining institutional capacity in Africa.[2]

Albert O. Hirschman advises caution before accepting as true arguments like these. They are examples of what he calls the perversity thesis, or the belief that an attempt to push society in one direction will move it the opposite way.[3] According to Hirschman, the perversity thesis is a standard justification for being against government programs. Skeptics often think they see evidence of public policy backfiring. Some of the time they are correct, but not always, for government action may also produce either the intended results or accidental yet still positive results.

This paper examines whether the perversity thesis applies to aid and state capacity in Africa. By state, I mean the political organization recognized in international law as governing a defined population and territory. Few African states fully exercise their formal sovereignty, and several have had central authority collapse.[4] To what extent is foreign implicated?

I start by analyzing the means by which aid is said to subvert state capacity. Next, I look at evidence of misrule and maladministration in Africa. Then I review how aid donors are encouraging political reform to counter these civic and administrative problems. Finally, I analyze the statistical relationship between aid and government capacity. I concentrate on states' ability to make collective decisions democratically and the ability to produce other public goods: specifically, a peaceful social environment, a pro-business legal framework, a network for public health, and a physical infrastructure for commerce.

I find little evidence to support the claim that foreign aid has made governance worse, as the perversity thesis would have it. To the contrary, the evidence is consistent with foreign aid as a minor net plus for African states' governing capacity. Nonetheless, the rich societies of the North are growing visibly impatient with what are seen as unsuccessful open-ended commitments to helping Africa. Foreign aid peaked in the mid-1990s and is likely to continue falling. The issue

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[1] My definition of aid dependence follows Bräutigam 1999, 3.
[2] Ndulu and O'Connell 1999 (citing Nicolas van de Walle).
[3] Hirschman 1991, 11.
[4] Jackson 1992, Widner 1995, Herbst 1996.

for international development assistance agencies is how to encourage their clients to maintain order and provide basic services while giving them less support.

Foreign aid and moral hazard

Moral hazard is the mechanism for foreign aid's supposedly perverse political impact.[5] It grows out of the tension between aid donors, who generally want political liberalization, and aid recipients, who generally prefer things as they are. Moral hazard occurs because aid frees recipients from bearing the full consequences of the status quo. It thus entices them to become even less willing to reform. The situation is analogous to the contradiction conservatives see in social welfare programs. Rather than getting poor people to take responsibility for supporting themselves, welfare supposedly reduces the work ethic. Thus, the policy seemingly defeats its purposes by perpetuating the poverty it seeks to eliminate.

Foreign aid (usually referred to formally as official development assistance or ODA) is said to have the same debilitating effect on recipients.[6] Africa's states depend on ODA to help them perform the basic tasks of government. In absolute terms, the region's net ODA receipts totaled $86.5 billion for the five years, 1993-1997.[7] To put the ODA figure into perspective, net foreign direct investment to Africa was only $9.5 billion during the same five-year period.[8] The degree of aid dependency has been growing over the past two decades.

Aid dependency cannot be quantified exactly for all countries, but a reasonable cutoff point is 10 percent of gross national product (GNP).[9] Any state where ODA represents more than that share of national income for a sustained period probably has questionable sovereignty in key policy areas. Table 1 presents the pattern of deepening dependency. In 1975-79, 17 African countries showed mean annual ODA over 10 percent of GNP. Within the period 1980-89, the number of African countries in this heavily aid-dependent category rose to 25. During 1990-97, the most recent period for which data are available, there were 31 African aid recipients whose ODA averaged more than 10 percent of GNP.[10] These last countries count some 365 million people, or close to two-thirds of the sub-Saharan population.

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[5] Bräutigam 1999.
[6] Official development assistance comprises public sector grants and loans provided on a concessional basis for the purpose of economic development or welfare. The figures reported here are net of repayment of interest and principle.
[7] DAC 1999.
[8] World Bank 1999a.
[9] Bräutigam 1999 uses this cutoff point.
[10] World Bank 1999b.

Table 1

Aid-dependent African countries (net official development assistance> 10% GNP)

1975-79	1980-89	1990-97
Botswana	Burkina Faso	Angola
Burkina Faso	Burundi	Bénin
Burundi	Cape Verde	Burkina Faso
Central African Republic	Central African Republic	Burundi
Chad	Chad	Cape Verde
Comoros	Comoros	Central African Republic
Gambia	Equatorial Guinea	Chad
Guinea-Bissau	Gambia	Comoros
Lesotho	Guinea	Côte d'Ivoire
Malawi	Guinea-Bissau	Equatorial Guinea
Mali	Lesotho	Ethiopia
Mauritania	Liberia	Gambia
Niger	Malawi	Ghana
Rwanda	Mali	Guinea
São Tomé & Príncipe	Mauritania	Guinea-Bissau
Seychelles	Mozambique	Kenya
Somalia	Niger	Lesotho
	Rwanda	Malawi
	São Tomé & Príncipe	Mali
	Senegal	Mauritania
	Seychelles	Mozambique
	Somalia	Niger
	Tanzania	Rwanda
	Togo	São Tomé & Príncipe
	Zambia	Senegal
		Sierra Leone
		Tanzania
		Togo
		Uganda
		Zaire/Congo Republic
		Zambia

Note: Based on average for years with observations.

Source: World Bank 1999b.

What about the rest of Africa? Several countries have never had much foreign aid proportionate to national income. These include oil producing and mineral exporting countries such as Nigeria and the manufacturing exporter, Mauritius. Only two high ODA users from the 1975-79 period saw their flows of ODA fall to less than 10 percent of GNP in the 1990s. These were the small countries of Botswana and Seychelles. Although their ODA/GNP ratios dropped, each country continues to receive significant amounts of economic and technical assistance when measured per capita on average $83 a year for Botswana and $281 a year for Seychelles (1990-96).[11] The all-Africa average is about $30 per year. Because their national incomes are high for Africa, this aid does not put them over the 10 percent threshold.

The donors try to counteract moral hazard by putting conditions on their loans. However, these agencies need to "move money" to justify their budgets. They thus face incentives to be indulgent when client states violate loan conditions. Furthermore, aid is fungible. It releases other resources for African states to use as they see fit. In a roundabout way, aid therefore rewards states for reckless behavior. In the end, according to this line of reasoning, *fewer* public goods (civic order, the rule of law, and so forth) are produced.

One may ask why African states elect not to provide a greater volume of public goods on their own, without prodding from the donors. Mick Moore suggests part of the reason they do not is that foreign assistance gets between the state and the demands of its internal constituencies. Aid is an "unearned" source of income, similar to the rents available from mineral wealth.[12] Because of it, African states are never forced to acquire the organized capacity to raise revenue internally. At no time do they establish a tradition of providing public services in exchange for taxes and fees. Thus, foreign aid stifles the very values of responsive and efficient government it is meant to foster.

The internal logic of moral hazard is undeniable. Yet, the argument leaves out too much. For one thing, it neglects the possibility that some African decision-makers are pro-reform. Their interests are not always in opposition to the donors'. They may welcome aid conditionalities as a weapon to use against conservative domestic political rivals. Moral hazard also discounts positive demonstration effects. Aid involves the transfer of technology and know-how, not just funds. Training and education programs for African personnel can spread new ideas about governing and management. Also, international donors introduce expatriate personnel to help run many of their foreign aid projects, thereby directly reducing the risk of moral hazard and indirectly adding to the dissemination of knowledge. According to a recent United Nations estimate, upward of 40,000 foreign technical personnel are resident in Africa.[13] Any administrative or political improvements from technical assistance may be limited or transitory. That is a long way from saying all foreign aid is counterproductive.

Africa's weak states

The issue that generates the greatest amount of negative commentary about aid to Africa is the region's lack of political progress. African states are weak and of questionable legitimacy.[14] Many are still locked in domestic struggles to assert their authority. They typically attained independence through agreements with the colonial powers, instead of earning it through the establishment of effective control over their populations. Time can give a state the patina of

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[11] World Bank 1998a, 315. Liberia and Somalia drop off the list, too, due to lack of GNP data because of civil wars.
[12] Moore 1998.
[13] Berg 1993.
[14] Ake 1996.

legitimacy. Most in Africa are young. They have yet to win widespread allegiance—a process that took centuries in the nation states of Europe and is still incomplete.

State legitimacy is difficult to measure directly. An indirect measure is the degree of domestic political violence. The less the population sees the state as deserving to rule, the more likely are extra-constitutional challenges to state authority. Table 2 presents representative data on Africa, and shows a distinctive pattern of internal instability and unrest. From 1981 to 1996, nearly half the African countries had significant episodes of violent conflict between government and opposition groups. These conflicts lasted as little as one month to more than 20 years (several started before 1981 and others are still ongoing as of 1999). By 1998, some four million people may have lost their lives as a direct result of this political violence.

Table 2

Indicators of lack of state sovereignty in Africa

	Duration of internal wars and state failures 1981-96	Deaths from political violence 1981-98	Coup events 1981-90	Rulers assassinated 1981-99
Angola	16 yrs.	750,000[a]		
Bénin			2	
Botswana			1	
Burkina Faso			10	Sankara (1987)
Burundi	8 yrs. 5 mos.	111,000	1	Ndadaye (1993), Ntaryamira (1994)
Cameroon			2	
Cape Verde				
Central African Republic			2	
Chad	15 yrs. 3 mos.	75,000	3	
Comoros	7 mos.			Abderemane (1989)
Congo		9,000[a]	1	
Côte d'Ivoire			0	
Djibouti				
Equatorial Guinea		1,000		
Ethiopia	13 yrs. 11 mos.	750,000[a]	1	
Gabon			3	
Gambia	1 mo.		1	
Ghana	2 yrs. 4 mos.	2,000	7	
Guinea			3	
Guinea-Bissau		4,000		
Kenya	1 yr. 11 mos.	2,000	1	
Lesotho	2 mos.	1,000	2	
Liberia	7 yrs. 1 mo.	45,000	10	Doe (1990)
Madagascar			1	
Malawi				
Mali	2 yrs. 9 mos.	1,000	1	
Mauritania		15,000[a]	6	
Mauritius			0	
Mozambique	11 yrs. 9 mos.	500,000		Machel (1986)
Namibia		25,000[a]		
Niger	6 mos.	1,000	1	Mainassara (1999)

Nigeria	4 yrs. 7 mos.	28,000	8	
Rwanda	3 yrs. 10 mos.	530,000	0	Habyarimana (1994)
São Tomé & Príncipe				
Senegal		3,000	0	
Seychelles				
Sierra Leone	5 yrs. 10 mos.	15,000	1	
Somalia	8 yrs. 8 mos.	100,000	3	
South Africa	11 yrs. 10 mos.	20,000		
Sudan	15 yrs. 11 mos.	1,000,000	11	
Swaziland			2	
Tanzania			1	
Togo			0	
Uganda	11 yrs. 6 mos.	110,000	3	
Zaire/Congo Republic	5 yrs. 9 mos.	11,000	1	
Zambia			3	
Zimbabwe	6 yrs. 11 mos.	3,000		

[a] Conflict started and some casualties incurred before 1981.

Definitions: Column 1: state failure includes one or more of the following: abrupt regime transitions, genocide, and violent conflicts between a government and politically organized groups (including minority groups seeking major changes in their status). The minimum threshold is for the latter is that each party mobilizes 1,000 people and that there be an average of 100 or more fatalities per year during the episode. Countries with populations under 500,000 are excluded from this dataset. Column 2: An episode of political violence is an inter- or intra-state armed conflict involving at least 500 fatalities. Column 3: A coup event is a successful, failed, or plotted event where a state's military, security, or police forces were involved in a sudden, illegal effort to overthrow the government.

Sources: State Failure Task Force 1999, Center for Systemic Peace 1999, Yang 1998.

In illegitimate or quasi-legitimate states, the state's own security forces often challenge the internationally recognized leadership. During the 1980s, at least 92 successful or unsuccessful military takeovers were recorded, affecting 29 African countries. The pace does not seem to have slackened in the 1990s. Military regimes replaced civilian regimes (at least briefly) in Burundi (1996), Comoros (1999), The Gambia (1994), Guinea-Bissau (1998), Lesotho (1994), Niger (1999), São Tomé and Príncipe (1995), and Sierra Leone (1996). Five African heads of state lost their lives while in office in the 1990s.

Many African states can only blame themselves for the challenges they receive to their legitimacy. Neither dissent nor opposition has been welcomed for most of the period after independence. Leaders have used their positions to enrich themselves and their cliques, not for the betterment of society. The civil service functions as an informal network of alliances based on personal, family, and ethnic loyalties. Internal discipline among government officials is lacking and the level of technical ability is low. No wonder many African citizens mistrust or feel indifferent about their governments, or that the voters in developed countries question the value of helping such governments.

Donor political objectives

Current thinking in the foreign aid community is that the weak states and low quality government in Africa are at the heart of the region's economic troubles. According to the "new Washington consensus," public sector misrule discourages private economic agents from making productive, long-term investments.[15] To foster investment, it follows, African states need to refocus on fundamentals like law and order, roads, and health. They must provide these fundamentals equitably, to convince the public of the state's fairness and to secure the public's compliance. Local people should have opportunities to learn about and influence collective decisions. This need not mean copying the Westminster or similar model of national government. It does mean creating institutional channels for community participation.

Africa's leading multilateral source of official development assistance is the World Bank. The Bank has long said it supports people's participation in government decision making. Although its mandate precludes taking stands for or against any particular type of political regime, since 1994, the Bank has called specifically for due process in recipient countries. This is to counter arbitrary and opaque policy making, which it sees sapping private sector confidence. The Bank says it wants to reverse the decline in public accountability across Africa and in other regions. Its stated objective is for citizens to understand and influence public decisions that affect them.[16]

The IMF has taken a parallel, though more narrow, stance in a 1997 policy document. Its main consideration is reducing the government corruption that threatens its financial programs. The IMF claims to fight fraud by helping member countries limit ad hoc decision making and preferential treatment of individuals or organizations. The IMF also works to advance transparency in public sector financial transactions, and to introduce better accounting, auditing, and statistical systems.[17] Countries such as Kenya have had loans temporarily suspended due to failure to curb corrupt practices.

The IMF's anti-corruption drive overlaps broader efforts to reform African public administration systems. Most states in the region have had civil service reform programs since the 1980s. Donors helped design and pay for these programs. The first steps were usually wage and hiring freezes, followed by the more politically difficult steps of early retirements and layoffs. These programs reduced the number of bureaucrats working in Africa. They also caused the region's central government wage bill to drop between 1986 and 1996, by 1.2 percent of GDP. Improving administrative efficiency, however, has proven much harder than cutting cost.[18]

[15] World Bank 1997.
[16] World Bank 1994.
[17] IMF 1997.
[18] Goldsmith 1999.

Critics fault Washington-style “good governance” for being technocratic and apolitical.[19] Such criticisms are overstated, especially in the case of the World Bank. It is true that the Bank’s interest in participation is largely instrumental: to improve the performance of its loans.[20] However, that does not mean the Bank’s position has nothing to with politics. Getting ordinary people involved in public decision making is political. It affects who gets what and how. The eventual consequences could be profound. Confirming this point, the Bank was less openly enthused about participation and governance during the Cold War. It left those potentially destabilizing issues in the background. Now that communism has receded, the Bank’s board members (particularly the United States) feel freer to let it support participation and local organizations. Compared with the Bank, the IMF’s position on governance is more circumspect. But its recommendations on reducing corruption still have potential for groundbreaking effects on national political systems.

The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development has taken an explicit position favoring majority rule since 1993. Speaking for all industrial country donors, the DAC advocates that developing countries lay down procedures whereby ordinary people can help shape the policies that affect their lives. Communities and private organizations must be empowered so they can check the risk of arbitrary government, according to the DAC. Thus client states should be encouraged to build institutions that assure the consent of the governed—and that allow the governed to withhold their consent so that their political leaders can be peacefully replaced.[21] Again, it is hard to argue that this position is unconcerned with political matters. If the DAC is serious, it is taking sides with groups that want to shift the balance of power in Africa. Some analysts even complain that political conditionality is pushing democratization faster than African states like Kenya can handle.[22]

Bilateral donors are reading from the identical liberal text. They see free elections and representation leading to greater public accountability, responsiveness, transparency, and efficiency. When ordinary people share in public decisions, they will call leaders to task for not delivering services. By taking a unified position on how to build accountability into systems of representation and public administration, the bilateral donors are implicitly challenging another criticism of foreign aid in Africa: that there are too many donors, pursuing too many agendas.[23] The proliferation of aid programs is said to lead to “aid overhead.” With political reform, however, the donors seem to be reinforcing each other instead of working at cross-purposes.

The Canadian International Development Agency, for example, says it aims to strengthen local involvement in the exercise of power. That includes helping independent popular organizations to express and channel people’s concerns.[24] A 1997 British government White Paper pledges to deploy that nation’s development assistance to spread the values of civil liberties and democracy,

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[19] Kiely 1998. A good review of the Bank’s view of “governance” is Williams and Young 1994.
[20] Isham et al. 1997.
[21] OECD 1993, 9-12.
[22] Grosh and Orvis 1997.
[23] Bräutigam and Botchwey 1998.
[24] CIDA 1996.

and to foster the growth of a vibrant and secure civil society.[25] The U.S. Agency for International Development expressly sponsors democracy overseas.[26] It has programs specifically designed to help judicial systems, parliaments, local governments, and electoral systems.

African officials echo the donors' liberal outlook. The Organization of African Unity, the coordinating body of independent African states, has reaffirmed its commitment to popular participation and a political atmosphere in member states that guarantees human rights and the rule of law.[27] Similarly, the United Nations Economic Commission for Africa speaks of the benefits of "good governance," "civil society empowerment," and "full participation from citizens at all levels."[28]

Aid and democracy

Are these official policy statements any more than hot air? The donors' direct aid for governance activities is limited—only 2.9 percent of all bilateral ODA worldwide in 1996.[29] The World Bank reports that its cumulative spending for public sector management in Africa amounted to just $105 million as of 1998.[30] Yet, these figures understate how deeply the donors are absorbed in trying to construct democratic, rational-legal states in the sub-Saharan region. They often use the carrot and stick of other loans to encourage their client states to change the way they govern generally.

Donor pressure coincided with domestic political demand and the collapse of soviet influence to trigger a recent wave of multiparty elections.[31] Nineteen-eighty-nine was the watershed. Over the next ten years, 26 African countries that had previously prohibited political competition held reasonably free electoral contests for the office of head of government. These are labeled "founding elections" in Table 3, which summarizes the data. Five additional countries held founding elections before 1989 (though one of these, The Gambia, suffered a coup d' état in 1994). The remaining African countries continue to limit political domestic rivalry.

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[25] DFID 1997.
[26] USAID 1999.
[27] OAU 1992.
[28] ECA 1998.
[29] DAC 1999.
[30] World Bank 1998b.
[31] Joseph 1997.

Table 3

Founding and consolidating elections in Africa, as of 1999

	"Free and Fair" Elections		
	Founding	Consolidating	Comments
Angola	1992		President dos Santos in power since 1979
Bénin	1991	1996	President Soglo voted out in 1996
Botswana	1969	1974	Africa's oldest continuous democracy
Burkina Faso			President Compaoré in power since 1983
Burundi	1993		Coup in 1997
Cameroon	1992		President Biya in power since 1982
Cape Verde	1991	1996	President Monteiro reelected unopposed in 1996
Central African Republic	1993		Army mutinies in 1996 and 1997
Chad	1996		Widespread human rights abuses reported
Comoros	1990		Coup in 1999
Congo	1992		Organized rebellion starting in 1997
Côte d'Ivoire	1990		Attempted coup in 1995
Djibouti	1999		Armed fighting with rebels in 1998
Equatorial Guinea			President Obiang in power since 1979
Eritrea			President Afwerki is unelected interim president
Ethiopia			Border war with Eritrea since 1998
Gabon			President Bongo in power since 1967
Gambia	1966	1972	Coup in 1994
Ghana	1992	1996	President Rawlings in power since 1981
Guinea			Army mutiny in 1996
Guinea-Bissau	1994		Military mutiny in 1998
Kenya			President Moi in power since 1978
Lesotho	1993		Election-related crisis in 1998
Liberia	1997		Armed regional rebellion in 1999
Madagascar	1993		President Zafy impeached in 1996
Malawi	1994	1999	President Muluzi reelected in 1999
Mali	1992		Election-related crisis in 1998
Mauritania			De facto one-party state
Mauritius	1976	1982	General elections scheduled for 2000
Mozambique	1994		National elections due in 1999
Namibia	1989	1995	President Nujoma reelected in 1995
Niger	1993		Coup in 1999
Nigeria	1999		Full transfer to civilian rule in 1999
Rwanda			President Bizimungu put in by military in 1994
São Tomé & Príncipe	1991	1996	Aborted bloodless coup in 1995
Senegal	1983	1988	President Diouf in power since 1981
Seychelles	1993	1998	President René in power since 1977
Sierra Leone			Elected government restored in 1998
Somalia			No central government since 1991
South Africa	1994	1999	President Mandela retired in 1999
Sudan			Coup in 1993
Swaziland			Absolute monarchy
Tanzania			Presidential election scheduled for 2000
Togo			President Eyadema in power since 1967

Uganda		Political parties banned since 1986
Zaire/Congo Republic		President Mobutu deposed in 1997
Zambia	1991	State of emergency since 1997
Zimbabwe	1980	President Mugabe in power since 1980

Definitions: A founding election is one in which the office of head of government is openly contested following a period in which multiparty competition was denied. A consolidating election is a second competitive election following the founding election. Only elections considered reasonably clean by outside observers are counted.

Source: Bratton and van de Walle 1997, expanded and updated by the author.

Some of the recent democratization in Africa is the inadvertent side effect of "structural adjustment"—donor inspired programs meant to shrink the public sector and allow the private sector to expand. These economic reforms were widely adopted in the 1980s. A political byproduct was to curb the power of the state to pay off its partners and confidants in the private sector. Africa's hitherto "silent majority" gained room to begin exercising its voice. The donors often served as a scapegoat for the austerity associated with structural adjustment, thus providing some temporary political cover for Africa's fledgling democratic regimes.

Unfortunately, few of these political systems are institutionalized. The test of democratic institutionalization is whether a state can carry out peaceful transfers of power through the ballot box. As of 1999, just eight of the multiparty systems that emerged in the previous decade had passed this test by holding a second, reasonably competitive vote (Table 3's "consolidating elections"). Many of the emerging democracies have had internal political crises of one kind or another. To date, only two sub-Saharan countries Botswana and Mauritius have enough free electoral history to satisfy the criteria for a Northern-style liberal democracy.[32]

A disturbing number of entrenched African chief executives have held on to office despite democratization.[33] (Bénin is the sole country where an incumbent lost a consolidating election held in the 1990s.) The lack of turnover reflects the thinness of leadership talent and the undiversified support of many regimes.[34] But the long average term of office hides a bimodal distribution. Several countries have had numerous heads of state who served short periods and left abruptly. That sort of turnover is not a virtue for a political system, either. It usually means the procedures for recruiting and retaining leaders are poorly established.

Another example of how donors indirectly back political reform is their increased funding for non-government organizations or NGOs. Neither the colonial nor the post-colonial African states encouraged NGOs, for fear that independent associations would threaten central authority. Following an argument made by Alexis de Toqueville in the nineteenth century, the standard donor line is that this is backwards. A vibrant associational life is a source of political system

[32] Derbyshire and Derbyshire 1996, 338.
[33] Baker 1998.
[34] Gray and McPherson 1999.

strength, not weakness. African states lack authority precisely because they have too little give and take with private groups.[35]

Accordingly, aid agencies are lending more support to civil society organizations. Over half of World Bank loans and credits to Africa, for example, were in partnership with NGOs in 1991, a much greater share than in the 1980s.[36] Burkina Faso is a typical recipient country, with over 200 officially recognized NGOs. They handle the equivalent of 20 percent of public investment, and more than that in the social sectors.[37]

Critics condemn this approach for weakening the state by bypassing it, for example in Kenya.[38] Perhaps they are correct, though more sympathetic onlookers see Kenyan NGOs growing into an effective lobby.[39] Not even the most starry-eyed believer in NGOs would suggest that any African political system approaches Toqueville's ideal. Interest group pluralism has shallow roots in the region.[40] What civil society organizations exist are often the agents of urban factions, and a centralizing undertow ebbs in many countries. Numerous African NGOs are themselves dependent on foreign aid.[41] Yet, these groups are in some cases the only avenues for the majority to reach the makers of public policy.

The question raised by the moral hazard argument is whether Africa would be less autocratic and more civic minded by not having donor support (and pressure). Quantitative analysis can suggest an answer. In Table 4, I place African countries in three categories developed by Freedom House: free, partly free, and not free. Freedom House is a nonprofit organization that monitors political and civil rights around the world. The groupings are based on each country's score on the Political Freedom Index from 1990 to 1997. This index tries to measure how much liberty citizens have to organize themselves for common purposes, to persuade others of their opinions, and to compete for political influence. More than 99 percent of Africans live in countries in the partly free or not-free categories.

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[35] Lewis 1992.
[36] Landell-Mills 1992, 565.
[37] Piveteau 1998.
[38] Hearn 1998.
[39] Ndegwa 1994.
[40] Kasfir 1998.
[41] Nyang'oro 1993.

Table 4

Democracy and foreign aid in Africa

Freedom House category 1990-97 average	Number of countries	Share of Africa's population	Unweighted mean annual ODA per capita 1990-96	Median ODA/GNP 1980-89[a]	Median ODA/GNP 1990-97[a]
Free	5	0.8%	$199	8.6%	5.3%
Partly Free	26	50.5%	$67	13.4%	14.6%
Not Free	17	48.7%	$64	10.1%	12.0%

[a]Or available years. Countries missing all data are excluded.

Note: The Freedom House categories reflect the degree to which there are free and competitive elections, competitive, autonomous parties, and provisions for political opposition. They are based on two sets of characteristics grouped under political rights (to participate freely in the political process) and civil rights (to develop views and institutions apart from the state). Countries are coded as 1 to 7, with lower numbers representing greater freedom. Countries with scores that fall between 1 and 2.5 are categorized as free (Botswana, Cape Verde, Mauritius, Namibia, São Tomé & Príncipe). Countries between 5.5 and 7 are classified not free (Angola, Burundi, Cameroon, Chad, Djibouti, Equatorial Guinea, Guinea, Kenya, Liberia, Mauritania, Nigeria, Rwanda, Sierra Leone, Somalia, Sudan, Togo, Zaire). Partly free cases are between 3 and 5.5 (consisting of the remaining sub-Saharan countries).

Sources: Categories from Freedom House 1999; official development assistance figures taken from World Bank 1999a, 1999b.

I compare each group's (unweighted) mean annual official development assistance per capita for 1990-96. The contrast is clear: "free" countries get about three times more aid per capita than "partly free" and "not free" countries. Because the "free" countries also tend to be richer, their median ODA as a share of GNP is not as high as the other categories' in either the 1980s or 1990s. However, the median "partly free" country had proportionately more ODA (measured as percent of GNP) compared with the "not free" group in both periods. These results tend to be the opposite of what the perversity thesis predicts.

Democracy in a society is a function of many factors, of course, not of ODA alone. To add more rigor to the inquiry, I provide regression analysis with ODA and four additional independent variables. These variables are described in Table 5. One is a measure of initial state legitimacy. I expect this to have a positive relationship with the Freedom House index. The second independent variable reflects the type of national legal system. Harvard and University of Chicago researchers find that a heritage of English common law in a country favors good government there.[42] So, I include a dummy variable that takes a positive value for common law countries.

[42] La Porta et al. 1999.

Table 5

Regression results: Freedom House Index (1990-97) and selected independent variables

Independent variables:	*Regression coefficients (standard errors in parentheses).* (a)	(b)	(c)
ODA/GNP 1980-89	0.062		
	(0.033)*		
ODA/GNP 1990-97		0.036	
		(0.018)*	
ODA/population 1990-96			0.009
			(0.005)*
State legitimacy	1.783	1.669	0.853
	(0.947)*	(0.912)*	(0.967)
Common law	0.19	0.556	0.423
	(0.803)	(0.777)	(0.792)
Ethnic heterogeneity	0.008	0.013	0.005
	(0.014)	(0.012)	(0.013)
GDP per capita	4.315	4.602	0.0008
	(1.335)***	(1.255)***	(0.0003)***
Constant	-24.64	-25.62	-12.08
	(4.65)***	(4.26)***	(1.25)***
Adjusted R^2	0.24	0.26	0.26
Number of cases	43	43	45

Note: Three, two, and one asterisk(s) denote statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

Sources and definitions:

Freedom House Index	The country averages for 1990-97 are used. The index is recoded so that higher numbers equal greater political freedom. See Table 4 for details.
ODA/GNP	Figures are net official development assistance as percent of gross national product, averaged for years with observations. See World Bank 1999b.
State legitimacy	A dummy variable that differentiates endogenous from imported statehood. It takes the value 0 for states that were colonized and where there is a significant clash between pre- and post-colonial institutions, and 1 for countries with continuity of political institutions. See Englebert 1998.
Common law	Countries with a heritage of English Common Law are broken out. They are coded 1 if their legal systems were based on common law and 0 otherwise. Taken from La Porta et al. 1999.
GDP per capita	This is the 1997 figure based on purchasing power parity. The natural logarithm is used because of the skewed distribution of GDP. Taken from UNDP 1999.

Ethnic heterogeneity	A measurement of ethnic division based on three types of ethnic groups: racial, linguistic, and religious (each measured as a percent of the largest ethnic group of the country's total population). The three inverse percentages are summed to form the index. Higher numbers indicate greater heterogeneity. The source is Vanhanen 1999.

An important predictor variable in any analysis of democratization is the extent of ethnic heterogeneity in society. I use a measure that takes account of racial, linguistic, and religious divisions. I expect it to bear a negative relationship to the Freedom House figures. Finally, economic development is likely to affect whether orderly and fair public procedures persist in a country. The proxy for development I use is the purchasing power parity estimate of per capita income from the United Nations. I anticipate a positive correlation with the dependent variables.

I present the results of the data analysis in Table 5. The regression in column (a) includes ODA/GNP for the 1980s as a predictor variable. In column (b) I substitute 1990s ODA/GNP figures. The reason for using both is to attempt to isolate the lagging effects of foreign aid from aid's contemporaneous effects. In column (c), I use per capita ODA, which expands the sample slightly by capturing countries where national economic aggregates are missing. Looking at the three columns, we can see that ODA has a small positive effect on the level of democracy in each regression. All three coefficients are significant at the 10 percent level. However, none of the models explains more than about one-quarter of the variation in the outcome variables (and ethnicity has the "wrong" sign). The low r-squareds are a reminder that foreign aid plays a minor part in African democratization. The driving forces seem to be domestic political and social factors not captured in this model.

The most troublesome aspect of Table 5 is the prospect of reverse causality. If democratic countries get more aid, that may mean that donors like to help democracies, not that aid is good for democratic institutions. Indeed, many experts argue that aid should be targeted on states with the best records in human rights. The important point, though, is that the data provide little evidence that aid-dependent African states were more likely to forgo popular government over the past decade.

I thus find it hard not to reject the moral hazard argument when it comes to African democratization. Pressure from donors and the example set by some of their individual projects do not appear to have undermined the cause of representative government. To the contrary, foreign aid is associated with modestly higher levels of political and civil liberties in Africa. That is what the donors and African states say they have been trying to encourage, and is not an unexpected or perverse outcome.

Aid and governance outcomes

Good governance is more than having democratic institutions. It also encompasses the public goods (other than democracy itself) those institutions produce. Freedom of association and competitive elections have intrinsic value, but they additionally are means to get African states to maintain peace, guarantee law and order, support the economic infrastructure, and ensure a minimum level of social well being. Society needs these public goods irrespective of what the collective decision making system looks like.

How did the more aid dependent countries perform? Did aid crowd out action on public goods? The numbers suggest not. I perform several multiple regressions using different dependent variables that represent key public goods. My intention is to learn if official development assistance has a deleterious relationship with any of them.

For social peace, I use the years of armed conflict (weighted for intensity) reported for each country from 1990 through 1997. For the rule of law and enforcement of property rights I use two indexes. The first is the Index of Economic Freedom (1994-99), sponsored by the Heritage Foundation, a right-wing American think tank. Whether you agree with their definition of economic freedom, I find it reasonable to assume that the index fairly measures how safe different countries are for private investment. The index is calculated by aggregating country scores on ten policy indicators and measures of the business climate. The second indicator of the rule of law I use is Transparency International's Corruption Perception Index (1999). Transparency International is a watchdog organization dedicated to fighting global political corruption. Its index assesses the degree to which public officials in different countries are believed to accept bribes, take illicit payment in public procurement, embezzle public funds, and commit similar crimes. My choice to represent the quality of infrastructure is the Normalized Road Index from the World Bank. This measure compares the actual length to the expected length of roads in a country, adjusted for several factors. The indicator of social well being I use is average life expectancy as reported by the United Nations.

For predictor variables, I take the same ones from Table 5: legitimacy, common law, ethnic heterogeneity, per capita income, and net official development assistance during the 1980s or 1990s (whichever produces the best fit). The regressions plot these predictor variables against the five outcome variables mentioned above. The results suggest foreign aid's explanatory power though limited, is not harmful. (See Table 6.)

Table 6

Regression results: Measures of good governance and selected independent variables

Independent variables:	*Dependent variables* *Regression coefficients (standard errors in parentheses).* Armed conflict	Economic freedom	Political corruption	Road index	Life expectancy
ODA/GNP 1980-89	-0.149		0.116		0.21
	(0.077)*		(0.058)*		(0.078)**
ODA/GNP 1990-97	0.055	-0.006		0.268	
	(0.043)	(0.004)		(0.947)	
State legitimacy	1.741	0.218	-0.145	23.79	7.571
	(1.887)	(0.148)	(1.234)	(35.5)	(2.195)***
Common law	-1.592	0.344	0.837	105.05	-2.069
	(1.646)	(0.124)***	(0.649)	(29.25)***	(1.874)
Ethnic heterogeneity	0.025	0.003	-0.005	-0.28	0.059
	(0.029)	(0.002)*	(0.016)	(0.48)	(0.032)*
GDP per capita	-6.51	0.692	5.29		19.01
	(2.69)**	(0.215)***	(2.12)**		(3.21)***
Constant	22.97	-5.92	-15.07	97.87	-16.48
	(9.45)**	(0.74)***	(7.79)*	(47.25)**	(11.31)
Adjusted R^2	.19	.49	.57	.28	.55
Number of cases	42	38	15	32	42

Note: Three, two, and one asterisk(s) denote statistical significance at the 0.01, 0.05, and 0.10 levels, respectively. GDP per capita is not included in the road index regression, because that variable is already adjusted for national income.

Sources and definitions:
Independent variables: See Tables 4 and 5.

Dependent variables:

Armed conflict — Years from 1990 through 1997 during which a country experienced armed conflict. Scored 0 for no conflicts, 1 for minor conflicts (at least 25 battle-related deaths per year, and fewer than 1,000 battle-related deaths during the course of the conflict), 2 for intermediate conflicts (at least 25 battle-related deaths per year, and an accumulated total of at least 1,000, but fewer than 1,000 per year), and 3 for wars (at least 1,000 battle-related deaths per year). The source is Wallensteen and Sollenberg 1998.

Economic freedom	A measure of national economic openness, based on how countries do on a list of 10 economic factors. The factors are trade policy, taxation policy, government consumption, monetary policy, capital flows and foreign investment, banking policy, wage and price controls, property rights, the level of regulation, and black market activity. Countries are graded on a scale of one to five for each item. These grades are averaged to compute the Economic Freedom score for each country, recoded so that higher numbers indicate greater economic liberalization. I use the average for 1995 through 1999. The source is Heritage Foundation 1999.
Political corruption	A measure of perceived corruption in 1999. Country scores run from 0 to 10 (highly corrupt to highly clean). See Transparency International 1999.
Road index	The normalized road index is the total length of roads in a country compared with the expected length (conditioned on population, population density, per capita income, urbanization, and region). A value of 100 is normal. The source is World Bank 1999b.
Life expectancy	The 1997 estimate, taken from UNDP 1999.

ODA as a percent of GNP in 1980-89 has a significant negative relationship with armed conflict in 1990-97, and significant positive relationships with political integrity and life expectancy (all at the 10 percent level).[43] Other significant coefficients are for state legitimacy (with life expectancy), common law (with economic freedom and roads), and GDP per capita (for all but the road index.) Surprisingly, the ethnic diversity index has a significant *positive* relationship with economic freedom.[44] Each of these left-hand variables tends to account for far more of the variation in governance outcomes than ODA does.

It appears that aid's critics make too much of aid's detrimental impact on governance outcomes. Contrary to the perversity thesis, ODA in fact has a small beneficial or neutral association with a variety of measures of state performance. Not clear is whether African states attract more foreign aid when they are reasonably effective at providing public goods (by African standards), or whether the aid makes them more effective than they otherwise would be. It is not difficult to imagine that the two tendencies reinforce each other.

Conclusion

Foreign aid provides the wherewithal for African states to pay for and carry out many basic public functions. Being reliant on aid does not denote that these states lost pre-existing capacity, as some critics would have it. Nor does it indicate that these states would have evolved in a more favorable direction with less aid. The opposite seems more likely. While we must be cautious about attributing causation, I find small positive or neutral relationships between aid and several

[43] Looking at other regions including Africa, Alesina and Weder 1999 come to the opposite conclusion about foreign aid and corruption.
[44] In a parallel observation, Rodrik 1998 finds that ethnic fractionalization is not a significant factor in cross-national growth regressions within Africa.

dimensions of governance. State capacity is not unidimensional. On balance, however, I think it credible that African states have gained more capacity than they lost by taking aid.

Where the critiques of aid are valid is in refuting any suggestion that Africa's current capacity to produce public goods can be sustained internally. African states are substituting donor resources and expertise for their own. Still, the impact is surprisingly small. Even with outsiders controlling 10 or 20 percent of their national income, African states are not puppets. The bulk of what they do (and can do) is the consequence of domestic political and social dynamics, not of what the World Bank or IMF wishes to see happen. In the regressions, legitimacy, a heritage of common law, and a higher level of economic development prove particularly important determinants of state performance.

The fact that Africa's external creditors only influence their client states' capacity at the margin does not make aid irrelevant. A positive influence, even a secondary one, is still positive. The gradual reduction in aid now underway will probably disrupt patronage and pork barrel spending. That would be a blessing in the long run, though it would be destabilizing for now. At the same time, creeping financial insolvency would make it more difficult than ever for African states to produce a minimal level of public goods. State legitimacy and the ability to govern may suffer. Aggressive efforts to force African states to "throw away their crutches" would probably be more disruptive.

To put the matter differently, concessionary finance has breathed artificial life into many African states. Few of the borderline accomplishments in governing ability I observe in this paper would fully endure a deep cutback in external assistance. Some of the aid recipients would likely founder and degenerate into warlord fiefdoms, adding to a trend already sadly evident in the region.[45] Eventually, autonomous political entities might emerge that were better suited to assert their sovereignty and fashion conditions for national development. If the history of early Europe is any indication, however, an unchecked struggle to build viable states in Africa would be drawn out and bloody. I find it improbable that donor agencies would be allowed to sit out such a struggle. At the same time, Northern states appear unwilling to underwrite African states indefinitely. The puzzle for donor agencies, therefore, is to figure out how to continue helping African states establish themselves, while demonstrating more progress to their home country constituents and spending less money than in the past.

[45] Reno 1998.

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