By Michael Madill

When I ask people whether they would give money to a person on the street who asked for it, I usually get two kinds of answer. No, say some, they don’t really need it if they can stand there asking for it.

Yes, say others, but only if I think they won’t use it to buy booze. What do you care? Charity is supposed to be a selfless act. Give the money and forget about it. When you attach conditions to the giving of money, when you expect a result that conforms to your expectations, you are not giving charity but making an investment.

You’re a pretty shrewd, or maybe callous, investor if you are weighing your return on a few dollars for someone desperate enough to beg. Or maybe you’re scared by the thought that the supposedly destitute woman with her small child standing outside the train station is really a crack-addicted mother of ten who lives in a furnished four bedroom penthouse but collects welfare checks, courtesy of our gullibility.

You congratulate yourself on your business acumen and don’t even meet the woman’s eyes as you fiddle with your I-Pod.

This is the moral conundrum of international charitable giving to African countries. Dozens of governments and millions of people really wish economic and social circumstances would be better in many places in Africa, but we persist in attitudes and habits that render our assistance ineffective, even harmful.

We attach strings to every dollar we send, whether we send it through our governments or through non-governmental organizations. When recipient governments or population groups don’t live up to our expectations, we wring our hands and say development aid – words which mean charity – is wasted, doesn’t work.

We are right, but then we don’t do anything about it. We think that tougher conditions, longer strings are needed to make sure the money we gave of our hearts is spent wisely.

These sentiments were at the back of Hillary Clinton’s visit to a dozen Africa nations in early August. In Kenya she worried about the effects of poverty and corruption on the stability of the government. She articulated them in a speech in Nigeria, where she admonished Nigerians to do more about corruption and then lavished praise on those bits of the Nigerian government that were most corrupt – the army and the oil ministry.

In the Congo she talked about the necessity for people to take charge of their own lives and stop depending so much on guidance from outside. When you strip away the diplomatic language, what the Secretary of State is really talking about is managing the risk that money we give to Africa will go down the drain.

Charity works, but only where the conditions are right. In most places in Africa, the conditions are wrong. Governments in places like Kenya and Nigeria and Congo and Angola do not
function for the benefit of most of their people. Rather, they funnel everything from outside – money, cars, food, you name it – through a web of self-serving people who each take a bit off the top, leaving little or nothing for the person at the bottom of the pyramid.

Despite official protestations of innocence and commitment to reform, the corruption – the thieving – goes on because there are no incentives for it to stop. Governments in places like that are not broken. They work very well, but they work at enriching a few and not improving the lives of many.

Giving aid through non-governmental organizations is only marginally better than sending it to governments. On average, only fifteen per cent – that’s right, fifteen, one five – of all the money we donate through charitable groups ever reaches the intended recipients. The rest is squandered on administrative fees, consulting expenses, staff salaries, travel and what are politely termed general expenses (bribes and taxes) in the country where the money goes.

There are of course exceptions. The smaller the group and the more focused the objective, the greater the portion of money donated will reach its intended targets. Still, non-governmental charitable giving is a disaster in business terms and a failure overall in producing results in economic development.

Change will only come about if the people of these countries can create pressure for government to serve whole populations and not just a few lucky, well-connected bosses. In order to do this, though, those people will need money.

If government aid and non-governmental charity are such wastes of our money, then what should we do if we want to help people in Africa countries? Make a sound investment. Put away your prejudice and your easy acceptance of stereotypes and invest your money. America grew up on investment capital, not charity.

Domestic capital formation is the only proven tool by which any country can lift itself out of poverty permanently. The trouble in most African countries is that capital is lacking or is in the hands of the same corrupt people who run the governments and steal the development aid.

Investing directly at the bottom of the pyramid – in businesses with very small turnover and market capitalization, measured sometimes in the thousands of US dollars per year – creates centers of wealth and power outside the control of the grabbing hands at the top. The more money and the more power that is outside the control of government, the more people will be able to help themselves.

If we are really as hard as we think, then we should do more than wag fingers and mutter about what’s good for them. If we really want to make sure Africa won’t take our money and get drunk, or use it to make babies and cheat food stamps, then we should put up or shut up.

Invest in small business directly. Invest in funds committed to small business. Send money through organizations that manage micro-credit. And buy the products, fairly traded, of those African businesses which export to the US. Give your money to people, not to governments or
Editor's note: Michael Madill is a professor at Oakton College, who lives in Rogers Park and writes regularly on matters concerning Africa. Contact him by e-mail at: mmadill@oakton.edu