Why Africa needs a Marshall plan

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Robert Zoellick, the likely new president of the World Bank, will face a long to-do list, but at or near the top will be the dire economic conditions in much of sub-Saharan Africa. As a seasoned diplomat, Mr Zoellick will seek counsel from many sources. But the best advice may be in the history books.

Sixty years ago on Tuesday, George Marshall, US secretary of state, announced what became known as the Marshall plan for Europe in an address at Harvard University. The Marshall plan has been widely heralded as an example of the triumph of foreign aid on a grand scale. Given the high rate of extreme poverty in sub-Saharan Africa, and that Africa is poorer today than 20 years ago, some leaders have called for a Marshall plan for Africa.

We agree.

But the original Marshall plan was less a grand aid programme than a targeted effort to restore the power of business as a growth engine. A true Marshall plan for Africa could ignite growth and reduce poverty, but only through a different set of institutions than the current aid system.

The plan had four main elements. First, a rich country – the US – made grants to European governments for restoring production through loans to local businesses which repaid them to their own governments. Second, each European government spent the repaid funds on restoring commercial infrastructure to boost production, such as ports and railways. Third, each European government made economic policy reforms to support their domestic private sectors. Fourth, a regional co-ordinating body handled the distribution of funds among countries.

Grand foreign aid plans have little in common with the original Marshall plan. Aid plans foster government-led development with an emphasis on social services. The Marshall plan fostered business-sector development with an emphasis on loans and economic infrastructure. It was something that Africa has never seen on a large scale – a business-sector support project.

A real Marshall plan for Africa would stand apart from the aid system of governments and non-governmental organisations. The original Marshall plan had its own institutions: it created an Economic Co-operation Administration to run the entire programme, with headquarters in Washington and small missions in every European country. Each country had a special ECA account. Receiving countries formed a regional co-ordinating body, the Organisation for European Economic Co-operation, which led to both the OECD and the European Union.

An African Marshall plan would have its own institutions along international, regional and national lines. The equivalent of an ECA would collect and manage donor funds. A country would become eligible through specific policies in place to foster business development. In the original Marshall plan, governments spent the repaid loans on economic infrastructure projects the ECA approved. An African plan could do the same. Given Africa's size, there might be regional ECAs rather than a single one. The Marshall plan was competitive among countries: if one did not co-operate, another country was happy to take the funds instead. An African Marshall plan would do the same.

This leads to the second key element of a real African Marshall plan: the business sector must lead it. Business leaders staffed the original Marshall plan, including its head, Paul Hoffman of carmaker Studebaker.

An African Marshall plan would do only business development. Africa has tremendous social needs that call for concentrated attention from expert agencies: that is the proper role for governments and NGOs. Yet those same aid agencies contain many small units that have pioneered support for African business. An African Marshall plan would expand the best practice of those agencies from a sideshow to the main event in African aid. For example, there are already programmes to improve African business schools, which can provide the same support for the business sector as in rich countries around the world.

With a business core, it is likely that it would be less popular than grand aid schemes – after all, charity touches the heart and business does not. The original Marshall plan started out with only 14 per cent of the US public in support. The tide for action was turned by an aggressive information campaign by US business leaders, in this case the Committee for Economic Development. By contrast, business leaders have been conspicuously absent from the growing debate on African poverty.

In his speech, Marshall was very clear that the “breakdown of the business structure of Europe during the war” was the problem aid must solve. “Our . . . purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist. Such assistance, I am convinced, must not be on a piecemeal basis as various crises develop.”

Marshall’s logic applies to Africa today: a thriving business sector is the key to improving political and social progress. Aid must help, not hinder, and reform itself. Otherwise, Africa is doomed.

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