

'Everybody knows it doesn't work'

Despite receiving more than \$1 trillion from the west over the last half century, Africa remains in dire economic straits. Dambisa Moyo thinks aid is to blame and should stop now. She talks to Aida Edemariam



'There are many smart Africans who should be on the global stage'
...Dambisa Moyo
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Magali Delporte
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The breakfast room of the Hôtel Balzac on the Champs-Élysées is slowly filling up with the murmuringly well-heeled when Dambisa Moyo makes her entrance, in an oyster-coloured sheath dress and platform heels half as high as her calves. She is, if not demure, very ladylike; tightly controlled and girlishly friendly - she was at a party here last night so knows most of the people making their way to their €76 breakfasts, and has to keep saying "hello", in her quiet, American-accented voice.

She is forthright, however, on the subject of what she refers to as "the book", rather than "my book", and occasionally "the prescription", rather than "my prescription": *Dead Aid*, which was published this month, and in which she argues, in no uncertain terms, that foreign aid has been bad for Africa, and must stop.

People are listening. Rwandan government ministers read her book and asked her to come to talk to them; she is about to fly out there. A piece she wrote on the subject in a national newspaper drew responses from policy directors of three major charities. Paul Collier, a former mentor whose theories about the effects of geography and resources on economic growth she draws on, began his review of *Dead Aid* by comparing her to Dutch feminist Ayaan Hirsi Ali, whose critique of Islam has forced her into hiding. Many people will disagree vociferously with her; many will think she is being recklessly contrarian - but, as Collier pointed out, they cannot easily dismiss her.

It isn't just the archipelago of degrees (the chemistry BSc from Lusaka, Zambia, the MBA in finance from American University in Washington DC, the masters from Harvard University's Kennedy School of Government, the PhD in economics from Oxford); or the high-profile jobs (as consultant at the World Bank, then as head of economic research and strategy for sub-Saharan Africa at Goldman Sachs, until about a month ago); or the fact that in a time when there has been a general bemoaning of the lack of big-idea books from women this is a big-idea book from an African woman, a vanishingly small number of whom are ever heard from at all - although all of these play a part. It is because everyone knows that things aren't quite right, and that something must be done. The question is what, and this is Moyo's contribution.

She would be the first to admit that others have taken her tack, that aid simply doesn't work: William Easterly, for example, in *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*; Peter Bauer, the Hungarian-born economist to whom Moyo has dedicated her book, was arguing that large transfers of aid were a mistake as far back as the 1960s. It is an argument often made within Africa, too: her mother, chair of a leading Zambian bank, and her father, a linguistics academic-turned-anti-corruption campaigner, couldn't believe she was giving up her evenings and weekends to write tens of thousands of words about such a self-evident truth. "They were kind of, like, so what? It's kind of the emperor has no clothes. Yes, nice book. Great that you could articulate it, and you can turn the pages, but - everybody knows it doesn't work."

She makes it clear at the outset what kind of aid she means. She does not mean humanitarian or emergency aid, mobilised in response to calamities; she does not mean charity-based aid, given to specific organisations and people on the ground, in order to achieve specific things (she sits on the boards of several charities, one of which distributes antiretrovirals); she is hopeful about a new attitude to food aid, whereby the money is used to buy food from farmers within a country, and then distribute it to those in need, instead of flooding the place with foreign food that undercuts local growers. What she means is "systemic aid", the vast sums regularly transferred from government to government, or via institutions such as the World Bank.

She paints a dismaying picture of the history of that aid, beginning with the realisation, at Bretton Woods in July 1944, that Europe would need massive injections of cash to get back on its feet (and the concurrent establishment of the World Bank and the IMF). The Marshall Plan did a similar job. Both were so successful in Europe that it seemed sensible to assume that the same paradigm could apply in Africa. But these capital injections, she argues, worked in Europe because they were limited in scope, and Europe had the institutions to make the most of them; this was not true in many African countries. And there were other, not particularly altruistic imperatives: the cold war had begun, and "aid", writes Moyo, "became the key tool in the contest to turn the world capitalist or communist". Geopolitics trumped sense, again and again.

Rising oil prices in the 1970s meant that international banks were awash with money, lax with their policies, and lending at low interest rates; many African countries borrowed large sums to pay off existing debts - until 1979, when another oil crisis prompted banks to raise their interest rates, and those debts could no longer be serviced. In Africa, 11 countries defaulted. When their finances were restructured by

the IMF - they were lent money to pay off what they owed - they simply sank deeper into debt. The 80s also saw aggressive trade liberalisation and privatisation: the IMF and the World Bank lent large amounts of cash on the condition that free-market policies were adopted - policies that often led to the destruction of local industries that could not compete. By the end of the 80s debt servicing meant a net reverse flow of money, from poor countries to rich. This could not continue, and campaigns for debt relief soon followed - but they were accompanied, Moyo notes drily, with campaigns, such as Live8, to send large amounts of new aid, "and thus the prospect of fresh debt, all over again".

More than \$1 trillion has been sent to Africa over the last 50 years. And what has it all achieved? She wants to know. "Between 1970 and 1998, when aid flows to Africa were at their peak, poverty in Africa rose from 11% to a staggering 66%" - roughly 600 million of Africa's billion people are now trapped in poverty. She would admit that aid has done some good on a local level, however her conclusion is uncompromising: "Aid has been, and continues to be, an unmitigated political, economic and humanitarian disaster for most parts of the developing world" - and Africa in particular, which is "shearing off. The rest of the world is going one direction, on one growth trajectory, and Africa is going completely in the opposite direction. And yet we sit around and discuss sending another \$50bn dollars of aid? I mean, come on."

Why is Africa different? Wisely, perhaps, she doesn't get entangled in generalities about colonial guilt, and refers only in one short paragraph to "the largely unspoken and insidious view that the problem with Africa is Africans - that culturally, mentally and physically Africans are innately different. That, somehow, deeply embedded in their psyche is an inability to embrace development and improve their own lot in life without guidance and help." Her argument is that, for whatever reason, the problem is "pity. We don't feel sorry for the Chinese. The Chinese have 30 million people who live like us, if you will. Western standards, but a billion people living in dire poverty. Do you think anybody feels sorry for the Chinese? No. What about Indians? India has a huge proportion of poverty-stricken [people] - does anybody feel sorry for them?"

And the pity, in her reading, has been devastating. It has meant a blind eye being turned to corruption - aid being like striking oil, or finding diamonds, in its potential to tempt. It has meant a kind of continent-wide addiction (with, as the policy director of Christian Aid pointed out in a letter to the Independent, the concomitant "loss of self-control, ability to think forward, the confidence to act for oneself and believe in oneself"). And it's not just the developing countries that become dependent: around 500,000 people, Moyo estimates, depend on disbursing aid for their livelihoods. It is self-perpetuating: multilaterals have to keep lending in order for debts to be serviced. It nurtures, she argues, civil war: it becomes worth fighting over resources. Over the past 50 years 40 million Africans have died in war - equal to the population of South Africa.

Increasingly, over the last decade, the stick that accompanies the aid carrot has been a demand for "good governance". What is meant is transparent institutions, rule of law, lack of corruption; in practice, this is often equated with multi-party elections. But, as she quite scornfully points out, "the western mindset erroneously equates a political system of multi-party democracy with high-quality institutions . . . the two are not synonymous." Many African countries have dutifully held elections - but that hasn't made them any more liberal, or improved the quality of their civil institutions.

Like many of us who grew up in Africa (in my case, Ethiopia, where, she claims, 97% of the government budget is attributed to foreign aid), she saw the aid economy in action - the flash 4x4s, the high salaries, the foreign workers living cushioned lives on nice exchange rates. "In addition it was clear how little say not only the citizens have, but the governments have. You hardly ever saw participation from domestic policymakers in designing and discussing what was, essentially, our future - Africa's future. I mean, there are so many classic examples of people's lives essentially being shaped and designed by policy that's not domestically constructed." She cites the donor who refused to give any aid unless an entirely new town be built in Zambia, despite the government's protests that they would be left holding the baby, as indeed happened; or George Bush's requirement that two-thirds of the \$15bn he was giving to fight Aids had to go to pro-abstinence programmes, and none could go to any establishment that provided abortions.

Partly, of course, it's about power, and purse-strings; partly, she believes, it's a PR issue, "there are many well-spoken, smart African leaders who should be on the global stage"; very largely, given that so far not many are, it's a case of who gets to do the talking, and increasingly, it is people like Bob Geldof and Bono, the most visible representatives of what she calls, in a thrillingly withering manner, "glamour aid". "There are African policymakers who are charged with the responsibility of creating policy, and implementing policy. That's their job. Long, long lines of people have stood in the sun to vote for a president who is effectively impotent because of donors or because glamour aid has decided to speak on behalf of a continent. How would British people feel if tomorrow Michael Jackson started telling them how they should get out of the housing crisis? Or if Amy Winehouse started to give the US government advice about the credit crunch? And was listened to? I think they would be perturbed, and worried. I mean, they've completely disenfranchised the very people we've actually elected!"

But what she's particularly keen on is that people pay attention to her solutions, of which there are a few. First is the issue of bonds. To those who object that this is yet another kind of debt, but with higher interest rates, she answers that that's part of the point: aid lending has been far too lenient (50-year terms, low interest rates, more money lent even if a country defaults). The capital markets are not forgiving of corruption: mess up once, and that's it - there is no more cash. "Where private capital trumps aid every time," she writes, "is on the question of governance." Her critics would point out that this is a tricky position to hold in the current financial climate, where countries that have gone to the capital markets, such as South Africa (one of her examples for how to do it right), are already beginning to struggle. But she is bullish: it is a unique opportunity, she says, for a complete systemic overhaul.

She proposes more dealings with the Chinese, who, she says, have done more for Africa's infrastructure and economic growth in the last five years than America has done in the last 50. A great point in their favour is that they give the impression, at least, of striking business deals between equal partners; it is foolhardy to underestimate the animating effect this has on governments used to being preached at and condescended to. There are real worries, of course - the fact that China ignores human rights abuses in its quest for commodities, as in Sudan (the west, she counters, was a willing handmaiden to the rise of many corrupt and violent governments and doesn't have a leg to stand on); worries about empire building, that China will eventually want to protect its investments by force (for the moment, she

says, that's irrelevant - what matters is progress now); about undercutting local industry and taking jobs from Africans (this, she says, must be dealt with by policy-makers). She refers to surveys that indicate local people feel things have improved with the arrival of the Chinese, "in terms of living standards, incomes, jobs, and so on. It suggests to me that people feel this new model seems to be working, where Africans are treated as equal partners." It remains to be seen, however, how the general drop in commodities prices over the last few months will affect this optimism; also the fact that Chinese growth is slowing down.

She is not the first to note that free trade is freer for some than for others, that trade protection means that each European cow gets \$2.50 a day in subsidies, "more than what a billion people, many of them Africans, each have to live on every day" - but her solution is not yet more banging on the doors of the EU and the US, but to turn elsewhere, to Brazil and India and China, which has 1.3 billion people, and only 7% arable land. "What an opportunity!" She advocates more microfinance, and efficient banking of savings (Peruvian economist Hernando de Soto has estimated that the value of savings among the poor of Asia, the Middle East and Africa is as much as 40 times all the foreign aid received throughout the world since 1945) and remittances (33 million Africans live abroad, and many send money home; in 2006, remittances accounted for 40% of Somalia's GDP).

Her biggest and most controversial solution is that all aid should be turned off in the next five years. But isn't this cavalier, and deeply irresponsible? Wouldn't it damn millions to even more suffering? Most people, I suggest, would find that very hard to watch. "It's hard to watch already. There are many countries where 70% of the population is living on less than a dollar a day. If we continue down this path, the extreme could be that we end up with huge uprisings. Remember that in a lot of these countries 50% of the population is under the age of 15. In 10-15 years, you have so many people on the streets who have no jobs, no prospects, that you end up in a situation where the state implodes. And we've already seen that in Africa, in cases like Somalia. There are no vested interests, there's no growth, there are no jobs, no prospects for the future. Most Africans, I believe, if you went to them and said this is going to be tough, but we're going to assure you that your children are going to have a better future, I'm pretty sure most families would [be] willing to make the sacrifice. That was how America was built. Families made major, major sacrifices so that their children would have a better life. And Africans are willing to do that. They are not different. They have the same aspirations and hopes that everybody else has."

Isn't she playing into the hands of governments that would like to wash their hands of such responsibilities? "Quite the contrary. They absolutely should be involved. Things like disease, risk of terrorism, political instability, are no longer contained by borders, and probably never really were. It's actually beneficial to the world as a whole to see Africa as an equal partner as opposed to a drag on the economy."

Isn't she suggesting yet another wholesale capitalist experiment on Africa? "I'm going to paraphrase Obama's inaugural speech. Capitalism is undoubtedly, unquestionably, the system that has best delivered and reduced poverty. Bar none. Even with its flaws. There is not another system that has delivered more. So does it need reform? For sure. Does it have to be regulated better? Definitely. But to think that we should now ignore everything that it has done for the past 200 years is foolhardy."

Probably the answer is a careful combination of her proposals and other things: Christian Aid, for example, suggests plugging the corporate tax loopholes that mean poor countries lose a minimum of \$160bn a year. Much more aid, suggests Collier, should be in non-cash form: in peacekeeping, security guarantees, trade privileges, governance.

Moyo may not have all the answers, or even the right ones - but the fact is that aid levels are dropping whether we like it or not. The Catholic aid agency Cafod recently estimated that the current crisis, and the weakening pound, could cut \$41bn, in real terms, out of the UK foreign aid budget over the next seven years. However, she is determined to begin an urgent conversation, one not confined to suited white men and middle-aged rock stars. When she was writing the book, she says, she also was not trying to reach "economists, because we already know. *Dead Aid* was really targeted at African policymakers, and anybody, globally, who's interested in seeing Africans become an equal partner in the world. I wanted to talk to anybody who watches TV and sees a poor starving African child and thinks, 'This is ridiculous,' - but at the same time is interested in finding a long-term solution. Who's not just going to say, 'Oh, I'll write another cheque for 14p,' who thinks, 'I actually want to see these countries really rise up from this horror, into something where the country and its people contribute meaningfully - not just to their countries, or to their continent but to the world as a whole. I want to know African artists, musicians, teachers, doctors, lawyers, writers - I want them to be on equal footing.' I want people to call their MPs after reading it and say, 'Hang on, you're asking us to give more aid - do you know that there are actually other alternatives? What do you think about that?'"

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