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Dead Aid by Dambisa Moyo



The Times review by Parminder Bahra

Every decade serves up new champions who take over the task of bringing economic growth to Africa and taking many Africans out of poverty.

In the 1980s it was the former West German Chancellor Willy Brandt. In the 1990s the Gleneagles Agreement and the Millennium Development Goals, benchmarking development, were shaped by Tony Blair and his Chancellor, Gordon Brown. More recently, however - "and to the bewilderment and chagrin of many an African" - Dambisa Moyo suggests that this responsibility has been left to musicians, such as Bob Geldof and Bono.

Moyo takes aim at what she calls "orchestrated worldwide pity", but her biggest reservations are directed at the thread that runs through previous approaches and which she says is responsible for the failure of all these plans to have a permanent effect on poverty in Africa, namely aid.

There are few who would disagree that the record of successive development policies is poor. Sub-Saharan Africa remains the poorest region in the world. Between 1981 and 2002 the number of people in the continent living in poverty nearly doubled and half of all Africans live on less than \$1 (70p) a day. Moyo's thesis rests on the argument that these outcomes are the result of \$2 trillion of foreign aid transferred from rich countries to poor - with Africa the biggest recipient: "Aid remains at the heart of the development agenda despite ... very compelling reasons to show that it perpetuates the cycle of poverty and derails sustainable economic growth."

She argues that aid continues to prop up corrupt regimes in Africa, providing "freely usable cash" that then lines the pockets of the African elite. Consequently, the middle class - who would normally be the engine that propels a nation forward - spend more time buttering up their political allies rather than engaging in productive economic activity.

She also criticises the aid "industry" that has become so big that there are too many incentives to maintain the status quo despite it being a failure. The only way to break this "vicious cycle" of poverty, she says, is through an end to state aid and the encouragement of market-based financial tools such as government bonds and microfinance and of foreign direct investment and trade. She also sees a huge part to be played by China as the main partner in the development of Africa.

Moyo is not the first to question the effectiveness of state aid, but her analysis is crude. There is no new research and her argument against aid is as spurious as the argument that it is bad to go to hospitals because many people die in them. To argue that all aid goes into the hands of corrupt

leaders is naive and shows a lack of understanding about how aid is distributed and the projects that do promote good governance and institution building. The lack of any examples of how aid has been used is a huge omission - instead we have anecdotes about African leaders on shopping sprees with donor money.

It is always easier to point things out with hindsight and it is unfortunate for Moyo that this book was, most likely, completed while the world was experiencing its biggest economic shock since the Depression. I am sure that she is now reconsidering some of her proposals. Does she really think that there is "an almost insatiable demand from mutual funds, pension schemes, hedge funds, insurance companies and private asset managers around the world" for African debt?

Her blind faith in the power of the market is summed up in one passage: "Though unfortunate, defaulting is not the end of the world. The debt markets are very forgiving and investor memory is short". Try telling that to the millions who suffered economic hardship after financial crises in Mexico, Thailand, Russia and Argentina - to name just a few.

Moyo is also content to throw democratic aspirations out of the window on the basis that: "The uncomfortable truth is that far from being a prerequisite for economic growth, democracy can hamper development as democratic regimes find it difficult to push through economically beneficial legislation."

This may also account for her unquestioning support of China and its activities in Africa. She supports the "hassle-free, no questions asked approach" of the Chinese. What Moyo does not explore are the contracts and the terms of trade of the deals struck with African nations. It is assumed that they will be beneficial, but an exploration of the development literature would reveal, at the least, some caution that the deals are skewed towards China.

This is a poorly thought-out thesis and one that is more likely to create poverty than reduce it. Her approaches to trade and foreign direct investment and some of her criticisms of aid are supported by many in the development field, but the argument for the private sector to take over development finance from aid was poor before the financial crisis started - and is now rendered completely impotent.

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http://entertainment.timesonline.co.uk/tol/arts_and_entertainment/books/non-fiction/article5674886.ece