

Aiding is Abetting

An interview with Dambisa Moyo

Guernica Magazine – April 2009

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African author and economist Dambisa Moyo on ending western aid to Africa now, what Bono and Geldof don't get, and the deadening of African independence and entrepreneurship.



Dambisa Moyo's prescription for economic sustainability in Africa—which includes cutting off all aid within five years—might seem insane if the statistics weren't so grim: despite one trillion dollars in western aid over the past sixty years, the economic lot of the average African has only gotten worse. Most Africans now live on one dollar per day, and sub-Saharan Africa remains the poorest region in the world. Despite a deluge of aid between the years of 1970 and 1998, poverty on the continent skyrocketed from 11 percent of the population to 66 percent, which means over six hundred million Africans are now impoverished.

The average African can only expect live to be about fifty, and half the continent's citizens are under the age of fifteen. In addition to poverty, AIDS, corruption (half the continent is still under un-democratic rule), civil war, and genocide ravage the continent. Indeed, Africa seems constantly embroiled in a steady stream of horrors, the likes of which are not seen anywhere else on the planet. Why? Are Africans innately different from the rest of us? Nonsense, says Moyo. She blames aid.

Dambisa Moyo is a unique voice in the debate over African aid. In a conversation dominated by white, male westerners—and most conspicuously by celebrities such as Bono or Bob Geldof—Moyo is a black, African woman. Born in Zambia to a banker mother and a father who now runs an anti-corruption organization, Moyo earned her master's from Harvard and a Ph.D. in Economics at Oxford. She's worked as a consultant to the World Bank, and for the past eight years was the sub-Saharan economic expert for Goldman Sachs. It was at Goldman Sachs that Moyo began work on her book, "Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa," released just a few weeks ago. While a skeptic might view Moyo's unique status as a renowned female African economist and her fiercely contrarian proposals as an all-too-perfect recipe for a best seller, it is hard to argue with her logic.

Systematic western aid, Moyo argues in "Dead Aid", has essentially turned Africa into one giant welfare state. The unending stream of money has created a situation where governments aren't accountable to their citizens: since they don't depend on tax revenue, leaders don't think they owe their people anything—and the people don't expect anything from their leaders. Moreover, says Moyo, since the money flows virtually no matter what, tyrants like Robert Mugabe of Zimbabwe (three hundred million dollars in foreign aid was sent to Mugabe in 2006 alone, says Moyo) often pilfer it and buy foreign goods, or stow it in foreign bank accounts where it does nothing to help the country. Furthermore, aid stamps out entrepreneurship. Moyo offers the example of an African mosquito net maker. When aid arrives in the form of a hundred thousand mosquito nets, the net-maker is out of business, and one hundred and sixty people (employees and dependents) are now aid-dependent. This, she says, is not a sustainable model.

But Moyo doesn't just lash out at a broken system. She offers solutions. African countries should take advantage of the bond markets, she asserts, where the money would be truly conditional and where investors would demand returns on their investments. Remittances—money sent home by Africans living abroad—should be made easier and cheaper. And Moyo is an advocate of micro-finance—small loans that can be made by anyone in the world to African entrepreneurs. Despite protests that her book is not controversial (one writer wondered if it would be viewed as "recklessly contrarian"), "Dead Aid" will certainly be seen so by some—especially regarding her support of China's role in Africa, and her assertion that democracy should not be viewed as a prerequisite for a good economy. Moyo spoke with Guernica by phone from London days before she flew to New York to promote "Dead Aid".

—Jake Whitney for Guernica

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Guernica: In your book, you say that among most Africans, your message is considered common sense. And yet in the West, we haven't heard many calls to cut aid completely.

Dambisa Moyo: I think it's quite bizarre frankly, and slightly laughable, when I hear people say "Oh, the book is controversial." My view is that it's hardly controversial; it's very obvious. Someone described it quite appropriately as *The Emperor Has No Clothes*. Because I think we all know that aid is not working. That's why in the book I draw on literature from organizations like the World Bank. It's somewhat bizarre that all this evidence is out there [that aid doesn't work], but somehow we just continue to push for more. Let's take the capitalistic system for a second. It's quote, unquote, not working now. We have centuries of evidence that it generates wealth and delivers jobs, and yet here we are after one bad year and we're ready to throw the baby out with the bathwater. So I find it quite worrying that we can look at aid—after sixty years and one trillion dollars that haven't worked in Africa—and we still don't question the system. It seems the natural thing that when something has as bad a record as aid does, we should question it and want to overhaul the system.

Guernica: You talk about the different types of aid: emergency, charity, and systematic. Your concern is with systematic aid, not so much charity or emergency aid. Take organizations like The Gates Foundation or Doctors Without Borders. In your model, would there still be a place for organizations such as these?

Dambisa Moyo: Let's be clear on one thing. My fundamental belief is that social services and public goods—roads, infrastructure, schools, and so on—are the responsibility of government. It is not the responsibility, nor the expectation, of Africans that those services should be provided by foreigners or outsiders. I do criticize any system where social services are provided by a system that is outside the continent. Because that means a system where the government is not accountable to its people. Do I think that these types of interventions help or do some good? Yes. But just to be clear, we need to know what they can and cannot do. I do not think that these types of interventions can deliver long-term sustainable growth or alleviate poverty. The example I give in my book is that with aid, you may be able to provide a scholarship for a girl to go to school, but how much use is that if at the end of the day, the economy hasn't grown and there are no jobs for her? We're constantly told that we can't do anything—we're poor, we're dirty, we're impoverished, we're hungry, we're corrupt, we're war-torn, disease-ridden. Ask any psychologist: that's not a formula for generating innovators and entrepreneurs.

Guernica: One trillion dollars is a lot of money. Surely all that aid has helped at least one African country set a strong foundation for economic growth?

Dambisa Moyo: No. I'd love to see that place, but I don't. I wrote a piece for the *Financial Times* a couple of weeks ago, for which I went to Kenya for the first time and visited the largest slum in Africa. It's got about 1.2 million people living in it, and it's been there since 1918. Frankly, it's a perfect representation of the aid model. The UN for Habitat is right next door, yet this slum is spiraling out of control. It's got no clean running water; it's got nothing. It's a direct example where they could have gone in and shown that aid works, but the slum is still there. All across Africa there are countless slums like it. In my experience—growing up in Africa and being an academic who went back to the continent and whose family still lives there—I have seen no evidence that aid is delivering a foundation that could ensure long-term sustainable growth and alleviate poverty.

Guernica: In your book, you discuss the different eras of aid. The money started flowing in the post-war years to keep African countries friendly to the U.S. You go on to describe the 2000s as the decade of "Glamour Aid," and you're critical of Bono and Bob Geldof, in particular. Do you feel these celebrities who are beating the drum for increased aid—and in doing so, drawing attention to themselves as well as the cause—are acting out of paternalism and perhaps egoism rather than true altruism?

Dambisa Moyo: First of all, I talk very little about the celebrities [in "Dead Aid"]. To focus on them is to miss the point. There are three things I want to say about celebrities and "Glamour Aid." First, I don't think they're right. I may have been more sympathetic if they were pushing an agenda for more trade or more foreign direct investment, but the fact that they're pushing for an additional fifty billion dollars [in aid] illustrates to me that they don't understand economics and perhaps do not add value to the debate. It certainly worries me that they're getting more airtime than they should. The second point is that in the aid model, you disenfranchise Africans because the governments are not held accountable. The fact that there was a vacuum big enough for these celebrities to step in and speak, ostensibly, on behalf of the African continent is worrying. Africans stand in the hot African sun to elect their leaders, not celebrities. We expect African leaders to come up with policies about where they want to take Africa. We expect these leaders to attend G8 and other international gatherings to articulate a view of where they see

Africa. The African people do not expect their countries to be represented by celebrities. The third point is that these celebrities don't portray Africa in a positive light. This continent suffers from a very severe PR problem. The world is asking us as to raise our children in an environment where we're constantly told that we can't do anything—we're poor, we're dirty, we're impoverished, we're hungry, we're corrupt, we're war-torn, disease-ridden. Ask any psychologist: that's not a formula for generating innovators and entrepreneurs. And I don't see celebrities out there saying: "Let's bring in more investments; we can show you African doctors and teachers and lawyers and people participating in their country." What I see is a perpetuation of the negative stereotype of Africa, which I think is problematic. That's not how Africa is going to become an equal partner on the global stage—which, ultimately, is my goal. And you don't get there by being portrayed as second-rate, desperate, hungry.

Guernica: You say that among some people, "the unspoken, insidious view is that the problem with Africa is Africans." Do you think racism is involved in the West's attitude toward Africa and in continuing with the aid model?

Dambisa Moyo: I think the whole aid model is couched in pity. I don't want to cast aspersions as to where that pity comes from. But I do think it's based on pity because based on logic and evidence, it is very clear that aid does not work. And yet if you speak to some of the biggest supporters of aid, whether they are academics or policy makers or celebrities, their whole rationale for giving more aid to Africa is not couched in logic or evidence; it's based largely on emotion and pity. So I think for whatever reason, we're in this cycle—and in fact, I consider it intellectual dishonesty where academics stand up and say when it's China, India, or Russia, Bolivia or Poland, we give them market prescriptions, but when it comes to Africa, we need to give them more aid. It says to me that there's definitely this sense that Africans are different, and the situation there should be dealt with in a different manner. The message I'm trying to get out there is that having an open-ended commitment for long-term development and long-term aid is not acceptable.

Guernica: One of the more controversial assertions in your book is that democracy is not necessarily a prerequisite for a strong economy, and that in some African countries, a "benevolent dictator" might be needed to push through free-market policies.

Dambisa Moyo: I wouldn't say [benevolent dictators] are needed, per se. What I was saying is that if we really want to transform the continent, we need to be less wedded to a particular sequence of events. The evidence has shown, and I give examples in the book, that there are many countries that have achieved astounding levels of economic growth and reduced poverty in a short period without democracy. And I think in a sense pumping billions of dollars in aid into Africa, ostensibly under the umbrella of democracy, suggests to me that that could actually be misplaced. What's important is that democracy should be a natural outgrowth, an artifact of economics in the sense that if you create your middle class, then you will have your democracy—and a strong one at that. Studies show—which I point out in the book—that you will never get democracy in a country where most of the citizens have very low levels of income. I think that's borne out in many cases around the world.

Guernica: In the foreword to "Dead Aid", Niall Ferguson describes your market-based prescriptions for Africa as "shock therapy." That term is alarming in light of Naomi Klein's *The Shock Doctrine*, where she asserts that economic shock therapy of the free-market type has invariably gone arm-in-arm with violent repression of the citizenry. If it proved necessary for economic sustainability, would you go as far as to advocate something like that—where a dictator would become necessary to implement your free-market prescriptions, but they're accompanied by some form of repression?

Dambisa Moyo: Many millions of Africans are living under violent repression now and have lived under violent repression for the past sixty years under the aid model. There would be less ability for governments to run roughshod across the continent were it not for aid. In the book, I actually prescribe a five-year phase out. I'm willing to have a debate about whether five years is too soon. But the message I'm trying to get out there is that having an open-ended commitment for long-term development and longterm aid is not acceptable. In sixty years, we've had over one trillion dollars in aid go to Africa. It needs to stop. So if somebody comes to me and says, "Listen, we think that your five-year program is a bit aggressive, why don't we make it ten years?" I'm up for a debate on that. What I don't want is for people to say "Oh, her book is so controversial," and then they put it aside and continue to perpetuate a longterm, open-ended cycle of aid. I don't want to raise my children on a continent that continues to spiral downward. And obviously, from a neo-Malthusian perspective, I'm very concerned that there are so many young people in Africa who don't have jobs or opportunities. Remember that over 60 percent of the population is under the age of twenty-four, and over 50 percent is under fifteen. This is what we need to

focus on. Because those people are not getting jobs, and in another few years we're going to have a situation—and when I say a few years, I mean a few years, probably not more than ten years from now—where you'll have a whole population of incredibly young people with no opportunities. That is a formula for disaster—anywhere, anytime.

Guernica: The replacement for aid, you write, should be tax revenues: "A person who is levied will almost certainly ensure that they are getting something for their taxes." Is there evidence for this?

Dambisa Moyo: I believe there have been studies done, but I don't have them in front of me. It's the idea of "No taxation without representation." Guernica: But without real democracy in some of these countries, isn't it a leap of faith to suggest that tax revenue, which would require jobs, will inspire accountability on the part of corrupt leaders? Dambisa Moyo: Let me put it to you this way. Take Kenya as an example. If aid were given to the Kenyan government by the people, [instead of the West], then the government lives and dies by that money coming in. If that link doesn't exist—money from the people—then the Kenyan government will not stand. Or take Zimbabwe. Its economy is in ruins. When people believe their government is run by a despot, the people shut down. In Zimbabwe, we've seen it in the transition from commercial farming to subsistence farming. The people have stopped producing—the shelves [in the markets] are completely empty. The economy has collapsed, they have no tax base, and the government is still standing only because of aid. If you take away that aid, then the government would have to rely on taxes—yes, it might take some time to rebuild [the tax base]. But if Mugabe continued to use government revenue, now tax revenue, for corrupt purposes, the people would stop paying taxes and eventually—without money to keep the army in place, to keep a civil service—the government would collapse, perhaps by a coup or other means.

Guernica: I'm wondering how your plan would work in the cases of some of the more entrenched despots. We used Mugabe as an example previously, so let's stick with him. As we discussed, if aid to a despot like Mugabe were to be cut off, he would have to rely on tax money to make his government function. If he continued his corrupt ways and began hoarding the tax money as he hoarded aid—stashing it in foreign accounts, etc.—you said the people would stop paying taxes and...

Dambisa Moyo: That's basically happening now. In Zimbabwe, you have a situation where there's a hidden tax on production because Mugabe has completely stopped investing in the domestic infrastructure. What [a hidden tax] means is that when the roads start deteriorating, it's harder for a Zimbabwean to get his goods to market, so whatever money he has, he needs to spend a part of it just to get his goods to market. So it's an implicit tax. This is not theoretical; it's happening now. The infrastructure there is so poor, inflation is so high, and because of this implicit tax, there's no point [for the farmers] to be growing food anymore. That's why people are starving.

Guernica: So the only reason his government is still standing is because of aid, you've said. Let's take that one step further. If aid were to be cut off, would you expect the people to just simultaneously rise up and throw him out of office or...

Dambisa Moyo: Yeah, they'd rise up. Look at Madagascar. Last Wednesday, there was a coup there. As a matter of fact, there's been four coups in Africa in the past six months. Each situation is different, but in Madagascar, some aid money had been cut and the government was not investing in the domestic citizenry or even paying the army. So the army staged a coup.

Guernica: It happened quickly? Not a prolonged struggle with a lot of bloodshed?

Dambisa Moyo: Yes, [in Madagascar] it was quick. There was some bloodshed in some of these [coups]. But Mugabe has been smart by keeping the army on his side. If you feed the army, they won't overthrow you.

Guernica: That's my point, really. If you cut aid to Mugabe and the people stop paying taxes because of his corruption and attempt to rise up, couldn't he just borrow money from a friendly neighboring country—or somewhere—to keep the army in place, and then embark a reign of terror on a terrible scale? How many people could potentially be killed before despots like Mugabe relinquish power?

Dambisa Moyo: Well, for sure you could see that angle. But... in the book, I give an amount that the West has given Mugabe—three hundred million dollars in 2006 alone. So where is he going to get three hundred million dollars? Some people might say China, but that's not likely. Aid organizations are the main reason why he's still in power.

Guernica: Could aid be used to leverage leaders and foster accountability between governments and citizens?

Dambisa Moyo: It's been tried, and it doesn't work. I'll tell you why. There is an incentive structure for the donors, and African countries know this. They know that the World Bank can only survive if it's spending money. So when the conditionalities are not met, the aid continues to flow anyway. If all the African countries colluded and said "We're not taking any more aid money," the World Bank would have to shut down. Look at Ghana. The World Bank discouraged Ghana from going to the capital markets to raise money because it wanted to keep the aid flowing. We've seen situations where, in order to keep the system going, the World Bank has lent to countries just so they could pay off old debts. A friend of mine had a great quote: "Africa is to the development industry what Mars is to NASA." NASA spends billions on a MARS project, but they don't really think we're going there. Same with aid. Billions are spent, but no one really thinks it's going to develop Africa. It's kind of a scam. We've reached a very low-level equilibrium where it's not clear whose interest it is in to develop Africa. What if Barack Obama read "Dead Aid" and said, "that's it; we're not sending any more aid to Africa." It wouldn't be in his interest to do that because he'd lose votes. And it's not in the interest of those in the aid industry [to develop Africa] because then there'd be no more industry and five hundred thousand people would lose their jobs. The only people whose interest it's in is Africans, but they have no voice.

Guernica: Regarding alternatives to aid, you suggest African countries take advantage of the bond markets as well as micro-financing. Could you explain the concept of micro-financing? The Chinese have created jobs; they've built roads. The West has failed to do that in sixty years in Africa.

Dambisa Moyo: The actual, practical aspects of micro plans tend to differ. But the basic concept is small loans to entrepreneurs. In some cases, you can make loans as small as twenty five dollars. For example, Kiva.com is a fantastic website where you can send twenty five dollars to anybody in the world. Microfinancing targets the small, subsistence-level entrepreneur. So it's creating an opportunity for these small businessmen to access capital to finance their projects, whether it's beer manufacturing or food or shoes or whatever. I was just on television here in Britain with Muhammad Yunus, who started Grameen Bank. He raised one billion dollars toward micro-finance. The thing that is particularly amazing is not that he raised a billion dollars, though that is pretty shocking in this market, but he raised it within rural Bangladesh. That is the other element of micro-finance, which is that you don't necessarily rely on big institutions to give you money, you rely on a culture of lending within a society. So in his case he's raised a billion dollars from rural Bangladesh, and it's going to be used to lend within Bangladesh. But think about it: a billion dollars in this marketplace. In Bangladesh. It's not India, it's not China—it's Bangladesh. And the World Bank and other multi-laterals have been really strong-arming [Yunus], trying to get him to take aid money, but he's been obstinate about not taking it. The default rate for this type of lending is about 1 percent. Compare that with the default rates of African governments with aid over the past sixty years.

Guernica: Let's talk about China's role in Africa. You hold it up as one to be admired—as a mutually beneficial business arrangement, and you assert that Africa needs more such relationships. But at the same time you say China is out to "conquer" Africa with money instead of arms. Do think that is indeed China's goal—to conquer Africa? And if so, would it really be more beneficial for the continent to have China's money controlling it rather than the West's?

Dambisa Moyo: From my perspective, China's goal is to develop China and to raise the living standards of Chinese people. Fortunately, there are benefits for Africa, as well. In the very narrow prism of economic development, I think it is better for the Chinese to be in Africa because they view Africans as business partners. And even when they don't—because I don't want to make it seem like the Chinese are perfect—I believe that there is scope for having that conversation. So African leaders, who should be accountable, should be standing up and saying to the Chinese: "We love the fact that you're investing in our continent. However, we need you to employ more Africans or we need you to have higher health standards." That, again, is the responsibility of government—to regulate—and so I don't think Africa needs westerners to step in and wag fingers at the Chinese and say, "Oh, don't go into Africa because you're being exploitative." Some of the worst despots across Africa have been under the ostensible reign of western interests. Mugabe, for example, and [Former President of Zaire] Mobutu Sese Seko, or Idi Amin—the continent is riddled with these people in historical lore. The Chinese have created jobs; they've built roads. The West has failed to do that in sixty years in Africa.

Guernica: But they've also helped prop up a government in Sudan that's engaged in genocide.

Dambisa Moyo: [Sounding irritated] As I said, it's not perfect. However, we shouldn't be pointing fingers after the list of despots I just mentioned. And the Chinese were nowhere to be seen in Africa during that period. It's not perfect. Of course, nobody likes [the situation in Sudan]. But are Africans getting jobs and improving their lives because of the Chinese presence? Overall, the answer is yes. You would hope that then those Africans would bring the [Chinese] government to task.

Guernica: Have you noticed a difference between how Africans have reacted to your book and how people in the West have?

Dambisa Moyo: Broadly, yes. If you go onto my Facebook page, for example, it's inundated with voices of support from all over the African continent and the African Diaspora. In general, the extreme western media says that I'm talking rubbish and being unfair, though some of the more middle-of-the-road [western media] just kind of say, "Very interesting book; we like the arguments." But there have been very few voices from the West that support the book to the extent that they're saying, "Yes, it's time to overhaul the system." I guess I'm not too surprised. Somebody did say to me—an American, last week—"If you ever see something that doesn't look logical, just follow the money." I think that's probably a good thing to say here—everything I've said in the book is couched in logic and evidence. The fact that we're seeing such a ridiculous system in place, it's important to follow the money and see who's benefiting. Then you can see why the system remains in place.

Guernica: Who are you referring to? The only people I see as benefiting are the corrupt rulers of some of these nations.

Dambisa Moyo: The point I am making is that aside from the corrupt leaders, aid supports over five hundred thousand people (mainly in the West) working in the aid industry and virtually none of it reaches the people for whom it was intended.

Guernica: Isn't it possible that cutting off aid will make things a whole lot worse?

Dambisa Moyo: No. [Lack of aid] has not made things worse for South Africa, for Botswana, has not made things worse for China, for India, South Korea, Thailand and the list goes on. It will not make things worse for Africa. But continuing down this path will definitely make things worse. Remember that in the nineteen seventies, Africa had 10 percent of its population living in poverty; today that number is over 70 percent. To continue down a path of depending on aid—which doesn't create jobs, or innovation, or alternative and more transparent ways of development finance—the number of impoverished Africans could get to 80 or 90 percent in our lifetime.

Guernica: Have there been any serious efforts to move toward the model that you're advocating?

Dambisa Moyo: Yes, I think there have been. There's been some progress, though not as much as I'd like to see. For example, "Dead Aid" is dedicated to Peter Bauer [Bauer, who died in 2002, was a development economist who taught at the London School of Economics]. He's talked about this. More recently, we've seen people such as Bill Easterly [Easterly is a professor of economics at New York University] talk about the aid issue. And we are seeing more countries in Africa trend toward the prescriptions that I discuss in the book. Places like Ghana and Gabon are looking to raise money—and have raised money—in the capital markets. South Africa and Botswana have never been aid-dependent in the way in which the rest of the continent has. Paul Kagame, the president of Rwanda, has been very publicly against aid, and he wants to see his country weaned off of it. I know for a fact Kagame is making specific strides [away from aid], so it's more than just talk. The president of Senegal [Abdoulaye Wade] feels the same. So yeah, there's definitely been some progress. It's not as much as one would hope, but things are moving in the right direction.

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