

MICHAEL HOLMAN

TRILLION DOLLAR QUESTION

DEAD AID: WHY AID IS NOT WORKING AND HOW THERE IS ANOTHER WAY FOR AFRICA

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By Dambisa Moyo

(Foreword by Niall Ferguson)

(Allen Lane/The Penguin Press 188pp £14.99)

THE INTERNATIONAL AID industry is surely one of the world's most successful lobbies. Its record after forty years of involvement in sub-Saharan Africa, funnelling a trillion dollars of assistance, is abysmal: the region is as impoverished today as it was at independence. Yet the worse the aid agencies' performance, the more money they ask for – and get. This is chutzpah on a truly grand scale.

It is hardly surprising that every year this gravy train attracts some 100,000 expatriate 'experts', ranging from the well-meaning to the self-serving. Many of them have been recruited by the multi-tentacled United Nations. Others work for the official government development agencies, and the rest enlist in the thousands of non-government organisations that have sprung up since the 1960s.

Meanwhile, 60,000 of Africa's best and brightest officially emigrate to Europe and North America per year. That is worrying enough. The continent can ill afford this annual brain drain. Equally disquieting, the inflow of aid funds is matched by capital outflows from Africa that end up in the West.

Clearly something is wrong. Dambisa Moyo, Zambian-born, with a string of degrees to her name, a two-year stint at the World Bank and eight years at Goldman Sachs under her belt, thinks she has the answer. 'The problem is that aid is not benign, but malignant, no longer part of the solution, it's part of the problem – in fact, aid is the problem.'

Moyo, humming with anger and frustration, goes on to draw up a passionate indictment of all forms of Western aid, the official kind in particular. Whether during the Cold War, when donors courted dictators and sacrificed development, or more recently, with efforts encouraged by celebrities and pop stars, the consequences have been destructive, she argues. Aid projects have siphoned off scarce local talent. And most damaging of all, the social contract between the governed and the state has been eroded. The answer, Moyo maintains, is a phased end to Africa's 'addiction' to aid.

Donors should put every country on formal notice that they have five years to

find alternative sources of development funds. Further Chinese investment in Africa should be encouraged, especially in infrastructure; African governments should borrow on the international bond market; they should do more to promote domestic savings, and to support micro-credit schemes; and a radical overhaul of land ownership is long overdue, turning property rights into security against loans, within the framework of an independent judiciary.

There would have been problems with these suggestions at the best of times. It would take more than a threatened aid cut-off to make venal and autocratic African leaders turn over a new leaf. But the main weakness of Moyo's package lies in its failure to take into account the impact of the financial crisis that grips the credit-crunch world. The implications for Africa are profound. The commodity boom, at the heart of what many had hoped was a sustained African economic recovery, has ended. The call for fair and open trade faces renewed protectionist opposition. Remittances from Africans working abroad – a crucial source of foreign exchange for most countries – are falling as unemployment rises in the West; and it will be a brave investor who puts money into an African government bond. Tanzania has postponed plans to issue a debut Eurobond of \$500m until market conditions improve, and Uganda and Ghana have followed suit.

A wiser and braver publisher would have insisted that publication of *Dead Aid* be delayed while Moyo assessed the impact of these developments, and then came up with fresh ideas. Instead she has been allowed to get away with no mention of the international economic trauma at all.

The author has, as Niall Ferguson writes in his enthusiastic foreword, 'quite a CV', which combines 'academic expertise and "real world" experience'. Real world? Oxford, Harvard, the World Bank, and eight years at Goldman Sachs ... Moyo may have been born in Zambia, but she was bred in an ivory tower that she has been reluctant to leave.

No doubt she will be in great demand, invited to grace speaking platforms and attend book festivals around the country. I trust she will be alive to the danger that her arguments against aid will be used as intellectual fuel by those whose motives may be far from pure, and whose concern for Africa may be less than genuine. In the meantime, the continent could well be forced to look afresh at aid flows, but without

the five-year cushion in which to find new sources of funding. As the old adage has it, be careful what you wish for – it may come true.

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