

*A World of News and Perspective*

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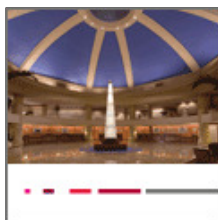
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*Development — Africa*

## Aiding and Abetting? Economists Say Assistance Only Makes Africa Worse

by Mark Hilpert

Record amounts of American aid has been targeted in recent years to Africa, from the Millennium Challenge Corporation's focus on helping African nations that are reforming their governments and economies, to the President's Emergency Plan for AIDS Relief (PEPFAR). Total U.S. assistance to the continent has ballooned from \$2 billion to almost \$8 billion in just eight years, and with a new president of African descent in the White House, hopes are high for even more aid.

It remains to be seen how much President Barack Obama will offer in light of the economic crisis, though he recently called for \$1 billion to support smallholder agriculture in the developing world, a proposal some experts said could be a major breakthrough in African development.

But for decades, foreign aid to Africa has been a favorite whipping boy of conservative Western elites, who point to corrupt regimes on the continent and "white elephant" aid projects that waste millions while doing little to change Africa's persistent poverty. Yet the small number of such critics and their lack of experience in Africa have also limited their credibility on the topic.

Enter Dambisa Moyo. A native of Zambia, the Oxford-educated economist and Goldman Sachs veteran recently created a stir with her new book "Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa," which argues that foreign aid to Africa has hurt, not helped the continent. In fact, she argues that aid is an "unmitigated economic, political and humanitarian disaster" that has only made Africans poorer.

While the thesis of the book — that aid has actually contributed to corruption, stifled entrepreneurialism, and should be replaced with solutions like microfinance — is not in itself revolutionary, the fact that it comes from a female native of Africa rather than a Western white male has turned heads.

### The Anti-Bono?

"As one critic of the aid model remarked, 'my voice can't compete with an electric guitar,'" Moyo writes in "Dead Aid," referring to U2 musician Bono's high-profile campaign to boost African aid. "One disastrous consequence of this has been that honest, critical and serious dialogue and debate on the merits and demerits of aid have atrophied," Moyo writes, suggesting that most foreign government aid to Africa should be cut off within five years to force African nations out of poverty.

Such talk has led some to label Moyo the anti-Bono, and she indeed has railed against what she calls the Hollywood pity campaign to portray Africa as a basket

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case. But Moyo herself has gotten plenty of media attention for her controversial work. Beyond the hype though, Moyo makes a simple point to back up her assertions: Poverty levels continue to rise while growth rates have steadily declined and millions continue to suffer in poverty — despite billions of dollars being poured into the continent for years (a trillion dollars, in fact, over the past 60 years).

Conversely, many prominent economists say the problem is that not enough aid has been devoted to Africa — even a trillion dollars over 60 years is a drop in the bucket compared to, for instance, the U.S. government's financial bailout over the past few months. But Moyo challenges this assumption. Instead, she argues that over-reliance on aid has trapped developing nations in a vicious circle of aid dependency, corruption, market distortion and further poverty, leaving them with nothing but the “need” for more aid.

#### **'Hyenas in Charge of the Meat Market'**

Moyo isn't the only African calling for a radical change in the concept of foreign assistance. Marian Tupy, a South African and a policy analyst at the libertarian Cato Institute, sees a negative correlation between aid and economic development in Africa.

“Many African countries are poorer than in 1960, and the gap between Western countries and Africa has grown since then,” he said, noting that countries that have not relied on aid, such as China, have experienced far greater growth and have done more to reduce poverty.

Tupy refuted claims by aid supporters that Africa's economic success over the last five years (the continent grew an estimated 7 percent in 2007) is evidence that foreign assistance is finally paying off. He pointed out that the highest-growing African economies, such as Nigeria, grew simply by exporting oil and other mineral resources at a time of record global commodity prices. With a worldwide recession stunting demand for such commodities, African economic growth has been halved.

“African governments have not used these good economic times to reform their economies and make their business environments more conducive to private sector expansion,” Tupy charged. “So prospects for growth are not as good now, and that reflects the reality on the ground.”

Tupy — like Moyo — also argues that aid undermines democracy on the continent by making African leaders and governments more responsive to the requirements of aid agencies rather than to the needs and requirements of their own people.

“Aid creates a sense of dependence,” he said. “Instead of reforming their governments and liberalizing their economies in order to grow their economies, African countries rely on aid [which] acts as a disincentive to reform.”

Tupy's comments were echoed by Andrew Mwenda, managing editor of the Independent newspaper in Kampala, Uganda. “Western aid to Africa has done more harm than good precisely because it acts as a subsidy for government corruption and incompetence,” he said. “Most African countries have dysfunctional governments [and] such dysfunctions create opportunities for elites who control the state to plunder public resources, so there are strong constituencies with a vested interest in their perpetuation.”

Mwenda said Western donors mistake these institutional dysfunctions — like poor health care and education systems — as byproducts of fiscal constraints and think aid is the obvious solution. “Yet pouring more Western taxpayers' monies into such governments is like putting hyenas in charge of the meat market.”

#### **Taking Aim at Africa**

Critics of the current aid system say that both Africans and donor nations would be better served by less general aid and more targeted programs. Todd Moss, senior fellow at the Center for Global Development in Washington, agrees that the most successful aid initiatives are highly targeted ones. “PEPFAR, which can tell you exactly how many people are on life-saving antiviral medicines, shows that when you put resources behind a specific set of outcomes, you can achieve real

results," he said.

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