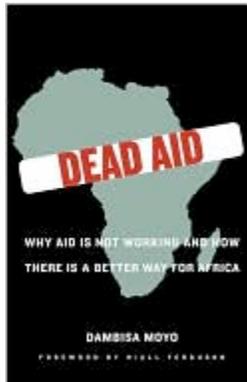




## Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa

**Dambisa Moyo , Joanne J. Myers**

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Dead Aid : Why Aid Is Not Working and How There Is Another Way for Africa by Dambisa Moyo

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### Introduction

**JOANNE MYERS:** Good afternoon. I'm Joanne Myers, Director of Public Affairs Programs, and on behalf of the Carnegie Council I'd like to welcome you all today and thank you for joining us.

I'm sure many of you are aware of the stir that our guest Dambisa Moyo's book has caused, from prime-time interviews, to book reviews, to guest appearances. And she just told me that just yesterday her book made the *New York Times* best-seller list.

We are delighted to have you join us.

**DAMBISA MOYO:** Thank you.

**JOANNE MYERS:** The title of her book is [\*Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa\*](#).

In developing countries, especially in Africa, foreign aid often arrives with the best intentions. Yet, too frequently it arrives with little coordination among donors over accountability to where the funds are actually going. This raises the question whether foreign aid sent to African countries is money well spent or is it just easy money that in the end is squandered by corrupt political leaders.

In *Dead Aid*, Dambisa Moyo answers this question by arguing that official aid is easy money that fosters corruption and distorts economies, creating a culture of dependency and economic laziness. Our speaker argues that aid has not merely failed to work, but has compounded Africa's problems. She cites figures showing the exponential growth in poverty in an area of burgeoning aid. For example, 10 percent of Africans were living in poverty in the 1970s compared to 70 percent now. This means that roughly 600 million of Africa's billion people are now trapped in poverty.

Ms. Moyo makes it clear that the aid she is referring to does not mean humanitarian or emergency aid mobilized in response to calamities, nor does she mean charity-based aid given to specific organizations and people on the ground in order to achieve specific things. When she talks about aid she means systemic aid, the vast sums regularly transferred from government to government or via institution and aims her harshest criticism at the flow of aid from the governments of developed nations to African governments and also aid from institutions such as the [World Bank](#).

After critiquing government-to-government aid packages, Ms. Moyo presents her prescription for

economic stability and long-term economic growth. She argues that African governments need to become accountable to their people and responsible for themselves. She believes countries like China and India are good role models.

A strong believer in the power of the market, our speaker isn't phased by the current crisis facing capitalism. She believes it is still the best model the world has, despite its flaws, and says Africa should focus on encouraging investment rather than simply waiting for handouts. Controversially, she advocates turning off the aid taps within five years and claims this will result in more Africans being pulled out of poverty.

Ms. Moyo's voice is not one of indifference to the needs of those living in poverty, but, as a Zambian-born economist who is familiar with the history of aid and the experience of having been raised on the African continent, hers is a voice of someone who sincerely cares.

Our speaker left Zambia and studied in America, earning a Master's Degree from Harvard's Kennedy School of Government. She went on to earn a Doctorate in Economics from Oxford University. She also has an MBA in Finance and a Bachelor's Degree in Chemistry from American University in Washington, D.C.

For the past eight years, Ms. Moyo worked at the London office of [Goldman Sachs](#) in the area of debt capital markets and as an economist on the global macroeconomics team. Previously she was a consultant to the World Bank. This year she was honored by the [World Economic Forum](#), where she was named as one of its Young Global Leaders.

Ms. Moyo may not have all the answers, but she is determined to begin a conversation with anyone who is interested in fighting global poverty and finding a long-term solution to seeing Africa become an equal partner in the world.

In order to begin this discussion, I ask that you please join me in giving a very warm welcome to a very special guest, Dambisa Moyo.

## Remarks

**DAMBISA MOYO:** Thank you very much. I really appreciate everyone being here this evening. I hope I get a chance to say hello, if not to you individually, at some point this evening.

I must say I feel slightly guilty, because I have spent a lot of time in the last few weeks trying to defend my position. Joanne actually has so clearly articulated what I have been trying to say that I wish actually she would come along with me on my tour, because for some reason my message has not been so clearly getting across.

What I thought I would do this evening is start by talking a little bit about the motivation, why I bothered to write the book, and then talk a little bit about the problems with aid, and then talk a little about the solutions. I am going to spend relatively little time on the solutions because I think they are kind of obvious.

The American dream is actually built on a lot of the solutions. But perhaps in the Q&A we can talk about some of the more immediate issues, such as what's going with the [G20](#) and how that might impact Africa, or bailout aid and so on. I thought that's how I would frame it.

Let me start by just talking a little bit about the motivation of writing this book. It has been quite a multi-year project.

I think over the years it has become much more something I felt I really needed to do, because I go home regularly to Zambia, about four or five times a year. It's relatively close to London. Things are getting worse and not better.

It has been 60 years, \$1 trillion of aid to my continent, and it is rather disturbing to see things go in the

wrong direction. It is not uncommon for me to at least have somebody try and rob me on the streets.

With over 60 percent of the population in Africa under the age of 24, in many countries over 50 percent of the population is under the age of 15, this is a time bomb waiting to go off.

If you have traveled to any of the big African metropolises or the big African cities, you'll see many young Africans, very often educated at least through high school, who have no option but to be on the street, hawking anything from T-shirts and DVDs to mirrors and geese even, which I saw last time. I was quite surprised that somebody had live geese.

But this is not a sustainable situation. It bothers me that I as a Zambian can be driving down the street in the capital, Lusaka, and be desperately worried about this and the African leadership can see the same thing and not be bothered at all, or certainly seemingly not bothered at all.

These are the sort of things that have made me realize that it is time to really push back on a system that has gone on for such a long time and that is being perpetuated with increasing calls for more aid to Africa.

Before I talk a little bit about the criticisms or the problems with aid, I want to just give you a few clarifying points in a preface. Many of them have actually been touched on by Joanne.

First of all, the type of aid that I am speaking about. I think recently a number of NGOs have started campaigns against me. I think they are deliberately conflating issues or being slightly obtuse. It is quite deliberate, because I have spoken to them and said we both understand that this is not the type of aid I am targeting, certainly not in this book. Perhaps the sequel, but not this book.

As Joanne mentioned, this is not about humanitarian aid or emergency aid for [Katrina](#) or a [tsunami](#) or [Fargo](#). I think we have a moral imperative as human beings to step in if there is an earthquake anywhere around the world and actually assist in those type of situations.

Nor am I talking about charitable aid, more NGO aid. I must say that both of these types of aid are relatively small beer when compared to the billion-dollar packages, about \$50 billion, that go to Africa every year now.

I will say, however—and I will come back to this point a little bit later—there is a fundamental problem, I believe, in having charities provide education, health care, infrastructure, and security. It begs the question of "What are the African governments doing?"

Public goods are things, whether you are left-leaning or right-leaning, a Democrat or a Republican. There is a sense that government has to at least regulate or be involved in this type of a situation, or at least in the provision of public goods. Perhaps we can quibble about to what degree.

But in many African countries the government is basically not involved in society. They have completely abdicated their responsibility. The continent is covered with thousands of NGOs who provide these goods, very often in inefficient ways because they can only target a small number of people.

So perhaps, in the population of Zambia of 10 million, maybe 5,000 people get education. But what happens when the money dries up and the NGO leaves? Then this society is quite vulnerable.

Those are some of the things I talk about in terms of the NGOs. I am not talking about that aid. I myself sit on the boards of a number of charities, so I am sympathetic to the argument that we can provide band-aid solutions by stepping in and perhaps giving a girl a scholarship to go to school. However, that type of aid is never going to help any African country or African countries as a whole grow at the rate of growth that we need to eradicate poverty. The number that the United Nations has come up with is about 7 percent growth rate. You are not going to get that from these microinterventions.

I want to confess that if you read the book, which I hope you will, there is nothing really new in it. The book is actually dedicated to [Peter Bauer](#), who is a Hungarian-born economist who in the 1950s and

1960s wrote about these issues quite extensively. It was at the time, post World War II, post [Marshall Plan](#), where everybody was in this euphoria about "Oh, we can do aid interventions."

Actually, when I look back on the literature, it made sense. Many African countries were coming out of the colonial period. They hadn't really mobilized resources. So the argument was that savings would lead to investment, which would lead to growth, which makes sense. But what would happen if there was no savings? Well, we should put aid and that will help. So it was logical.

However, Peter Bauer, in particular, was very vocal about how this could lead to very dangerous and pernicious externalities and how it would never work. He was absolutely right.

He was ostracized from the mainstream. I just had a conversation last week with [Bill Easterly](#), who has written extensively on this issue as well. He warned me. He said, "You shouldn't have done this." He said, "I'm glad to have you on my side, and it's wonderful, but the truth of the matter is you're going to get absolutely annihilated because it is the status quo that we are talking about."

My point is simply that it is nothing really new.

I deliberately wrote the book in a manner that would be easily accessible to the average person. You don't have to be an economist to understand what I'm talking about. I do draw on the literature that is coming from the World Bank and [International Monetary Fund](#), so the development specialists themselves are querying the effectiveness of aid, and I really thought it was important to bring that type of discourse to the broader public. That is what really motivated me to write the book.

I am also going to say just a couple of words about the celebrity culture—I have given it some tags, some of them not very flattering. I think people are always looking to latch onto something. I actually view the second half of the book to be much more interesting, the solutions, but people are obviously very focused on the first part, on the failure of aid.

Just very quickly, three points with respect to celebrities.

My broad headline is that they are a red herring for the issues. Frankly, I don't really care about what the celebrities have to say. I am much more focused on ensuring that the African continent can become an equal partner on the global stage. To spend time quibbling about [Bono](#) and [Bob Geldof](#) and so on I just think obfuscates the fundamental problem here.

The three points I just want to make are:

Number one, they are wrong to push more aid into the continent. They are completely wrong. I just think it's the wrong approach.

Second of all, they are an artifact of the aid model, in the sense that African governments have become so relaxed about their responsibilities that it seems okay for celebrities to become the face of Africa. They are not elected officials. There are elected African officials who are charged with the responsibility of providing public goods, and they are not doing their job. So aid allows these governments to sit around. This whole notion of the celebrities to me suggests that they basically stepped into a place where they saw a vacuum, they saw that there was no leadership here, and they have infused the debate with their own perspective of what is needed on the African continent.

I shouldn't be sitting here. You should have African leaders sitting here explaining what their plan is for the future. They are not. I find that disturbing. You would much prefer to have Bono or Bob Geldof or whoever come and talk to you about Africa. And yet, that is a completely absurd situation. I have talked about the fact that Americans would be outraged if you never heard anything from [Tim Geithner](#) or from [Obama](#) but you heard from an international pop celebrity talking about the credit crisis and how America will come out of it. And yet, we think it is okay in the context of Africa to allow this to happen.

But perhaps the most awful thing, I think, about the whole celebrity culture is that their message is couched in negativity. If they actually were on the world stage saying, "You know what, on this continent

there is opportunity for investment, there is opportunity to look at things in a very different lens," I wouldn't be so critical. The problem is their whole message is couched in what I call in the book "the four horsemen of Africa's Apocalypse." They talk about war and disease and poverty and corruption, nothing positive.

And yet, I remind you—over 62 percent of the population is under the age of 24—the world is asking Africa to raise young Africans to be equal partners, or at least to contribute to the global stage, the global economy, in terms of being doctors, engineers, artists, and so on. And yet, at the same time, we are raising them in a negative veil, that basically they can't do certain things.

So now that I have said that, I am going to very quickly go into what the problems with aid are.

While I have been thinking about the problems of aid, I actually was writing an article for a U.S. newspaper. I thought I was being clever. I said, "I'm going to write the top ten reasons why aid doesn't work," using the [David Letterman](#) format. They didn't like it. But I thought that that actually might be a good way to kind of help us focus the debate, the discussion, so that you can walk away from here and say, "Okay, she gave me ten reasons and here they are." I may not go into great detail on any of them, but perhaps in the Q&A we can talk about that.

Let's first of all get rid of the most obvious reason, which is corruption. It's obvious because we've talked about this. For years, for decades, people have talked about the fact that a lot of the aid money that goes to Africa actually ends up, at best, financing nonproductive uses.

So there are a lot of white elephants. There is a brilliant [picture](#) of [President Bokassa](#)—I think he calls himself Emperor Bokassa—of the Central African Republic. He is having his coronation on a big gold—not gold-plated—bird.

Anyway, my point just being that Africa's history is littered with the worst despotic and corrupt leaders: [Mobutu Sese Seko](#) from what is now the Democratic Republic of Congo, [Idi Amin](#) from Uganda, Bokassa from Central African Republic. I could go on and on.

If this was a figment of Africa's past, I wouldn't have mentioned it. Just a month ago the [former president of Malawi](#) has just been indicted for stealing aid money. My own former president, [Frederick Chiluba](#), who was a development darling, has also been arrested and is now embroiled in a court proceeding for stealing money, hundreds of millions of dollars, which he used to finance clothing and shoes, taking away from education and health care—obviously leaving Africa, and Zambia in particular, with a debt burden which I have to pay.

Now, we have tried as a society to actually curb that type of a problem through conditionalities. Unfortunately, the aid system itself is structured so the lenders, donor countries as well as international institutions, are not incentivized not to lend.

What do I mean by that? The mere existence of institutions such as the World Bank completely rests on them lending money to these countries. So what this means is that their threats or their penalties are ineffective, and very often are not implemented, which is why we have a continent full of despots running around. As I said, I wish it were in the past. It's not.

[Mugabe](#) in Zimbabwe, for all the criticism, has been in power since 1980. There is an American ambassador who lives there. There is a British high commissioner who lives there. What is the point of complaining about Mugabe when he was just here in September for the UN meetings? He received \$300 million from the United States and the United Kingdom in 2006, just official records. As somebody said to me the other day, the impunity of Mugabe to be able to fly to Rome and not worry that he will be overthrown at home really underscores the fact that you can have an immense amount of confidence. If he can get his hands on money, he is able to pay.

So corruption is one of the big ones, and a very obvious one.

Bureaucracy is the second point. In fact, I was joking to an English friend of mine. He asked, "What's

really the problem with aid to Africa?" I said, "Well, bureaucracy is one of them. The countries become laden with bureaucracy." He said, "But we have that here as well." I said, "Yes, but in Africa it can take up to two years to get a business license." Very clearly, again, underscoring the fact that governments don't care if the private sector lives or dies. If it's dead it doesn't affect the government purse. The government still can survive without that type of money.

It takes an inordinate amount of time to get licenses, but also the layers of process completely discourage investment by international investors, but also domestically.

Nobody wants to be bothered to try and do business in these places.

Similar to this, in terms of bureaucracy, I just visited Rwanda at the invitation of [President Kagame](#). He was very interested in the book. I'll talk about him a little bit later.

I went to Rwanda, Kenya, and Tanzania. These are countries that are right next door to each other. I needed three visas and I had to change my money three times, which is completely absurd. We need much more regional integration, but that's another point. The layers of bureaucracy to get a visa from one country and so on—the bureaucracy is set up to actually discourage private-sector investment because the government needs to feed itself.

Inflation. African countries have had triple-digit inflation throughout most of the 1980s and 1990s. It has come down. Sometimes it is food inflation, like we saw last year, but in general we as Africans live in a pretty inflation-dependent economy. It is very, very clearly linked to dumping billions of dollars into the continent.

I think the worst problem with having such high levels of inflation is that some governments try to fight the inflation by, for example, issuing bonds. That actually costs money. In fact, in the book I talk about Uganda, which ended up spending an additional \$110 million a year to fight the inflation that has basically come in because of all this aid money coming in.

So inflation is another one.

Debt burden I talked about. I am sympathetic to the view that perhaps there should be a debate about debt relief. In the run-up to the [Jubilee 2000](#), for example, I wasn't campaigning, but I could see issue from both sides—the issue of moral hazard, where governments just get used to getting themselves bailed out.

But the problem is that I think debt relief in isolation may make sense, but the more fundamental problem is: what is the point of giving debt cancellation or debt relief and then just subsequently adding on new debt? It just perpetuates the cycle.

So, basically, we end up in the situation where African governments, even today, are spending about \$20 billion in interest payments every year. That money is being spent to keep the system in place. So you pay a little bit of money to the World Bank and they re-lend to you, or you pay a little bit of money to Norway or the United Kingdom or U.S. aid agencies and then you get the money back. But no money is going to education and health care, for example, or infrastructure for that matter. In fact, in many countries the education or health care share of government expenditure is something like less than 2 percent, whereas military is something more like 40 percent, with the rest going largely to debt payments.

There is also a notion of "[Dutch disease](#)." Some of you might be familiar with this. It's what is very much known in parlance as the oil curse, the fact that there are these large flows of money coming into the economy.

Think about this as dollars going into, let's say, Kenya. You send them this billion dollars going in. It means that the Kenyan shilling becomes less available, so it becomes more scarce, meaning that it becomes stronger, so it appreciates. That kills off the export sector, because nobody wants to buy Kenyan goods if the shilling is so expensive.

Again, although this was an issue that was raised initially—and it is called "Dutch disease" because it was a phenomenon that was spotted in the Netherlands when they discovered oil—it is something that in economic literature and development literature is very well known to be an artifact of the aid model. And yet we skirt over it.

Nobody seems to care that it is killing off the export sector.

It is not just the export sector, because the exporters in a poor country, particularly a commodity-dependent country, like many African countries are, basically supports the domestic economy as a whole. They are the ones who go and buy haircuts and go and buy clothes or foods and go to restaurants. So if they can't do it because their business has been shut down, then the whole economy starts to shrink, which again we have seen in Africa.

I've talked a lot already about the fact that having large aid flows coming in, which are essentially free because African governments don't need to do anything. They don't have to cater to their people, they spend their time courting the donors to get more money. That basically means that they have abdicated their responsibilities.

I've talked about the fact that really the governments in Africa should be at the forefront of this debate, talking about what their plans are to generate jobs and to keep these economies together. We don't see or hear from them.

In fact, if I polled you—this group here is a relatively sophisticated crowd—and I asked you to name three African presidents, I'm sure we would all struggle. And beyond that, if I said, "Name the economic agenda of even one African president," I think we would definitely be stumped in here.

So again, is it reasonable, is it sensible, for a whole continent to have its future rely on aid flows and political strategies, policy strategies, that are defined by an NGO class or by foreign aid? It seems to me that it is not.

I just want to also touch on the point that here the fundamental problem is that we have aid as essentially an open-ended commitment. African governments don't even see an end, so say, "Oh, actually in 30 years we won't have any more aid, and therefore we should start to plan."

I think the credit crisis is really showing this. Here we have a situation where many African governments are attending the G20, not in the circle, as the G20 is—only South Africa is included among these economies—but they are hanging around outside saying, "Well, don't forget Africa for a bailout."

Well, nobody is asking the question, "We have just come out of a commodity bull run. What has happened to that money?" No one is asking, "What if America can really not help you out because America is suffering from its own economic crisis? What's your contingency plan?" The governments don't have that strategy. They are completely dependent on aid.

I touched a little bit on entrepreneurship and how basically the aid model completely kills that off. As I said, if the governments cared about the need to raise taxes from a private sector, they would invest more money and more effort in building the private sector, or certainly at least in creating the environment through which the private sector could flourish. They don't.

Here I am going to give an example, a specific example of what I consider the attitude of many African governments. I hate to pick on a particular country, because I think this is just simply an example of what is going on across the continent, but here is an example from Ethiopia.

Ethiopia is the second-largest population in sub-Saharan Africa. Nigeria has about 100 million people. Ethiopia has about 90 million people. The mobile phone penetration rate is 2 percent in Ethiopia, so about 2 percent of the population has a mobile phone, compared to the average in Africa, which is about 30 percent (one in three Africans has a phone) and compared to the fact that there are now 30 countries that have over 100 percent mobile phone penetration rates (people have more than one mobile phone). I

don't know what that's like in the States, but in Europe the landline has not really been the main use of telecommunications. People use mobile phones. They have a personal and a work phone.

Why am I telling this story? Because here we have a situation where we have a lot of evidence now that mobile phones are very, very important and they can be very, very influential in terms of providing jobs and generating an income. I'll give you a specific example.

In Ghana there is a lot of literature about how a farmer can now call city A and say, "Listen, I'm in the rural area. If I bring my sack of corn to you how much are you going to charge?" He could find, "If I bring it to city A, I'll get paid \$20. If I bring it to city B, I'll get paid \$40." Therefore, the farmer can improve his income by taking it to city B.

But there is also other stuff. Health care records can now be put on mobile phones. People in rural areas in Africa can get text messages to say "The doctor is coming into your area on Tuesday of next week at 4 o'clock." And so on.

But here we have a government with 90 million people and 2 percent interest rates. That is also one of the governments that is at the G20 asking for bailout money.

Why am I bringing this up? Because why would it be so difficult for the government to sell off the license, earn a one-off large fee, but also maybe even put on a tariff so they can continue to earn a usage fee from people using the mobile phones, but also really provide a real chance for its citizens to actually start to do business, start to be able to trade, and generate incomes for them to stand on their own two feet? This is a classic example of the type of attitude that I think pervades the African continent.

Perhaps it is no surprise that 97 percent of the budget in Ethiopia is aid-based. It shows a lack of innovation. There is a lack of any effort being paid to try and wean the country off of aid.

Very quickly, the last two on my list of ten: civil wars and civil conflict in Africa. In the last five months we've had four coups: Guinea, Guinea Bissau, Mauritania, and just two weeks ago, Madagascar. We have a number of failed states, Somalia being the classic example. In the 1990s Africa had more civil wars than the rest of the world put together. This pattern of political instability is rampant.

There is a lot of literature in the development discourse about how in a situation where there is no private sector or a weak private sector the government basically becomes the only thing that has any pool of cash. So you end up with these cycles where there are factions constantly trying to capture the state because that's where the money is. I think it seems rather obvious now when you look across the continent that this pattern seems to definitely feature quite extensively.

In the book I also talk about some very interesting work that has been done by some academics. One of them is [Przeworski](#) et al., where he has actually calculated the probability of a country being able to keep a solid democracy in place. He basically says that probability is directly correlated to the per capita income. So if you've got low per capita incomes, your democracy cannot hold. I think for him the benchmark is \$6,000 a year; only after \$6,000 a year can you actually have a stable, solid democracy.

At the time I was writing the book, Thailand has just had a coup. I thought it was incredibly interesting that even in the case of Thailand, who has less than \$6,000—it has been doing really well, but it still had less than \$6,000—he was right. He actually gives a time period. He says that you can keep a democracy in place for ten years if you have less than, let's say, \$6,000. But it's a very interesting piece of work. I talk about it in the book.

But he is right. I think it's not surprising that in Africa the democratic environment is so tenuous. Kenya's situation last year is an illustration of this point. My belief is that if we continue down the aid model, the number of Africans living on less than a dollar a day in the foreseeable future will probably increase from over 70 percent to 90 percent, and we will see many more failed states, many more corrupt governments, civil wars, and so on.

If there is one problem with the aid model that I would like you to walk away with today, the fundamental

problem with these large aid flows going into Africa, it is the fact that it disenfranchises Africans. Africans have no voice. Africans cannot hold their governments accountable.

In the United States, if you are not happy with the way your leadership is dealing with a problem or an issue, whether it's health care, education, security, or infrastructure, you vote them out of office. In Africa it means nothing.

There are many countries in Africa—and I talk about this in the book—where the presidents have been in power for over 30 or 40 years.

They are propped up by the aid model. They are not going anywhere. They do not deliver anything. The society is becoming worse.

To quote my former Ph.D. supervisor [Paul Collier](#), Africa is shearing off from the rest of the world, so the rest of the world is going in one direction and Africa is going in a completely different direction.

The reason is that many African governments just don't care. They really don't care about what their citizens think.

I go back to the point of no taxation without representation. Until the governments actually desperately rely, their existence relies, on taxation, we'll continue to see this cycle of where they don't care, and they can just call up donors to get more aid.

Let me very quickly go through some of the solutions that I recommend. As I said, I think the fact that you live in the United States probably means that you are very familiar with this, and it might actually seem kind of bizarre that this seems to be such a big controversial notion when it's actually so obvious and such a part of the backbone of the United States.

I will say, though, with the free market or capitalistic system under fire, I would remind everyone that—and I'd like to paraphrase President Obama from his inaugural speech—despite all the problems and the questioning and the concerns about the capitalistic model, it is still the best model for delivering wealth, and we should not forget that. It is unprecedented.

Now, that doesn't mean that we shouldn't regulate it more, or perhaps be a bit more thoughtful in the manner in which it is implemented. But let's not throw the proverbial baby out with the bathwater. I think there are a lot of good things that happen. And let's also not forget that it has been over 300 years that you have had a system that has worked.

And yet, where African aid is concerned, we have had 60 years of poor performance and nobody is questioning that. Nobody is really saying, "This thing is not working." I mean look at how much flak the free market is getting after 18 months of a problem. We have completely forgotten that we had had 300 years of a good system. Whereas for something like the aid model, nobody seems to care.

But very quickly let me just go through some of the big ones.

Trade. In the book I recommend that Africa should not spend another penny trying to negotiate in the trade rounds of Doha and Uruguay, [WTO](#) rounds, trying to negotiate access to Western markets, Europe and the United States, where, as we know, there are billion-dollar subsidy programs. I believe in free trade, but I am also very pragmatic. It is very unlikely—in fact, it's pretty impossible—that these markets are going to be opened up for African goods and services.

The American president and the administration is first and foremost responsible to the American people. There is no way, no matter what we think, that the Western governments are going to say, "Well, actually I feel really sorry for some Zambian farmer who needs to earn a living, so at the expense of somebody in Iowa who is growing corn, Mr. Iowa, you lose your job, but I'll give the money to open the market for a Zambian." It's not going to happen. So I say to African governments: Get real. It's not going to happen.

The good news is that there are countries on this earth that desperately need African goods and services.

China is an obvious one—1.3 billion people, 7 percent arable land—that desperately needs to feed its population. I suggest African governments spend their time building alliances there on food. I'll come back to the point of China, because I am not saying that China should have a *carte blanche* to come into Africa and do whatever it likes. I think there are a lot of issues there. But I do think fundamentally what the Chinese are doing in Africa is the right thing.

Foreign direct investment. I've talked a little about this. It's so obvious, in a sense, that investors want to put money in a place that is transparent and accountable and where there is a legal framework that actually works and has teeth. However, for some reason, that seems to have bypassed the whole aid culture.

Some of these things that African governments could do are not long-term strategic things. They are very easy things. They could tomorrow actually say, "It now takes two forms that you have to fill out and it will take you a week to get your business license." That could materially change people's attitude towards investing in these regions.

I come from a country of 10 million people, which is nothing. But I come from a region, southern Africa, which is 200 million people. That's a very different perspective that investors would have.

There needs to be much more regional integration. I have talked a lot about this. I mentioned to you earlier this whole idea of going to three countries in east Africa and having to get different visas and change currencies. That doesn't make me as an African keen to invest in east Africa. They have to do that—again, not just talking about it, but really doing it.

The capital markets. I strongly still believe that the bond market offers a transparent system that can hold the issuer accountable. Yes, we are living in very challenging times right now. My advice to African governments is twofold:

Stop looking to traditional markets to issue bonds, such as the United States and Europe; start looking to the Middle East, to China, who are sitting on capital, and arguably can price African risk better than Western markets, because the attitude of Westerners in Africa has tended to be one of pity, by and large, which is what I believe the aid model is. Actually, the attitude of the Chinese and the Middle Easterners has been very much one of investment and business approach.

I think yes, it needs to be regulated. If we did have accountable African governments, then maybe they would bother to ensure that the Chinese are not coming in wholesale and taking advantage of Africa and just leaving.

One would hope that in the model that I am prescribing that African governments would actually start to care about investment and bringing in more investors from these places.

Those three are the sort of macro things that governments should be doing, things like the bond market trade and foreign direct investment. But what about you and I, individuals? Are there things for us to do that could meaningfully change people's lives?

In the book I talk a lot about microfinance. Just a few weeks ago, I had the privilege of being on a panel with [Muhammad Yunus](#), who maybe some of you know, who is the founder of [Grameen Bank](#), a Nobel Laureate from 2005. I almost fell off my seat when he told me that in the last nine months he has raised over \$1 billion from rural Bangladesh to invest in rural Bangladesh. I'm going to repeat that because I am still shocked. One billion dollars from rural Bangladeshis to invest in Bangladesh.

It's not urban Bangladesh; this is rural Bangladesh. A billion dollars in this market.

It's not aid money. He has a policy of not taking aid.

As many of you might know, his default rates are very small. In fact, the moderator of our meeting said, "So you're telling me that African governments have a worse default rate than these Bangladeshis in the rural areas?" We said, "Yes. Essentially that's the point."

But here we have a program which should have come out of the World Bank, I would think, if they're really interested in development. Why are we looking at one man in rural Bangladesh who has come up with this brilliant program? Why wouldn't the World Bank do something like that? I'm just going to leave it at that.

I just want to leave you with one quote. An African friend of mine said to me, "Dambisa, why are you bothering? Why have you bothered to write this book?"

Before I could answer, he said, "Africa is to development what Mars is to [NASA](#). Spend billions of dollars researching and analyzing and visiting and writing reports, but nobody really believes he will ever, ever live on Mars and nobody really believes that Africa will ever develop."

I'll leave you with that thought and I'll take questions.

### Questions and Answers

**QUESTION:** You are correct when you say that foreign investors are not going to invest in a country where there isn't a rule of law or transparency, and that the existence of dictatorships in Africa and the corruption and so on make it a real problem. But why do you think that if we stop providing aid that the governments would be less dictatorial, that the governments would be less willing to spend money on military rather than on social needs, and that there would be greater transparency and commitment to the rule of law?

**DAMBISA MOYO:** Basically, it is because that's what the evidence has shown. Actually, if you think about it from a logical perspective, if African governments borrowed money from the international capital markets and claimed to investors that they were going to invest it in productive activities to grow the economy and then pay back the interest and the principal and then spent the money on keeping themselves in private jets or whatever and did not use the money productively, the market would shut down on them.

So, just following that, they would then have no money to keep the armies. Africans could actually vote them out of office, as opposed to now—there would be no stuffed ballot boxes—and Africans would no longer be afraid of their governments and what their recourse might be.

Essentially, what I'm trying to drive at is we need to create a system where the governments feel like they need to actually court Africans, as opposed to courting somebody from outside. I'm not saying the bond market is absolutely perfect; of course they also have some challenges. But, by and large, with a more transparent system the governments would have to deliver on promises, as opposed to now when they can steal the money and do nothing. You're lucky if they do nothing. The problem is that many African governments have become obstructive to the private sector and to things that actually would improve the domestic economy.

**QUESTION:** The most developed government in Africa is South Africa. You had the president there for years denying that AIDS was caused by anything other than green plants or something. And yet, in spite of all the aid, it seems to me that Africa has got to start producing its own leaders, developing your businessmen and your politicians that aren't corrupt. I don't know how you do that, but it's something that I think Africa has to do for itself, not expect help from somebody else. There's just no way anybody else can help in that particular thing.

**DAMBISA MOYO:** Yes, absolutely. I think that leadership is the critical thing, which is why I left the last point as disenfranchising Africans. We all want better leadership in Africa. But you are not going to get good leadership, because the people who are really highly qualified, smart Africans, who would do a fantastic job in transforming the economy, don't want to work in a place laden with bureaucracy and corruption.

**QUESTIONER:** Couldn't that change?

**DAMBISA MOYO:** We can't, because the governments that are in power—not every government, but many of the governments that are in power—actually continue to get aid money, and so they are able to stay in their positions.

I think it is really important to understand that it is virtually impossible to de-link the aid culture from the political system in Africa right now. They are two sides of the same coin. Until we get rid of the aid culture and the aid system, we will not get good leadership. We will always get flashpoints of good leaders who somehow manage to emerge.

I am going to give the case of Rwanda. If you haven't been to Rwanda, it's an amazing country. I feel guilty because I'm actually a Zambian. I have to say if I weren't Zambian I would wish I were Rwandan. It is an amazing country. What the president is doing there is unfathomable. They've got incredible infrastructure. He is incredibly focused on getting Rwanda off of aid.

However, I have to say I left there quite saddened, because I realized that as animated as President Kagame was, he is one individual. Right now he is getting a lot of flak from the donors, saying, "You need to take more aid money." He is really adamant. If you ever get a chance to see him in action you should. He's just something else.

But the risk is that he is just one person and one day he won't be president anymore. It is so clear to me that it is very easy—there's almost a policy recidivism, in the sense that it is so much easier to say, "I can't be bothered to go and talk to 1,000 investors, maybe 300 of whom will lend to me. I'd rather sit here and call the World Bank and say, 'Listen.'"

And think about this: this is Rwanda 15 years after the [genocide](#). If there's one country in Africa that could guilt-trip all of us, it's Rwanda. They could pick up the phone and say, "You forgot us during the genocide. You give us more money." Most of us would be happy to write a check, just out of guilt.

But here is a president—70 percent of his budget is in aid—and he is going out there and saying, "I'm sorry, we have to take the harder route, which is we have to get off of aid." We have to ask the question: Why would he say that? My book has got a number of quotes. It's a very public thing. He is very much against it.

He does look at the economic arguments, but his arguments are more philosophical. He says, "You cannot expect me to encourage Rwandans to be entrepreneurial and innovative in a place where they actually are completely burdened by an aid culture, where they have no incentive to actually do anything, because somebody is underwriting their business."

So yes, leadership is critical. But I think that it is an artifact of an economic system where we have a middle class that will vote out bad leaders. I mean [Thabo Mbeki](#) with that type of a remark should have been voted out. It's completely absurd. However, you are not going to get that type of a system if Thabo Mbeki is sitting on a pile of aid coming in and doesn't have to go anywhere. He can sit there for years. Obviously that is not the case in South Africa.

**QUESTION:** First of all, I salute your courage. I can only imagine the sort of attacks you will continue to come under for having the courage to say what you are saying. There is a lot to be said for it. But I think there are important nuances which perhaps in a very brief presentation like this you didn't bring across.

First of all, on Rwanda, I agree with you that remarkable things have happened there. It is the first country I know of in Africa where cabinet meetings are now held electronically. All cabinet memos are submitted, electronically processed. It's extraordinary. More than half the parliamentarians are women. The president of the National Assembly is a woman. They have made remarkable strides since the genocide. That is very true.

But you made some comments about civil war in Africa. A lot has changed over the past 10-15 years. There are far fewer civil wars. Sierra Leone, Liberia, Burundi, DRC (except the east), Angola—so many of the wars have come to an end. So let's acknowledge the progress in terms of an end of war and

movement towards some form of democracy.

Let's acknowledge the fact that the [African Union](#), in the [Constitutive Act](#) of the African Union, now a policy which used to be one of non-interference is one now of non-indifference. The African Union no longer accepts African countries where changes are unconstitutional. That's why Madagascar has been suspended, Guinea has been suspended, Mauritania has been suspended. That's progress. It sends a very important signal that there is a commitment to constitutionality. There is a lot more to be done, but it is an important step forward.

Now, very quickly on the economic side, I think it is important to acknowledge many countries in Africa are making strides to make it easier for you to get a business license in less than two years. There has been some significant progress in some countries. I think it is important.

And then, regional integration also, please acknowledge [SADC](#) and [Ecowas](#). Important steps have been taken to improve regional integration.

So now that you have helped to spark this debate, how do you see the debate, a very legitimate one you have helped to provoke, unfolding and what are your plans to try and get the debate to be even more vigorous?

**DAMBISA MOYO:** I'm sorry if I have given people this Doomsday scenario for Africa. Let me just say a few positive things. Thank you for underscoring that.

Africa now has 15 stock markets, over 500 stocks that trade on stock exchanges. Eighty-five percent of them are non-commodities, so actually we are much more diversified. We are seeing banking and telecommunications and so on.

There is progress. Sixteen countries have got credit ratings.

Yes, there have been some ostensibly democratic elections that have occurred.

But all this progress is in spite of aid, not because of it, and we are here to discuss aid. So yes, there needs to be much more movement in the right direction. I still actually maintain that things like SADC, [COMESA](#), Ecowas, and so on—these are the big regional organizations in Africa—are doing way too little.

You have given the example of SADC. My country is a member of SADC, which is the Southern African Development Community. We still have multiple currencies.

We still have the Zimbabwe situation right smack in the middle. We still have a situation where you need multiple visas to travel in the region. So what it is that they are doing is not clear to me. I think that there are some very fundamental things that can be done quite significantly if the leadership actually came around and took these things much more seriously. East Africa is a similar sort of situation.

The good news with respect to the debate is that I feel very, very happy that I have been invited, not just by sort of libertarian or left-wing institutions to speak about these issues, but also the purveyors of the aid system themselves. So tomorrow I am going to Washington to meet with IMF and World Bank officials. Frankly, I am struggling to figure out what I am going to tell them, because they know all of this. The only thing I can think about telling them is that they need to do much more, be much more aggressive with what they are doing. So that's really going to be the big take-away.

Somebody forwarded me a letter from [One](#), Bono's organization, which essentially labels me as a genocidal maniac who is trying to kill off African babies because I want to cut off malaria programs and HIV programs. That's not what I am talking about here. I'm talking about fundamental change, really overhauling the system and giving Africa a real chance.

I do want you to leave with a positive message. I'll give you a sneak preview. I'm actually publishing an article in [Foreign Policy](#) magazine in which the last sentence talks about aid. Everything else that I talk about is positive things that have been happening in Africa.

But we are here to discuss making the trajectory stick. It is not going to stick with another \$50 billion of aid coming into Africa. That is what I would say to that point.

**QUESTIONER:** I know that the president of Rwanda invited you to go over to speak to him. I was just wondering whether the Zambian government has made any overtures to that effect, inviting you to go over to help them figure out how to get off aid.

**DAMBISA MOYO:** The Zambian government actually has invited me. I got the invitation yesterday. So I am going to Zambia, I am going home, which is fantastic, on Thursday.

It is, like *The Economist's* review of my book, kind of late, because I thought the Zambian government would be the first ones to call me, and they weren't. I was slightly disappointed I must say. But they have come around. They are paying for my flight, which is fantastic. They have promised to sell many copies of the book in Zambia. I am very excited. I am going home on Thursday. I will spend two days also with the president and his economics team to talk about specific ways to think more aggressively about these issues.

**QUESTION:** Are [Bill and Melinda Gates](#) and [Oprah Winfrey](#) following the capitalist direct investment model or the aid model or some combination thereof?

**DAMBISA MOYO:** I don't know the specifics of their approaches to Africa. I essentially read what I see. Maybe you have better information.

The Oprah Winfrey Foundation, I think—I may get myself into a bit of a trap here—is much more effective and interesting and useful to actually do stuff on the ground in Africa, to encourage Africans. I think this whole notion of taking Africans off the continent is something we should be debating more vigorously.

Bill and Melinda Gates, again I think laudable interventions. I mean things like smallpox were eradicated by aid interventions. But I go back to my point earlier on, that we can't build a system on Bill and Melinda Gates. What if they change their mind? What if they are no longer interested in providing health care? What are the African governments doing while Bill and Melinda Gates are trying to salvage the Zambian health care sector, or whichever country they are in?

So this is about fundamental reform. Somebody quipped to me, which I think is very interesting, "If we continue down this path, we should start telling Africans not to bother going to vote for their presidents. They should actually start voting for Bill and Melinda Gates versus another provider of health care and see which one provides better health care." It sounds absurd, but actually that is the logical extension of the path that we are on right now.

I think that they have a lot of scope to do some amazing things. But if they continue with their more charitable interventions, it's not clear to me that they will be able to get these economies to grow at 7, 8, 10 percent a year, or to actually get Africa to stand on its own.

**QUESTION:** I'm familiar with West Africa, especially Sierra Leone and Liberia, which have had decade-plus-long wars, where the economies and the countries were really destroyed. Is aid appropriate to help get post-conflict countries in a situation like that back to some kind of normal status?

**DAMBISA MOYO:** If Paul Collier were sitting here, he would say, "Absolutely, you need more aid." My approach is that I think military interventions should be very much like bailout aid.

So if I may use the analogy for a quick second, right now much of Eastern Europe is going through balance-of-payment crises, currency crises, on the back of this credit crunch. Do we think it makes sense to give them loans to bridge this problem until things get better? Yes, I can see the argument for that. However, there is no illusion—nobody is deluded—that that is a temporary intervention to try and get something back to equilibrium.

I think the problem with the aid model I am talking about is that it tends to be permanent income and it

becomes an open-ended commitment, nobody bothers to go and look for other forms of capital, and you get into this cycle.

I think with military aid there may be scope for interventions. But what I really don't like to see is the fact that these economies basically become completely dependent.

Let's take the DRC for example. It has, from what I understand, the largest population of UN security staff of anywhere in the world, about 17,000 military staff on the ground. By many accounts—I've been to Lubumbashi—the Congolese army is out of control, the government has lost control of the army. So is the situation working, having 17,000 people on the ground? People are saying, "Actually, no. It will work if we make it 100,000 UN officials on the ground." So maybe there are more fundamental things we should be dealing with than just putting in these military interventions.

I don't know enough. Clearly, a place like Somalia may benefit from an aggressive intervention, military interventions. But again, are we talking temporary or are we talking long term here?

I'm much more interested in ensuring that my children and my grandchildren can have a vibrant, interesting life where they are productive contributors to the global economy rather than being seen as a drag. To me, any type of aid doesn't make that a reality.

**JOANNE MYERS:** I thank you so much for sharing with us your knowledge.

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