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Helping Africa Save Itself

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In *DEAD AID*, Dambisa Moyo, a Zambian-born economist, lays out a brash argument: that the more than \$1 trillion in foreign assistance given to Africa over the past 50 years is the root cause of the continent's enduring poverty, widespread corruption, civil wars, and isolation from the global economy. Following this logic to its conclusion, Moyo argues that the best way donors could help Africa today would be to phone officials there and tell them all aid will be cut off within five years. Given recent calls by Bono, the economist Jeffrey Sachs, and others to increase aid, Moyo's thesis is controversial, to put it mildly. And it's also misleading in several key ways. But it's worth taking seriously, for it's already caused a huge sensation in the donor community and among Africans frustrated by the slow pace of development—and eager for ways to speed the process.

There is no question that outsiders have been complicit, wittingly and otherwise, in compounding Africa's problems over the years, especially during the Cold War. But aid is not always as harmful as Moyo claims. True, in some cases—like U.S. support for Zaire's Mobutu Sese Seko—it has abetted bad governance, and in others it has fed conflict. But this is overly simplistic. Take Angola, Mozambique, and Somalia. It was outside military assistance, not foreign aid per se, that helped fuel the long-running civil wars in the first two. And to say that the conflict in Somalia is primarily a competition for control of large-scale food aid—as Moyo does—is a selective, if not facile, reading of the complex dynamics driving the chaos there.

To bolster her case against aid, Moyo argues that countries that have voluntarily abandoned outside assistance in recent years, such as South Africa and Botswana, are thriving. But again, this oversimplifies things. While it's true that these two states lowered the amount of aid they receive as a percentage of national revenue, they have continued to benefit from donor largesse; for example, South Africa has received \$2 billion in support for housing and health care from the United States since its transition to democracy in 1994, and Botswana still gets hundreds of millions of dollars annually to combat the spread of HIV/AIDS and strengthen its health sector. In fact, the success of South Africa and Botswana demonstrates that foreign aid and progress can coexist in Africa when there's proper oversight and good governance, and there are many other instances.

Despite these flaws, Moyo's slim, 208-page book remains critically important. For while she may get some details wrong, her insistence that current aid should be designed in a way that makes it less necessary in the future is essential if the continent is ever to manage on its own. Moyo, who worked at the World Bank and on global finance at Goldman Sachs, is particularly adept at outlining how African governments can start to fund development on their own. Her top recommendations include accessing international capital markets, developing domestic bond markets, and ensuring that local governments obtain international credit ratings. Recent experience shows that international finance can act as a powerful resource—for example, when Ghana issued a \$750 million bond in 2007, it was ultimately oversubscribed by \$5 billion of unmet investor demand, far more than the estimated \$2 billion Ghana needs to meet its Millennium Development Goals for

the next five years. Then there are remittances, the money sent home by the 33 million Africans living outside the continent, which reached \$20 billion in 2006. If even a portion of money were invested in, say, Ugandan Treasury bills that pay 10 percent interest, it would build serious cash fast. Indeed, such measures have the best odds of ensuring that someday soon a phone call like the one Moyo envisages gets made. But it would be better still if it's an African leader who makes the call, with a simple message: "Thanks, but no thanks; we've learned to finance development on our own."

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