A Matter of Dishonesty

A Review of:
Dambisa Moyo

Dead Aid:
Why Aid is Not Working and
How There is Another Way for Africa

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*Dead Aid:*

*Why Aid is Not Working and How There is Another Way for Africa*

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When a Maasai uses his stick and spear to kill his neighbour’s wife, nobody will argue that a stick and spear are not the right instruments for a Maasai to defend his cattle against lion. If we reuse this ‘wisdom’ to apply it to development assistance, it brings us to at least one conclusion: aid is and has been used in wrong ways many many times in its sixty years history and thus produced often poor results, but that doesn’t say that the instrument in itself is wrong or inadequate and can not be used to bring economic and social progress. Much about the present discussion on aid and aid effectiveness can be said, but a first observation might be that in many articles, books and papers all aid is put in the same kettle and is then being boiled to a strange kind of unitary soup. Aid however comes from many very different sides in many forms and is implemented under rather diverse conditions. This leads to a second observation. In many of the recent literature on aid, it is explicitly or implicitly supposed that aid can heal all ills and wounds, that it is a magic potion that in itself can bring economic and social progress. The other side of that same argument is that if that progress doesn’t come, if there is stagnation, aid is being accused of failing, of not working.

Dambisa Moyo is a young Zambian consultant with degrees in economics from Oxford and Harvard, who has worked as a consultant for the World Bank and Goldman Sachs. In her book *Dead Aid* she goes quite a step further than some of the other recent books on aid to Africa. She accuses aid of being at the root of all the ills in Africa. Three quotes suffice to show her conclusions and one is coming direct at the beginning of her book:

‘Why is it that Africa, alone among the continents of the world, seems to be locked into a cycle of dysfunction? Why is it that out of all the continents in the world Africa seems unable to convincingly get its foot

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1 Paul Hoebink holds an Extraordinary Chair in Development Cooperation at the Centre for International Development Issues Nijmegen of the Radboud University Nijmegen. My gratitude goes to Ruud Treffers, Executive Director at the World Bank, for assistance in relation to this review and to Kenneth King for comments on a shorter version of this review that will appear in NORRAG News no.42.
on the economic ladder? Why in a recent survey did seven out of the top ten ‘failed states’ hail from that continent? Are Africa’s people universally more incapable? Are its leaders genetically more venal, more ruthless, more corrupt? Its policy-makers more innately feckless? What is it about Africa that holds it back, that seems to render it incapable of joining the rest of the globe in the twenty-first century? The answer has its roots in aid.²

Of course Dambisa Moyo knows that in the international literature a series of reasons has been discussed for the presumed stagnation in Africa,³ but that doesn’t lead her from the planned road:

‘Africa’s failure to generate any meaningful or sustainable long-run growth must, ostensibly, be a confluence of factors: geographical, historical, cultural, tribal and institutional. Indeed, it would be naïve to discount outright any of the above arguments as contributing to Africa’s poor growth history. However, it is also fair to say that no factor should condemn Africa to a permanent failure to grow. This is an indictment Africa does not deserve. While each of these factors may be part of the explanation in differing degrees in different countries, for the most part African countries have one thing in common – they all depend on aid.’⁴

But be aware this is not all, aid is doing more harm, is even more destructive:

‘This is the vicious cycle of aid. The cycle that chokes of desperately needed investment, instils a culture of dependency, and facilitates rampant and systematic corruption, all with delirious consequences for growth …. However foreign aid perpetuates poverty and weakens civil society by increasing the burden of government and reducing civil freedoms …. Foreign aid does not strengthen the social capital it weakens it …. In the world of aid, there is no need or incentive to trust your neighbour, and no need for your neighbour to trust you …. Which is why foreign aid foments conflict. The prospect of seizing power and gaining access to unlimited aid wealth is irresistible.’⁵

These are strong statements, strong conclusions and the question is, are they substantiated by a flux of data and reports? Dambisa Moyo uses the 68 pages of the first part of her book to support these conclusions. They are not based on original new research, only on an overview of some of the literature on aid effectiveness. In the second part of the book (83 pages) she presents solutions for financing Africa’s development outside aid, via the international capital markets and via trade. That second part is sympathetic but not new. She fails to explain why expensive euro-bonds are a good alternative to free aid grants.⁶ She hails the China-Africa cooperation, which indeed is seen by many in Africa as an important alternative to the US, and right so. But she dismisses to easily some of the criticisms coming from Africa itself on this cooperation. She rightly observes that every could win from trade

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² Dead Aid, pp.6-7. Sometimes it is nice to have a conclusion right at the beginning of a book, although one might want to see the argument first.
⁴ Dead Aid, p.35. Note that halfway this quote the argument changes and suddenly a moral judgment comes in (‘an indictment that Africa does not deserve’). This happens regularly in the book.
⁵ Dead Aid, pp.49, 58-59.
⁶ It can not only be because aid creates dependency, because Eurobonds do the same and at a far higher price (see the Latin American debt crisis of the 1980s) or the East Asia crisis of the mid 1990s.
and points at some of the trade barriers that are still existing, but she fails to explain why only a few African countries were able to profit from the preferences that the Treaties of Lomé and Cotonou and the Everything But Arms initiatives were offering. That was not only because these preferences were rather limited, but lays also in the African economies themselves and in their low social development.

The most contested parts of the book and her presentation in the media are of course her conclusions and statements on aid. In her chapter three in 18 pages she is presenting her proof for the failures of aid, while in chapter four in twenty pages she argues that aid is ‘a silent killer of growth’. These chapters are of course the ones where the problems start, because of the outspoken negativity and generalising nature of the statements.

The only ‘proof’ Dambisa Moyo has for her strong statements are some well-known regression analyses by Dollar, Burnside, Boone, Collier Easterly, Svensson - all World Bank economists, and she could have quoted also some of the same type of analyses from IMF-economists. Then there are also some references to two confidential World Bank reports.\(^7\) That is all. The point of course is that all these papers and regression analyses are highly contested and by many already for a long time are not seen as evidence that aid works or doesn’t work.\(^8\) William Easterly is so honest to conclude in a recent article: ‘There is a vast and inconclusive literature on aid and growth’. He then indicates that ‘virtually any result on aid and growth is possible and indeed all possible results have already been presented in the literature’.\(^9\) It is maybe superfluous to state that Steve Radelet and Ruth Levine in a chapter in the same book find a positive relation between aid and growth.

What is important for an assessment of Dambisa Moyo’s book is that she only quotes several of the papers that find negative relations between aid and growth or a positive relation between aid and corruption. In her literature list figures the book of Finn Tarp in which Hansen and Tarp present a devastating critique on the Dollar, Burnside and Collier and a series of other papers, showing also that if they would have used other statistical methods, they would have come to quite other, positive conclusions about the relations between aid and growth. This arrives at the conclusion that Dambisa Moyo is too casual in using the sources of her argument.

The same type of casualness (and carelessness)\(^10\) can be found at other places. One is that she puts all donors and thus all aid in the same box, while she should know that not all of them propped up Mobutu with billions of dollars in aid. I quote Mobutu here, because he figures at several places in the book and nowhere Dambisa Moyo explains why he got this support and why only from such a limited group of donors. In presenting the example of Sierra Leone in her argument that ‘aid foments conflict’, she indicates that the leader of the Revolutionary United Front in the peace


\(^8\) I will not go deep into this, the argument against these regression analyses goes as far back as Roger Riddell’s Foreign Aid Reconsidered (1988) and Robert Cassen’s and other Does Aid Work? (1990). See also my review of Paul Collier’s The Bottom Billion in The European Journal of Development Research, Vol.


\(^10\) The are many examples of disarray, to quote a few: she places the Biafra war in 1971, makes UNDP one of the leading aid donors, suggests that Africa received most of the more than $2 trillion in aid of the past 50 year (while quoting at the same time Kagame who states that Africa received $500 billion), thinks that the US were at the Berlin Conference in 1885, has the idea that the Marshall Plan targeted infra-structure, etc.
deal wanted the chair of the board controlling diamond mining. She fails to explain that Sierra Leone in those days did not receive aid at all, and that indeed it were diamonds fomenting the civil war there.

It is maybe needless to state that on many places she quotes ‘economic studies’ or ‘World Bank reports’ to ‘confirm’ her ‘hypothesis’ or to support her argument, without any references to titles and pages. Maybe this is unfair for a book that is definitely not written for a scientific or informed audience, but if one produces such very strong statements as Dambisa Moyo does, just plain honesty asks for clear references.

A last example. I was able to lay my hands on the two World Bank reports she is quoting as follows: ‘A World Bank study found that as much as 85 per cent of aid flows were used for purposes other than that for which they were initially intended’.11 Nowhere in these two reports such a statement or such a percentage can be found. In the first report anyway less than half of the operations evaluated were on Sub-Saharan Africa. As well in the first as in the second no figures at all are given on where aid finally went, because reports are trying to assess which structural adjustment operations were successful and why they were successful and why others failed. The quote and conclusion that comes closest to Dambisa Moyo’s statement comes from the Sub-Saharan evaluation:

‘The study finds that ten countries (which received $4 billion of the total $15 billion) have had good compliance with the agreed upon policy conditionality, and fourteen countries (which received $4.3 billion) have had poor compliance. Another eleven countries received $6.3 billion and had weak compliance’.12 Counting the weak and poor compliers together we arrive at nearly 75 per cent of total adjustment lending to Sub-Saharan Africa and not at 85 per cent. But more important, there is a huge difference between poorly or weakly complying with World Bank and IMF conditionality and aid that is just flowing away in sinister swamps of government spending and corruption.

Luckily enough Ms. Moyo at the end finally contradicts herself:

‘The politically driven aid and tied-aid examples discussed in earlier chapters underscore the point that these type of aid flows do not promote development, and nor were they intended to in the first place. That, if executed in a moderate way, Botswana’s experience with aid (detailed earlier)13 is exactly what we want to see: a country that began with a high ratio of aid to GDP uses the aid wisely to provide important public goods that help support good policies and sound governance that lays foundations for robust growth.’14

Here it is clear that it is not aid which is the problem, but the way it is used. In that respect Dambisa Moyo quotes Rwanda’s president Paul Kagame, who rightly points at post-Second World War rivalries and economic interests which directed aid ‘with minimal regard to developmental outcomes’.15 But she fails to work that out further.

If Dambisa Moyo wants to demonstrate that aid is the main cause of all the diseases and pests in Africa, in the final end she will have to explain why countries that have received very little development assistance, like Zimbabwe (only

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11 Dead Aid, p.39.
13 She states, but I could not find that in her book, apart from a few sentences at p.38.
14 Dead Aid, p.76.
15 Dead Aid, p.27.
humanitarian aid), Nigeria (very little per capita, only debt relief), Gabon and some others did mostly worse than big aid receivers. If with little or even without aid, but with huge natural resources a series of African countries did worse than those with limited mineral riches but with aid, the explanation for stagnation or little progress in Sub Sahara Africa must definitely lay elsewhere.

David Roodman of the Centre for Global Development in Washington presented the following judgement on ‘Dead Aid’: ‘The book is sporadically footnoted, selective in its use of facts, sloppy, simplistic, illogical, and stunningly naïve’. But he then asks himself: ‘In the meantime, my characterization raises a question: why is anyone paying attention to this book?’ His conclusion is that some of the arguments against singers who are going to advice Africa might be punchy and attractive, but that in the final end the simplistic argumentation and sloppiness. But in the final end he rather paternalistically gives here the benefit of the doubt: ‘This is an early effort and she can improve. Going forward she must give up the search for easy answers’. I am less likely to be that nice. I come to the conclusion that Dead Aid is not only one of the weakest books written in the last three decades on development assistance; it is also one of the most casual in its use of evidence. And I even think that this is not a matter of casualness or carelessness, but that it is intended, that she hopes to strengthen her argument by misquoting and false quotes, and that it thus is a matter of dishonesty.

16 One of the scandals of aid in the last years, and reason why Nigeria with Iraq’ figured high on the lust of aid recipients between 2005 and 2007, is that debt reduction of export credits can be administered as aid. These credits were commercial by nature, never meant to be aid and the reduction should have been paid from the insurance premiums Western governments received on them.