Synopsis of Dead Aid

There is a general assumption that international aid is imperative for the growth of the developing countries. Dambisa Moyo does not agree with this and claims that foreign aid inhibits these countries from growing economically. Help does not provide even the basic sustenance for these countries but instead it leads to corruption and encourages massive debts that may inhibit the growth of the countries. Moyo opposes the general assumption by recommending the developing countries to combine regional and international trade, foreign direct investment, using the bonds market, an increase in domestic savings and finally a reduction in the remittance cost.

According to Moyo (2010), there is a need to rethink and change the dependency on aid model. There is a general assumption that aid is essential for a country to grow and develop. Economic growth is a result of the funding, but still, there are other better alternatives to growth and development. Pursuing the options is necessary due to the following two reasons. First, the granters of aid have become reluctant in giving out the assistance and secondly the granting countries are in some financial strain position by the financial crisis that occurs globally together with the significant population in the West (Moyo 2010). In summary, the change of the dependency aid model reduces the ability to secure funds cutting support.

Assessment of the bonds market is a capital accumulation option. This evaluation must take place in different stages. First, an internationally recognized rating agency should rate the countries. Secondly, investors should be enticed and convinced that the country will commit to repaying. This assessment will enable the state to safeguard more capital. In the case of a default, the country will still enter the market as long as it communicates the primary cause of the default. Moyo provided three alternatives for countries with risky investments. The first one, if the initial country defaults the other countries could protect the investor through insurance or payment protection. Secondly, the group of countries can pool the risk regionally (Moyo 2010).

Thirdly, the countries can also employ some guarantors and finally the bond can be securitized by setting aside some a particular cash flow for the payment of the debt. In conclusion, investing in the bond market leads to the accumulation of capital and needs a significant consideration.

Gatune (2010) suggests that an increase in foreign direct investment amount leads to growth in the economy. Investors prefer Africa due to its low cost of labor and the availability of many investment opportunities, but they are reluctant due to the poor infrastructure and the high regulatory checks. China is Africa's primary source of foreign direct investment. The West does not approve of the China’s relationship with Africa. Africa claims that the West is the ones who encouraged the Africans’ ruthless dictators such as Idi Amin of Uganda. China, on the contrary, gives the African leaders the freedom to exercise their reforms (Gatune, 2010). In summary, the policy makers should encourage foreign direct investment and build a legal structure that is business oriented.

Furthermore, Moyo encourages the development of trade between Africa and the globalized market. This development helps Africa in achieving a long-lasting growth and development. Subsidies and the strong trade restrictions enabled the West to make strong agricultural activities. Agricultural activities lead to unfair competition agriculture between the developing countries and the West. Africa has tariffs placed among themselves that restrict regional trade (Gatune, 2010). China provides a rewarding opportunity to Africa, but this does not mean that Africa should buy with it alone. Africa should reduce the inter-country trade barriers and concentrate on the regional trade. In conclusion, Africa has the potential to compete in the global market just like any other developed countries.

Garmeen Bank initiated micro financing to assist in the financial innovation. This micro financing is important development aid. The bank puts the borrowing countries in groups and loans the nominal amounts to one country from the group at a time. Each country has its personal liability, but the group encourages each member to pay the loan in full for them to be able to get a second loan. A significant success degree has come out of this lending (Moyo 2010). Africa must ensure the transparency of all the financial institutions, and this will contribute to greater saving amounts throughout the continent. In summary, the poor governance plague elimination helps to pursue and achieve financial innovation.

Development of secure financial institutions is one of the essential things in a country. Countries that mostly depend on aid should cut the inflow of assistance for at least five years and replace aid with remittances, foreign direct investment, savings, trade, and finally micro financing. To reduce the amount of capital needed to allow foreign direct investment and other investments room to shoot in the economy, Africa should seek a reduction in the expenditure together with trimming of the national budget (Moyo 2010).In conclusion, the financial institutions need continuous strengthening to avoid losing the ongoing progress and enabling the acceleration of development and growth.

Conclusion

Aid in as much as most of the African countries viewed it as very helpful; it also had some of its faults. It leads to a high dependency on the aid, and this reduced the country's economic growth and progress due to the difficulties in repaying the loans. Aid also led to the growth of the merciless dictators in Africa and Idi Amin of Uganda is one of the best examples. To counter this Moya suggests other alternatives such as foreign direct investment, savings, international trade and also an investment as this leads to development and growth of the countries without forcing the African policy makers to adopt the west policies.