

Aid Effectiveness: What's at stake for Heads of Communications
“Improving Public knowledge, making aid more effective: what are the links?”

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Roger Riddell, Oxford Policy Management

THREE CORE PROPOSITIONS ABOUT AID AND PUBLIC KNOWLEDGE

Consider these three core propositions:

1. Support for aid, as shown by opinion polls and, more recently, public donations for the Tsunami, is very strong. However, this support is based largely on *a priori* assumptions about why aid should be provided - and not its results and impact.
2. There is a large gap between the assumptions of the *general* public (as well as some in the “aid community”) of what aid does, can and should do, and what aid might be able to achieve in theory and the impact it has in practice.
3. There is a responsibility for those who provide aid - in the public and voluntary sectors - to address this “ignorance gap”.

Most of what I will be talking about in this presentation will be focused on the misconceptions that much of the public has about aid, its impact and its potential. But before discussing these misconceptions, let me consider first the third proposition.

Why devote resources to addressing what I have called the “ignorance gap” when, as Proposition 1 confirms, public support for aid remains so high – recent DAC-wide surveys put the level of support in excess of 80%, while the February Euro-barometer report, over 90% are supportive of aid? I think there are two powerful reasons.

Firstly, there is a public accountability issue – governments and voluntary agencies which use public funds have a (grave) responsibility to be fully accountable for the funds spent. And a core part of that accountability requires placing in the public domain accurate information of aid's impact and why and how it is allocated to different recipients. This view has been strongly supported by the DAC chair who has argued that there is a pressing need for greater transparency.

Secondly, relatedly and more pragmatically, the longer support for aid continues to be (so firmly) based on ignorance of its impact and what it potentially can do, the higher the risk that there will be a sharp fall-off in public support for aid if and when the *real limits* of aid's potential and impact are better and more widely known. This risk is clearly

increased to the extent that changing public views are shaped by the prominence given to aid's failures and the way in which this information might more effectively be used to conclude that aid can never do any good. At present, most of the media are strongly supportive of aid.

But laying bare the limits of what aid does and can do presents donors with a real dilemma. Shifting the focus of attention beyond the relative silence on such issues to pro-actively putting information into the public domain which more accurately explains the limits of aid's actual and potential role and even which challenges some of the most extreme, inaccurate and false claims made about aid's positive impact and effectiveness - even if carefully managed - is highly likely to result in a reduction in support for aid, and it is certainly likely to be used by aid's detractors to extend support for their views. The hope - and expectation - is that this would be more of a short-run effect. Providing more accurate information on aid's (limited) potential, especially when it builds upon the strong and growing belief that we in the rich world have a responsibility to help those in poor countries, should provide a more durable basis for ensuring longer term support for the overall aid enterprise - because it is based more accurately on the truth.

With these preliminary remarks let's turn now to the major focus of this presentation, my assertion that there is significant public ignorance about aid. What follows is a presentation, and summary discussion of, ten widely-held major myths or partial truths. Most of these are widely and strongly believed by the public, and, I would submit, contribute significantly to the current level of public support for aid. If aid agencies are to provide greater transparency about aid, in order to contribute to a firmer base for the public support for aid, then addressing these ten points provides one agenda for action.

TEN MYTHS AND PARTIAL TRUSTS ABOUT AID, AID ALLOCATIONS AND AID IMPACT

1. Providing *help* and providing *aid* are one and the same. Some influential surveys - and the latest (2004) Euro-barometer survey would seem to be one of these - make the (false) assumption that public support to "help" poor countries or poor people in poor countries is the same as support for aid. But providing help and providing aid are different and the differences between them are increasing. Some of the ways that donor countries can and do provide help to poor countries besides providing aid include the following: easing trade restrictions, helping to ensure lasting peace, providing debt relief, encouraging private investment, etc.

There is an emerging and growing literature which is concluding that in some contexts, non-aid forms of helping can be more effective for poverty reduction than providing aid - in any form. And to the extent that recent and current campaigns are successful in convincing the public that current trade policies and practices and insufficient debt forgiveness are major impediments to development and poverty-eradication in poor countries, there is likely to be a fall in public support for the view that prevailing donor policies are helping.

Hence, to assume that support for help to poor countries is the same as support for aid is misleading, and - at worst - exaggerates the level of public support for aid.

2. Most public support is for aid is support for all aid and thus indicative of strong support for official development aid. In many – possibly most - donor countries, public support for aid is predominantly support for *humanitarian* aid and aid which addresses the most immediate (emergency) aid needs – food, shelter, clothing etc. Public support for development aid (where it is assessed) is usually far lower, though there are important exceptions in some countries.

These public views need to be seen against the backdrop of a sharp rise in the share of humanitarian aid to total aid, which has doubled in the past 15 years, as the number of emergencies has increased. Yet such aid still accounts for less than 12% of total aid provided by donors.

Thus, large swathes of public support for aid are built either upon a misperception of the major components of the overall aid “pie”, or merely reflect support for the *principle* of providing (largely humanitarian) aid than support for the bulk of as it is currently (predominantly) provided.

3. Aid is allocated on the basis of need. Though few within the aid community believe this particular assertion, much public support for aid is based on the assumption that aid goes to those countries which need it most. While need certainly constitutes a major factor influencing the allocation of aid, successive studies have shown that there remains a huge mis-match between *current* allocations of aid and allocations of aid if these *were* based on need, especially if poverty were the indicator of need that was used. There still remains a significant gap between the stated intention of a majority of donors to allocate aid on the basis of need and prevailing practice.

Even in relation to humanitarian/emergency aid, the link between aid allocation and need is not nearly as robust as is commonly assumed both in relation to country allocations and in relation to why receives what in particular emergencies. There are two major problems here which remain inadequately addressed.

Firstly within countries, there is still no reliable system for accurately assessing who needs what in different emergencies and for ensuring that priority is given to helping those with the greatest needs. The prime focus of attention of aid agencies. Not even NGOs, individually or as a group, are currently able to ensure that their own needs-assessments ensure that all those who need the most help receive any help or sufficient assistance.

Secondly across countries, (as is more widely known) the amount of aid provided to different emergencies bears little relation to the depth and extent of those emergencies and the needs of those suffering. Some emergencies (especially those that have more media attention) receive massive amounts of public and private monies while for others

(the forgotten – and in most years the majority of - emergencies) the gap between funds (crudely) estimated to address immediate needs and funds provided is substantial.

These problems are likely to persist unless and until aid allocations to emergencies cease to be “voluntary” and a common pool of emergency aid is developed.

4. Aid is not only necessary but it is also sufficient for poverty eradication Public support for aid is based on a powerful belief that it is necessary. In many (though not all) emergencies and for the poorest countries, this is more likely to be true – i.e. without aid suffering would persist or increase, and more deaths would occur. However it is rarely the case that *development aid* provides **the** essential ingredient for poverty to be addressed and eradicated. As discussed below (see especially #7 and #9), development aid is important and can make a significant difference in many contexts and especially in the poorest countries when alternative funding/support channels (such as access to private capital markets) are closed off, but the impact of aid is almost always determined by the wider context.

5. Aid should be provided only where it will be used most effectively. Both official donors and NGOs have an obligation to ensure that they aid funds at their disposal are well used. Minimally, this will always require them to ensure that there are systems in place to ensure that funds are used for the purpose intended (financial monitoring). They need also to try to ensure that aid funds are used as cost-effectively as possible. This will involve trying to answer at least two questions – how much aid to allocate to different countries and how to ensure that the funds which have been allocated to particular countries are not effectively used.

The answers to these questions would seemingly appear to be obvious: allocate aid to those countries which are able to use it best and lay down conditions to ensure that the aid which is provided is indeed used affectively. However, there is a fundamental dilemma that is particularly characteristic of *aid* (and not of most other types of public expenditure), namely that aid is most likely to be needed most in contexts where aid effectiveness is the most difficult to achieve.

Recent research suggests that aid is likely to be most effective in contexts

- where recipients are committed to using the funds well;
- where they have in place “pro-poor” development policies;
- where they have strong and capable institutions; and
- Where they have strong parliamentary systems and civil societies able to monitor the use to which aid (and other) funds are put.

While initiatives have been promoted which attempt to divide poor countries, quite sharply, into groups which provide either a better or a worse context for aid to work better (or worse), in practice there is more of a *continuum* between countries. *All* the poorest countries are characterised by severe weaknesses which limit the effectiveness of aid, and the importance and influence of these characteristics differ (often sharply) over

time within countries. Countries best able to ensure that aid is spent well tend to be those which do not need *aid* because they are better able to access resources through the market.

As noted, recent literature has made a sharp distinction between recipients whom it is asserted are able to use aid “effectively” and those which do not and many donors have committed themselves to expanding aid to those poor countries which use aid “well”. In practice, however, most donors have continued to allocate significant amounts of aid to those poor countries which have been judged as providing an inhospitable environment for aid to be used well - sometimes by using different forms of aid or trying to direct more aid through non-governmental channels. In short, a commitment by donors to ensure that aid funds are used effectively has not led to donors reducing aid to those countries which don’t: country aid allocation studies show that “under-aided” countries include not only those judged not to be able to use aid effectively but also those that are.

This leaves us with the question of how aid that has been allocated to countries is used effectively. This brings us to the issue of conditionality and our sixth myth or half-truth.

6. Donors should attach strict conditions to aid to ensure it is used effectively. It is donors and donor policies which determine the effectiveness of aid. The greater the number of donors, the greater will be the impact of the aid provided. Opinion polls indicate that there is strong public support for the notion that donors should apply strict conditions to the aid provided to ensure it is used effectively. For instance, the 2004 Euro-barometer survey found that 74% of people believe that aid should be linked to “efforts to encourage and sustain democracy”. Opinion polls also suggest that public support for aid drops if and when there is evidence in the public domain of aid being mis-used, especially through corruption. Relatedly, in the (important and necessary) efforts of donors to ensure that aid is well-spent, it is not uncommon for them either to convey the impression to “their publics” not only that aid “works” but that it is “our aid” that really makes the difference, or to remain silent when others make such claims.

In strong contrast, studies conducted on these issues point to five very different conclusions.

- Firstly, in practice the conditions which donors have applied to and linked to the aid they have provided have had little effect on recipient actions.
- Secondly, aid’s impact is likely to be critically determined not by what the donor does but predominantly by the commitment of recipients to use it well.
- Thirdly, a major factor influencing – indeed reducing - the impact of aid has been its volatility, and uncertainty over future aid flows. This suggests that when donors try to alter aid flows in the short-term (for instance, because they are unhappy with what recipients have done), this has a serious adverse effect on aid’s long term impact.
- Fourthly, the evidence suggests that in most contexts, aid is more likely to have long-lasting effects if it is provided not in the form of individual projects but as a contribution to the overall aid effort, by pooling aid funds from

different donors together. Indeed, a clutch of studies have shown that even when large numbers of individual aid projects have “worked” the overall impact of aid has often either been negative or eclipsed by larger economy-wide influences – what is termed the “macro-micro paradox.

- Finally, there is strong and growing evidence to show that the proliferation of aid donors each using up recipient country resources to monitor the impact of their own particular aid contributions has the cumulative effect of significantly raising costs, reducing efficiencies and impeding the overall potential impact of aid at the country level in a major way.

These sorts of insights have been influential in leading the UK Government this week to publish a policy paper (*Partnerships for poverty reduction: rethinking conditionality: A UK policy paper*) which explicitly states that donors should not impose their own views on aid recipients both because conditionality has proven ineffective and because it is deemed “inappropriate”. As a result, the UK “will not make our aid conditional on specific policy decisions by partner governments or attempt to impose policy choices on them” and will encourage other donors to do likewise (p.10).

There is growing support for the view that the core conditionality that should be demanded to ensure that aid is effective within countries should reside within aid recipient countries. Those best able to judge whether aid is effective are those to whom it is given. If recipient governments are themselves accountable to their citizens then a mix of parliamentary watch-dogs and civil society groups are those best able to monitor and assess the outcomes of aid transfers. Thus a good use of aid would be to help strengthen the ability of such groups to perform such a role effectively.

7. To address poverty, aid should only go to poor people or be channelled to those services used directly by poor people. Both among the public and across many NGOs, there is a strong belief that the only sort of aid which helps the poor is aid which goes directly to the poor or is used on behalf of poor people – the London Financial Times this Wednesday carried a letter by the International Director of Oxfam clearly propounding such a view: “We firmly believe government aid can and does reduce poverty – but only when it is properly targeted to this end. Only one fifth of aid given by the world’s richest nations reaches the very poorest”. Such views are shaped and influenced by assumptions contained in the recent Euro-barometer survey on aid such as the one (on page 42) that suggests that “effectiveness” of aid should be based on whether it “helps improve the lives of poor people”.

In contrast, the predominant view in the literature suggests that while development policies and resources (including aid resources) can and *should be* directed towards poor people – providing them with education and health, water and sanitation services to reduce vulnerability to sickness and to provide them with the skills needed to obtain a livelihood – this is not sufficient. Lasting poverty reduction also requires policies and resources to be focused on developing, changing and expanding institutions, capacities and competences in order to make markets work better for poor people, to accelerate the creation of wealth and the expansion of jobs, and (usually) to restructure, expand and

deepen the productive structure of the economy and to redistribute wealth and income. This requires poor countries to focus some resources away from poor people and services for poor people and poor communities, in part to help ensure that the children of today's poor will not be poor.

There are, too, evolving literatures which show that particularly in “fragile states” and neighbouring regions, peace and stability are not merely prerequisites for development and poverty eradication to occur, but that without security, any poverty-reducing gains that might take place as a result of aid and other resources, can rapidly be lost. Increasingly, such analysis is leading to the view that poverty reduction needs to be linked to ensuring human security and that aid has an important role to play in addressing both (linked) issues. The link between aid and peace is more pronounced in public perceptions of the role of aid in some donor countries, including Japan.

Additionally, part of the literature on aid and public goods points to the role that aid beyond particular countries can play in poverty reduction. For example, work by DFID (UK) suggests that aid used for support for agricultural research can have a major impact on poverty reduction across countries.

If all government resources – and all aid – were to be directly and exclusively channelled only on today's poor people and their immediate needs, it is highly likely that poor countries' dependence on aid would be prolonged longer than if resources were more “evenly balanced”. In short, while aid and other resources need to be focused on addressing some of the immediate needs of poor people, this should not be to the exclusion of other uses of such resources. Fortunately, aid recipients do not and are not likely to pursue the policies advocated by the narrow advocates of pro-poor aid.

8. The aid provided by NGOs is more likely to go to the poorest people and will be used by them in ways that they choose. Public opinion polls tend to indicate strong support for NGOs, and when a choice is given, sometimes a preference for NGO than for official aid activities. In part, this is based on the view that NGOs are better able to reach poorer people and that the aid they provide is more effective.

The literature does tend to suggest that many NGO projects and programmes are able to reach down to poorer people – and this is an important finding. However, it suggests that NGOs as a group also have difficulty in reaching the very poorest people and communities and in providing them with assistance which will make a lasting difference to their lives. In part this conclusion relates to cost and, in part, to the complexities of poverty. Poverty is multi-faceted, and to be addressed it requires action in many fronts – providing access to good quality education, health, water, housing and sanitation and expanding job opportunities – which are beyond the resources of most NGOs to provide on their own. Thus, NGO development aid is often best seen as complementary to rather than in place of other forms of assistance. Some NGOs have been good at piloting new and innovatory approaches to poverty alleviation which other providers with more resources (notably governments) have replicated and scaled-up. Growing numbers of the larger NGOs are complementing service provision to particular groups of poor people

with advocacy to persuade those with more resources to address unmet needs, drawing them further away from an exclusive focus on particular groups of poor people and poor communities.

It is partly because of these trends that a relatively low share of aggregate NGO development funds go down to and are used directly by poor communities themselves. A high proportion of NGO funds are utilised to assist and strengthen local groups, to provide training and to build their capacities rather than being given to the poor directly. Sample data from two UK NGOs suggest that less than 10% of their development funds is directly given to and used by grassroots groups – though a far higher share of NGO emergency aid is used directly by poor people and poor communities.

Finally, the bulk of the literature suggests that it is simply not possible to assess the impact of the aid provided by NGOs and the aid provided by official aid agencies because, they are usually trying to do different things.

9. Perhaps the best way to enhance and deepen public support for aid is to provide evidence of its positive impact and publicise the results. At one level, such an approach appears admirable. It has a “win-win flavour”: showing that aid works self-evidently produces “the evidence” that it does and can, while at the same time providing a counter-weight to the stories and studies recording instances where it doesn’t.

Clearly, good stories which show the positive effects of aid are likely to boost support for aid, even if they are not likely to influence hard-core doubters. However, there is a crucial difference between providing *evidence to show (prove) aid works* and providing *illustrations or examples* of where aid has had beneficial effects.

If examples of aid impact were to provide evidence that aid – in general – works, then it would be necessary to ensure that

- the examples came from an unbiased sample of all aid interventions;
- the positive outcome was attributable to aid (and not to some other factors and influences); and that
- Without the aid people would have been worse off.

This sort of information simply does not exist and is unlikely to: each year official donors engage in over 30,000 different “aid transactions” and the numbers more than double when NGOs interventions are included (many of which are very small). Even for discrete aid interventions in different sectors, such as education or health, it is difficult scientifically to select projects to assess and to isolate the effect that aid funds have had on performance. It is only very recently that new approaches to “randomised evaluations” are providing the sort of data necessary to form unbiased judgements about the impact of project aid (Massachusetts Institute of Technology, Poverty Action Lab). Another problem in judging the impact of project aid concerns timing: studies by the World Bank’s Operations Evaluation Department (OED) record the not insignificant

number of projects which are deemed failures after completion, but are judged to have been successful when reviewed some years later - and vice-versa.

Perhaps most importantly, however, the accumulation of discrete *project* evaluations is of decreasing value in showing that aid “works” because more and more aid is increasingly being provided and disbursed as *programme* aid – most commonly to different sectors (health, education, HIV/AIDS etc.) or by contributions to the overall budget of aid recipient countries. And even in those instances (for the poorest countries) where total aid makes a significant contribution to total available budget resources (from in excess of 10% to as high as 50-60%) it is simply not possible conclusively to prove that aid on its own makes the crucial difference to either overall growth or to poverty reduction. Even across-country statistical studies that show positive correlations between aid and other aggregates acknowledge that aid only “works” if other conditions are met, the most important being commitment to pro-poor growth, the “right” policies and “minimal” institutional capacity.

Thus, the best that can be concluded from these academic studies is that aid at the country level may work if there is enough of it and if it is provided within the context of the “right” supportive environment. Commissioning academics to produce more of the sorts of cross-country studies that have already been carried out will not produce the information and data to convince the sceptics or galvanise public opinion that aid – in general - works.

What is more – as noted above – there is little evidence to show that donors are currently significantly reducing the volume of aid they give to those (poor) countries which need aid and where the conditions for strongly positive impact are largely absent. My own guess is that were many to cut aid substantially to such countries, there would be an outcry from large sectors of the public, again putting into question the value to be placed on allocating huge amounts of money to producing “more evidence”.

10. Public support for aid which is based on the strategic interest of donors necessarily detracts from support for poverty-reducing aid. Especially during the period of the cold war, the allocation of large volumes of aid was influenced by, and not uncommonly determined by, political and strategic considerations of the donor. This resulted in many of those who didn’t need aid continuing to receive it, and a number of those who misused the aid provided continuing to be given it. The end of the cold war has not resulted in an end to such practices and, post 9/11, there are fears that these influences will again increase.

While public support for aid has been dominated by moral and humanitarian perspectives, it has also been based on political and strategic considerations (though often it is likely that those who supported it for the former reasons did not support it for the latter reason and vice-versa). What is comparatively new is the growing consensus across the donor community that the core purpose of providing aid is to contribute to solving the problems of poverty and underdevelopment as well as to assist those affected by emergencies and natural disasters. Against this backdrop - and especially since 9/11 -

the prevailing conventional wisdom would suggest that allocating aid for political and strategic reasons dilutes and detracts from the poverty-focus of aid.

However, recent evidence – perhaps surprisingly, from the United States - provides evidence for suggesting that in our increasingly globalised world, growing numbers of the public are viewing the poverty purpose of aid within a wider, and somewhat different political and strategic framework than in the past. Indeed, there is growing evidence for the view that “resolving the problems of poverty in the developing world are central to our core strategic and political interests”, suggesting that the two need not be mutually exclusive but, to some degree, are perceived as being complementary to each other. Thus, in a public opinion survey conducted in November 2000 across the United States (*Americans on Foreign Aid and World Hunger*, PIPA, 2001), 31% of people expressed positive views about foreign aid, 31% negative views and 35% expressed no strong views either way. However in digging a little deeper the survey found that

- 75% of people affirmed that it was in the long term interests of the US to help third world countries;
- 62% of people were of the view that aid should be sent to countries where the US does not have a security interest; and
- 65% of people found convincing the view that “because the world is so interconnected today, reducing hunger ultimately serves US interests”.

CONCLUDING COMMENTS

If we are to take seriously our responsibilities to be accountable to our different publics about the aid funds we have at our disposal to allocate to recipients, then one of the things we should do is to ask how well these publics are informed about aid – what it does, what it can do and what it can’t do. The bulk of this presentation has discussed ten “myths” widely believed about aid in most, if not all, donor countries. Each of these ten assertions is either wrong or only partially true. Reflecting on how better to inform the public about aid ought - in some way – to involve consideration of how best to address and alter these misconceptions. This provides an important challenge to those charged with providing public information on aid.

**Roger Riddell, Oxford Policy Management, Oxford UK.
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rriddell@waitrose.com**