

Sustainable Global Development 2009

Giving Support to Foreign Aid: Some challenges to the existing discourse

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Irish Aid Development Education Conference
University of Limerick
October 2009

The need for more aid

The vast majority of those interested in development, and I suspect the vast majority of you here today, are supporters of aid – believing that because of the scale, depth and extent of poverty (nearly one person in every five on our planet lives in extreme poverty) aid continues to be urgently needed. At the Millennium Summit in the year 2000, the nations of the world pledged to halve the numbers of people across the globe living in extreme poverty and to significantly increase aggregate aid flows to help make this happen. Yet, as we know, in subsequent years aggregate aid levels have not increased as quickly as they needed to, and the gap between the total amounts of aid needed and the amounts given has continued to widen. In 2004, the main (OECD) donor countries pledged to increase their aid by \$50bn a year by the year 2010. But simulations made by the OECD/DAC earlier this year indicate that by 2010 they will still be \$30bn short of this amount – that is less than half the targeted increase will have been achieved. The ratio of official aid – Official Development Assistance (ODA) - to Gross National Income in 2008 was only 0.30%, lower than the 0.33% ratio achieved in 2005ⁱ

Against this backdrop, the sharp global economic downturn and the linked financial crisis will, most immediately and directly, have pushed a further 90 million people into poverty by the end of next year - equivalent to losing up to three years of progress made in meeting the Millennium Development goals (MDGs).ⁱⁱ According to the World Bank's *Global Monitoring Report 2009* "without additional external assistance, the impact on poor countries could be severe".ⁱⁱⁱ Furthermore over the last few years, there has also been growing acknowledgement that the poorest countries will need additional help to pay for the clean technologies necessary to enable them, in the coming decades, to grow their economies in an environmentally-sustainable manner – one that doesn't add to the global environmental problems we all face.

The combined effects of these factors means that today, and into the future, the poorest countries will require even higher levels of support and assistance if they are to have any realistic prospect of achieving the Millennium Development Goals by the year 2015 - and eventually, not merely halve but eliminate extreme poverty.

I share these beliefs about aid - that even more aid is needed. I believe that aid has an important role to play in eradicating extreme poverty, and also that the amounts of aid provided, especially by the governments of the richer, industrialised countries should increase. I have first-hand knowledge of both official aid projects and programmes and those run and supported by NGOs and CSOs. I have also worked for poor country governments and so have seen aid from the viewpoint of the recipients.

Yet there is far more to the aid debate than just giving more

However, I also believe that there is a lot wrong with the current ways of giving aid. Indeed, plenty of aid is wasted and not used effectively. What is more, I believe that supporters of aid, like myself, need to examine more closely than we have, the ways in which we have debated, lobbied and campaigned for aid, and the ways in which we have explained what aid does, what it can do and what it can't do. The global economic crisis has provided a much-needed catalyst for re-thinking many key assumptions we have long held about the way national economies and financial systems and the global economy are managed. This

re-thinking should extend to the way the aid system is managed and the ways in which aid's supporters think and campaign about aid issues. My intention this evening is to lay before you a number of ideas about the way aid agencies and those supportive of aid think and lobby on aid issues which challenge some of the assumptions we have had and approaches we have adopted.

For too long, I believe, champions and supporters of aid have focused too narrowly, and too intensely, on *how much* aid is provided, especially on how much aid *our* country gives, and on trying to raise the total amounts that we give. Don't get me wrong - I think that giving more aid *is* an important issue. However, I believe that far more could be done for poverty reduction if more energy and attention were given to the issue of aid effectiveness: by looking closely and honestly at what aid does and has done, by analysing carefully why it hasn't had a greater impact, and by encouraging donors and recipients in different countries and contexts to work together in a single poverty-focused development enterprise. They need, far more rigorously and robustly, to analyse the most crucial impediments to development which need to be addressed and ascertain precisely what role aid should play, how much is needed and how much can successfully be absorbed, with aid not only filling short-term gaps and meeting immediate needs but contributing more effectively to long-term sustainable development.

Irish aid in its broader context

Some factors constraining or limiting aid's greater impact are **systemic**. They cannot be addressed either by providing more aid or by one donor in isolation trying to improve the quality of its aid. Indeed, by focusing attention largely on these issues, aid's systemic problems will, at best, continue to be ignored and, at worst, become even more deeply entrenched. Aid's systemic problems need to be addressed holistically by joint action, through the combined efforts of many aid agencies and stakeholders.

Ireland is an important donor – in ways I will discuss in a moment. But compared to other donors Ireland is also a small donor when it comes to the total amounts of aid given, so the overall impact Ireland has on global aid volumes by expanding its own aid budget is more limited. For instance, in the two years from 2005 to 2007, total official aid from Ireland increased by \$473mn, an increase of 66 percent – the most rapid increase of any major donor country. Yet in that same time period, total ODA from all donors fell by \$3.6bn, a contraction of nearly four percent. For every €1 that Ireland added to the global pot of official aid, the total amount given fell by €7.5. Likewise at the country level, the contribution that Ireland makes to aggregate aid levels is also relatively small. For example, for the top ten recipients of Irish official aid in 2007 – Uganda, Mozambique, Ethiopia, Tanzania and Zambia – Ireland's aid contribution was in all cases less than four percent of total ODA received.^{iv}

What do these figures tell us? When presented on their own and out of context, they might be seen as lending support to the argument that Ireland should not worry too much about the amount of aid it gives, for even it gives a lot, its overall impact is always going to be small. My own assessment is different.

At one level, I believe it is important to maintain high and growing levels of aggregate official aid because the additional aid can be used to help meet urgent needs which would otherwise not be met. But, potentially of far greater importance, with rising aid levels, Ireland will be in a far better position to do something that it currently does in a small way but which it needs to do far more of – namely to exert influence on other donors and to play a far more prominent role in international fora and in political debate at the global level that is necessary to raise greater awareness of and to build and extend support for changing aid’s major systemic problems. The reason why I think this is an important issue for Ireland is that Ireland has already begun to make its mark in aid discourse and aid practice in international fora. What Ireland needs to do is to engage at this level even more effectively, as I will now explain.

Every few years, the “club” of leading donors, the Development Assistance Committee of the OECD in Paris undertakes what it terms “peer reviews” of different donors. The latest report on Ireland was published earlier this year.^v It recognises the high quality of Ireland’s aid and the role that Ireland already plays in trying to improve the impact of aid. But it argues that Ireland could do far more.

“Ireland is a leading player in implementing the aid effectiveness principles. Irish Aid is encouraged to engage peers, civil society and partner country governments to implement the Accra Agenda for Action and to continue working collectively at country level to strengthen partner countries’ monitoring and results framework” (Page 19).

In my view, part of the “more” that Ireland could and should do is to rally more support to address some of the key current systemic problems of the official aid system, extending more widely the approach recommended that Ireland should take internationally by the Hunger Task Force in the global fight against hunger.^{vi} The action agenda clearly includes the more familiar problems identified in the Paris Declaration and the Accra Agenda for Action – supporting poor country governments to develop their own development strategies and take the lead in co-ordinating the management and delivery of aid, and encouraging greater harmonisation of different aid agencies and ensuring their approaches are more closely aligned with each other and with recipient-country development goals. But it also needs, more fundamentally, to encompass some of the other, often more politically-sensitive problems of the current system of aid-giving. What are they? Let me briefly make mention of four key ones.

Some of aid’s key systemic problems

- Firstly, the current aid system is one in which pledges are made by individual donors to increase aid, but aid-giving remains entirely voluntary. If individual donors fail to honour their pledges or meet their commitments, nothing happens. The only people to suffer are the very poor, more of whom are likely to suffer and die because of the resulting aid shortfalls. In my view we need a system where aid is raised on the basis of the ability-to-pay and where recalcitrant donors are held to account for failures to contribute their fair share.

The sad thing is that this is not a new suggestion: it has been made before. But campaigners and the general public have paid insufficient attention to the idea and, partly as result, politicians have not felt the need to alter the way aid funds are raised. More than 25 years ago the Brandt Commission, headed by a leading politician, the former Chancellor of the, then West Germany, argued that the time had long passed when the world ought to be raising aid funds through some sort of automatic mechanism.^{vii}

- Secondly, the current system of allocating aid is distorted by the short-term political interests of major donor countries, creating a major mis-match between where aid goes and where it is needed. For example, less than half the aid provided is channelled directly to the 65 poorest countries. Likewise, ten years ago, less than one percent of total ODA went to Iraq, Pakistan and Afghanistan; now they account for they around 15 percent of ODA: Iraq is the largest and Afghanistan the third largest recipient of aid.^{viii} Only Belgium, Denmark and Ireland of the major donor countries do not include Iraq and Afghanistan among their top ten recipients.

What is needed is an aid system which provides a far closer match between the allocation of aid and the need for aid, one which reduces, if not eventually eliminates the distortions caused by short-term donor political interests. Again, though this idea is nothing new, it does not feature in the Paris Declaration.

Forty years ago, the first international Commission on Development, headed by the former Canadian Prime Minister Lester Pearson argued that aid should be separated from political considerations and that though donors understandably have a keen interest in ensuring the aid they provide is well spent, their interests should be “carefully limited and institutionalised”.^{ix} More recently, a background paper for the G20 Finance Ministers meeting held in London last month put forward the proposal that all countries but the very poorest should pay into a global climate fund and the money provided would then be allocated to the countries needing it most (“Climate change aid put at \$100bn a year”. F. Harvey, *Financial Times*, 5 September, 2009).

- Thirdly, the current aid system increases the cost of and reduces the efficiency of aid because it is still, in part, provided to further the commercial objectives of donors. Thus, today, significant amounts of aid are still tied to the purchase of goods and services usually from the donor providing the aid. Official figures record that in spite of successive pledges made by donors, only 70 percent of all official aid is free of all commercial tying.

The effects of the commercial tying of aid are to raise the cost of aid by between 20 and 30 percent compared to the situation where recipients were free to source the goods and services they need from the global market. At current aid levels, the costs of aid tying result in recipients in effect “losing” about \$7bn of official aid that is used solely to pay the inflated costs of tied aid. This is an amount equivalent to over five times the total amount of official Irish aid provided in 2008.^x

- A fourth major systemic problem is caused by the growth in the number of aid donors. Over time, the number of major donors providing aid to each and every recipient country has grown and grown. At first sight, this might be thought to be beneficial as more donors must mean more aid. But at what cost? For the most part, aid funds are not pooled together to enable recipient countries freely to decide how best to make use of the resources provided. [In some cases, it would be unwise to have a completely free system, for the risks of funds going astray would be considerable.] Rather, in each country, individual donors draw up their own plans about how their funds will be spent which are then usually discussed with and then signed off by the recipient, with aid spending monitored for compliance with these agreements. In the 1960s, each recipient dealt with about 12 individual recipients now the number is more than twice this. Today, at least 30 recipients have to deal with more than 40 donors each.^{xi}

The Paris Declaration begins to address this problem by laying out some important (though fairly elementary) propositions - encouraging donors to harmonise their individual plans activities, and to align their plans more closely with those of recipients and encouraging donors to support recipients to take a more central role in coordinating the activities of the different donors. Sadly, progress has been slow, frustrated in many respects because key donors have in practiced wished to remain in the “driving seat”. For instance, the objective of aligning donor practices more closely with poor country development plans often involves donors choosing to support and fund what appeals to them from a menu of development needs, so that it is the donors not the recipients who in effect do the prioritising.

What is missing in the Paris Declaration is any notion that the aid given to particular donors should be pooled together, rather than provided separately by each and every donor, with that aid spending driven, shaped and determined by recipient countries based on their development priorities. What is surprising is that the pooling of aid funds at the country level was the method proposed when the whole aid system was being established. Thus when in 1949 President Harry Truman called on other nations to join the United States in providing aid to poor countries, he explicitly invited other nations “to pool their technological resources in this undertaking (which) should be a “cooperative enterprise in which all nations work together...”^{xii}

Each of these systemic problems individually impedes and reduces the impact of official aid. In combination their effect is cumulative and large. Creating a greater awareness about them and their importance and working towards developing a consensus on how they might be addressed would make a profound difference to the effectiveness of aid, having an effect far more important than raising aggregate aid levels by 5, 10, 20 percent and more.

A greater role for Irish Aid in addressing aid’s systemic problems: building on its strengths
For the Irish Government to play a bigger and more extensive role it needs to commit significant resources, especially human resources, to this enterprise, far more than are currently allocated, especially human resources within Irish Aid and probably more widely within the Ministry of Foreign Affairs, to enable it to engage more actively and more

sustainably in those international committees and fora which already exist, and to be in a position to work on and even to lead new initiatives so that necessary change takes place.

But this, in turn, is unlikely to happen unless supporters of aid create far greater public awareness of aid's systemic problems, if they advocate, lobby and campaign for such changes to occur and encourage government to develop clear benchmarks against which to monitor progress.

Choices have to be made in how aid is allocated. Unless Irish official aid expenditure expands at a faster rate than in the last few years, then the implication of what I have suggested could well result in even less aid being directly channelled to immediate and direct poverty-reducing activities. But the long-term benefits are huge, providing the potential for the aid funds currently provided to have a far greater effect on poverty reduction in the medium and long-term. The question is how great is the will to move out of current "comfort zones".

So much for some of aid's key systemic problems. The next set of issues I want to discuss concern the manner in which the merits of aid are discussed in public.

Presenting the case for aid to the general public

Does aid work? Most of us working in or close to aid agencies know of cases where aid has not had the immediate effects it was expected to have – it hasn't worked. And we know of many more cases where the immediate beneficial effects have not been sustained beyond the first months or years since the aid was provided. Some of us know of instances where aid funds have not been used for the purpose intended, or cases where outright corruption has taken place – though, in my experience, these instances have been exceptional and are not as common as aid's critics would have us believe.

Now contrast what we know with the publicity put out by aid agencies in either written form or on aid agency web-sites. You will be hard pressed to find much (and for most aid agencies anything at all) which suggests that the aid projects and programmes implemented or funded by the agency might not have been effective. In some cases, this is because priority is not giving to analysing aid impact: the focus is on helping, responding to need, and doing "the best we can" is seen as sufficient. Happily, this attitude to aid-giving is far less common than it was a decade or so ago. However to this day, a significant number of NGOs and church-based agencies do not themselves carry out assessments of the impact of their aid efforts, and few (even some quite large agencies) see it as important to have outsiders undertake assessments of their work and commit to placing these external evaluations on their web-sites, regardless of how critical they are.

The situation is somewhat different for official aid agencies, such as Irish Aid, which have had a longer history of commissioning external independent evaluations. However, even official aid agencies are fearful of critical assessments. I am a member of an external committee that was set up two years ago to assure the independence and quality of the evaluation function of the UK's Department for International Development (DFID).^{xiii} The Committee recently completed a study of evaluation quality in DFID. One of its key findings was that "DFID senior managers have tended to take an overly defensive attitude to

evaluations and to any critical comments made in reports. Indeed, DFID's sensitivity to criticism seems to have led them, on occasions, to try, with some success, to "manage" the conclusions of evaluations."^{xiv}

Evidence of aid's ineffectiveness is not usually cited by supporters of aid. Rather it is cited most often by aid critics in order to argue the case against aid. There is very little public **debate** about aid and aid impact. Public discourse about the merits of aid tends to be rather like ships passing in the night – aid agencies and aid supporters presenting overwhelmingly particular cases of aid working to support the general case for aid, aid's critics citing cases of particular failures to suggest that most aid fails. There is usually little attempt to find out whether most aid works or not in particular countries or settings. What is more, the discourse is built on the common assumption that the case for aid stands or falls on whether it works. We are so familiar with this situation that we rarely step back and question the - in my view rather odd - nature of public discourse about aid.

Some drawbacks to the current dominant discourse on aid

I believe that there are at least two major questions that need to be addressed by this sort of discourse about aid.

- Firstly, conducting debates about the merits of aid on the assumption that the case for aid needs to be built on its working means that little to no consideration is given to the question: *how much* aid needs to work to sustain the case for providing it? Is it necessary for all aid to work to the clinch the argument, and if so why? Would an acknowledgement that 10 percent of development aid "fails" be acceptable to make the case for providing aid, and if 10%, why not 20%?
- Secondly and more profoundly, we need to ask and seek to understand why it is that evidence of impact is perceived to be the crucial factor in determining whether aid should be provided. If in a particular country less than half the development aid that has been provided can be shown to have had little material impact, should we then conclude that aid should no longer be provided either now or in the future? My own answer to this question is a strong "no". If a country needs aid – because it is too poor to raise the funds itself to meet the basic needs of its people "unaided" – then, for me, the correct response to evidence of aid failures is not to withdraw aid but to analyse why aid has failed and work to address these problems and weaknesses – by providing aid in different ways or, if the problem lies within the recipient government, working out ways in which aid can be channelled through different sources, such as NGOs or multilateral aid agencies could help resolve these problems.

Perhaps it's easier to understand the point I am making when applied to emergency aid. If the evaluation of a recent emergency found that 10% of the humanitarian aid provided had fallen into corrupt hands, when the next big emergency strikes, would the public stop dipping into their pockets and lobby their government not to provide aid to the victims because in the past a proportion had gone astray? Why then should donors believe that the case of development aid will fast erode if evidence of "near 100% effectiveness" is not provided. After all, though this is not widely known,

for every person in the world who dies in an emergency, some 200 people die from diseases of poverty.

In many cases, the issues involved in monitoring the effectiveness of aid turn out to be quite complex. Countries receiving large amounts of aid can remain persistently poor because of factors external to the aid relationships – aid to farmers to raise production levels can be thwarted by drought, aid to improve agricultural exports thwarted by changes in the world commodity prices, perhaps manipulated by powerful rich country interests, or by war, civil unrest or terrorism in adjacent countries. In some cases, providing aid in different forms – such as in the provision of irrigation to counter the effects of drought and low rainfall in marginal areas - can be effective, but often the solutions lie well beyond the immediate aid relationship.

Thinking about a different approach

Stepping back from the detail, I want to suggest that there is considerable merit in aid's supporters seeking to change public discourse about aid, and the merits of providing it, not least by being far more open than they have been in the past about aid's failures. Clearly, however, such a radical shift in the discourse about aid needs to be "handled with care". It is not something that can be done without considerable reflection or an initiative that one agency or group of supporters of aid should unilaterally embark on – for a public which has consistently been drip-fed consistent good news stories by aid agencies about aid's beneficial impact is unlikely to welcome or initially understand when the old bearers of good news start to bear some bad news as well.

There are two linked reasons why I think the time is long overdue for considering a change in the way that the discourse on aid is conducted and the role that the evidence of impact plays in debates about the merits of aid.

- The first is that it is more honest, more accurately reflecting the situation on the ground.
- The second is that providing a more "rounded" and honest picture of the impact of aid is likely to provide a much-needed stimulus to aid agencies to give far greater priority to seeking to understand better those situations when aid has not worked well and why. This, in turn, should lead to more lesson learning and result in the improved overall impact of aid.

Paradoxically, the way that aid agencies and supporters present the case for aid probably contributes to aid being significantly less effective than it could be because less attention is paid to improving its quality and impact.

Let me say a little more about honesty and the aid debate by considering for a moment the expectation we have about aid. As you all know as well as I do, most poor people live in the world's poorest countries. The poorest people lack many of the basic necessities to live a productive life – food clothing, clean water, sanitation, housing, education and health services and access to productive employment enabling them to live a life of minimum decency. And the governments of the poorest countries lack the human and financial

resources, the institutions, legal systems and administrative capacities, the physical and communications infrastructure, well-functioning markets and market systems and often the political systems, processes and institutions required to meet the immediate needs of their citizens and to create the conditions for rapid wealth and job creation. And the reason these countries need aid is that their governments and people are unable readily and easily to access the resources and skills they need from non-aid sources: either banks won't lend them the funds they need or borrowing at commercial or near-commercial rates of interest are likely to create unsustainable debt, as many have learned to their cost.

The central paradox of aid

The problem - and central paradox - of aid is that the countries which need aid the most are also the countries which are least likely to be able to use aid well. **Aid is most urgently needed in countries and contexts where the prospects of its working most effectively and productively are often amongst the poorest.**

What are the factors likely to contribute to the greatest effectiveness of aid? What should one look for in aid-recipient governments? They would include the following.

- Recipient governments which are committed to development and poverty reduction and especially those which have developed their own “home-grown” development policies and strategies around which there is a broad national consensus.
- Recipient governments which have the capacity to use aid well and hence which have a robust public finance system and supportive public service system into which aid funds are channelled – those with strong ministries, agencies and institutions led by skilled personnel who have the ability to plan and implement policies effectively, are well paid with skills and a commitment to fulfil the functions of government.
- Economies with well functioning markets, with strong legal and regulatory systems which all citizens have knowledge of and can access easily and which cannot be manipulated by powerful sectional interests.
- Governments strong enough to be able effectively to co-ordinate donor activity and to ensure that aid funds are channelled into addressing priority long-term and short-term needs.
- Economies and governments that are able to manage major internal or external threats to its political and economic stability and to take action to manage volatility in external and internal markets.
- Countries with a free press within which recipient governments are accountable to parliament, citizens and citizen groups, which have a “voice” that is heard and which have the capacity and capability to monitor and scrutinise government expenditures, nationally and at the local level, and are able effectively to “call their governments to account” by exposing corrupt systems and practices.

The problem is that it is countries which are strong in these areas – ones that are able to use aid well - that do not have much need of aid. They are ones able to access non-aid funds and resources to meet their immediate needs and fund their growth and development.

The thrust of this discussion is to suggest that the “default expectation” of the impact of aid in the countries that need it most is one of high risk and the likelihood of aid not being as effective as it would be if channelled into less poor countries. Against this backdrop, it seems (to me) remarkable that those providing aid have over time conveyed to the general public the linked views that, firstly, most aid “works” and, secondly, that this is the expectation that we should have of the workings of aid in the poorest countries.

I have recently spent two years trawling the evidence of aid’s impact and although the evidence remains far from comprehensive, and, in places, of fairly low quality, there are an enormous number of success to report – the lives of tens of millions of poor people have been improved by aid funds directly or indirectly. However my assessment also is that a significant proportion of aid does not achieve its immediate objectives – possibly around 25% of official aid, when one allows for some upward bias in the data, and that the figure rises further (probably more than 10 percentage points) when one factors in the longer-term sustainability of aid projects and programmes. Some types of aid to some recipients, including aid to complex rural development projects and for capacity development have been particularly disappointing. The evidence of the impact of all aid provided to different countries over the longer-term provides a mixed picture of successes and failures, though there is no case of aid having had no positive impact over at least some of its recent past. Does most official aid work? If we are honest we still do not know.^{xv}

The “need” versus the “necessity” for aid

And this leads me to the final cluster of issues I wish to consider in the way that aid’s supporters view aid, namely the issues and problems that aid funds should be used to address and those areas and types of activities into which aid funds should be channelled. What, in short, do we expect funds to do and to be used for, and how should this inform our campaigning and advocacy activities?

The assertion is made by aid’s supporters that aid is “needed”. I share the view that aid is needed – even though, as I have just been discussing, a significant proportion of aid has not made a lasting contribution to development and poverty reduction. But there is an important distinction to be made in arguing, on the one hand, that aid is **needed**, and, on the other, that aid is **necessary for development and poverty reduction**. If aid were necessary for any development to occur then one would need to show that no development and no poverty reduction development can occur, or has ever occurred, without aid. A moment’s thought suggests that such a proposition is plainly untrue – the development of poor and middle-income countries has frequently occurred without aid, that development has continued when aid has been reduced, and that the development of all industrialised countries occurs and can clearly continue without aid. Aid’s critics are quick to point out that development occurs without aid. Many critics also provide evidence of aid having impeded or held back the development process – for instance by creating or exacerbating a country’s dependence upon aid - to suggest that because aid is not necessary for development and has sometimes proved harmful that it is not – ever - needed.

If aid is not strictly necessary for development – i.e. if development can occur without aid, then in what sense can one argue that aid is needed. The answer is that the necessity of aid is derived and drawn from ethical considerations and value judgements about humanity. In brief, the case for the necessity of aid would go something like this. There is evidence to show that aid has helped, and thus can help, to reduce poverty **faster and in a more durable fashion** than if aid had not been provided, both by helping to fill crucial resource gaps and by helping to address key systemic problems within poor countries which hold back pro-poor growth and development. In such cases, more deaths have been prevented, more lives enhanced and greater numbers lifted out of poverty as a result of the aid provided.

If your view is that those who have the means to do so have a moral obligation to reduce the numbers of preventable deaths and to enhance the lives of more people living in dire poverty and that aid can help achieve this, then there is a need to provide not only aid but more aid. Additionally, if the current way of providing aid is not leading to these outcomes, then, I would argue, this provides the basis for working out other (better) ways of assisting those vulnerable to preventable death, disease and poverty, not the basis for concluding “because our help has not been effective, we are no longer obliged to assist”.^{xvi}

What activities should aid funds be used to support?

If aid is needed, what role should it play – how should it be provided and who should receive it? A widely-held view is that aid should be judged on the basis of whether it is provided to and “reaches down to” the poorest”. This criterion tends to feature mostly strongly in the literature produced by NGOs and CSOs undertaking aid projects some of which suggest that their organisation is particularly deserving of support because “more than 90 cents in every Euro” of funds raised go to the “people who need it” and are not “swallowed up” in administrative costs.

The literature put out by official aid agencies is also keen to show a direct and dominant link between the amount of aid available and the tangible, direct and immediate difference that the agencies’ funds make to the lives of particular people being assisted. For instance, the front cover of the most recent Annual Report from Irish Aid is devoted solely to listing the numbers of people that Irish Aid has helped through its aid in different countries, a dominant (though it should be stressed not the only) theme in the description of Irish Aid’s activities in eight of its nine programme countries, the exception being Timor Leste.^{xvii}

Should aid be judged on the basis of the share of aid reaching down and being used directly to provide immediate assistance to help particular groups of poor people – the more people helped the “better” the aid? And should the aid given by NGOs be judged on the basis of ensuring that as high a share of the aid donated is used for projects for the poor? There are doubts on both scores.

Are the costs of ensuring aid funds are well spent something good or bad?

Let me deal first with the way that NGOs often explain project expenditures to their supporters. I should add that these comments are based largely on my experience with UK NGOs and may not be entirely transferable to Ireland and to Irish NGOs. It is common

practice for NGOs in the UK to exclude from what they classify as “administrative expenses” not only the funds that are used for the projects that directly assist poor communities but also the costs that are incurred in running and supporting such projects. These would include things like the salaries of project officers, the travel costs incurred in visiting projects and, if the projects are run locally rather than by UK NGOs, the different costs that these NGOs have, such as the salaries of their staff, office running costs and transport costs.

While the funds used to pay for these expenditures are certainly directed towards improving the effectiveness, efficiency and smooth running of projects for poor communities, they are not used by the poor communities themselves. For most projects, they comprise a significant share of total project costs, often accounting for 25% or more of the total. The problem is that when NGOs claim that less than 10% of funds are used for administration, supporters (understandably) believe that the rest of the funds reach down and are used directly by poor communities. The reality is that usually more than 25% and sometimes well in excess of 30% of funds raised are spent on salaries, support and other service costs.

My concern is not with this level of expenditure but rather with the way that accounts are presented and the way that supporters commonly interpret what is meant by the term “administrative costs”. Indeed, my own experience in running the International Department of one of the UK’s largest NGOs, Christian Aid, for five years is that the quality of projects is usually quite critically dependent upon the quality of the staff and services used to support grassroots projects. Providing aid and assistance to poor people in village communities requires significant knowledge to ascertain who precisely are the most poor and marginalised and how power relations work at the local level. Without such information, it is likely that providing aid to a village will result in the better off and the men benefiting at the expense of the poorest and especially the poorest women and members of minority communities. If a foreign NGO does not have the local knowledge to understand the political economy of village life and is not willing to allocate resources to understanding the way power relations work, then there is a high risk that the poorest will not benefit from external assistance. In my view, quite high project costs are often a sign of an attempt to engage seriously in the complexities of development, not a sign of profligacy.

Choices agencies are making in how they allocate aid

What is striking is that the view that the quality of aid spending should be determined by the share of aid that goes directly to the poor is sharply at variance with the practices not only of official aid agencies but also of a growing number of NGOs.

For more than two decades, most of the larger NGOs have argued that poverty is in part a structural problem whose causes lie in part outside and beyond the confines of the immediacy of poor communities. It is for this reason that these NGOs in particular have channelled an increasing amount of aid funds into awareness-raising, lobbying, campaigning and advocacy activities conducted at the regional, national and international level, resulting in a lower share – though in most cases still a majority of total funds - being channelled directly to projects for poor communities. More recently, larger NGOs and especially international NGOs have been channelling a growing share of their in-country “project” funds into helping to build and strengthen the capacity of local organisations and NGOs to

enable them to undertake their development work more effectively and efficiently. This has also resulted in less aid being channelled directly into projects that reach down to and directly help poor and marginalised communities. NGOs are also increasingly involved in building or upgrading rural roads and helping to extend and improve the quality of the physical infrastructure.

For their part, too, most official aid agencies are now quite open about the significant and rising share of official aid that they are providing to recipient countries whose purpose is not to provide direct assistance to poor people and poor communities but rather to help build capacities and strengthen institutions within government, to improve governance and enhance the rule of law, and to facilitate the expansion and the private sector and civil society organisations. In the 1950s and 1960s, physical infrastructural projects dominated official aid portfolios and this area of aid activity is once again on the rise.

As the Minister of State states in his introduction to the Irish Aid web-site “At the core of the Irish Aid programme is the ongoing and difficult job of tackling the underlying causes of poverty and suffering”.^{xviii} The 2005 White Paper provides more detail, stating clearly, for example, that Ireland will support the “promotion of human security and justice, the building and strengthening of democracy...” (p. 9) and “we will help build government systems.... build the capacity to plan, deliver, manage and monitor services... “ (p. 30).^{xix}

In spite of these changes, and the growing use of aid to help people and the economy *indirectly* - to build capacities to strengthen governance systems, to help build institutions or to create the physical and legal framework to quicken the pace of wealth creation – the belief has remained strong across the general public that aid should be judged by the extent to which it helps poor people and poor communities immediately and directly.

I think there are two reasons for the robustness and persistence of these beliefs.

- The first is an ethical one – the strongly-held belief that, however beneficial it might be to help address the long-term term and structural impediments to long-term development, this should not be done at the cost of providing immediate help now to those who so desperately need it. Put simply, if poor people need to be urgently helped, then this is where aid should go. Hence in determining how aid should be allocated, addressing these needs are seen as “trumping” all others.
- The second reason is that in their general publicity, aid agencies continue to give pride of place to the aid activities they fund that help poor people directly, and appear reluctant to give prominence to the share of aid they channel to other sorts of activities. This tends to have a perverse effect: by providing a partial - “distorted” - view of the range of activities they support with their aid funds, aid agencies reinforce the public’s view of the way aid funds should be provided, possibly because they share the ethical views of aid’s mainstream supporters, or perhaps because they believe that are not able to or should not challenge these views.

Aid and Christian ethics: thoughts from the new social papal encyclical

For some mainstream aid supporters in donor countries, this moral perspective on aid-giving and what aid should be used for is informed by Christian beliefs, or by an ethic of giving and helping which is rooted in and has its origins in Christian ethical thinking. This is probably as strong, or possibly stronger, in Ireland than it is in many over leading aid donor countries. Against this backdrop, it is therefore instructive to highlight the way that the recently published papal social encyclical, *Caritas in Veritate*, views the role and purpose of aid.^{xx}

As one might expect, the encyclical does highlight the importance of aid being used to address some of the more immediate problems faced by poor people, placing emphasis in particular on world hunger and human resource development and the concomitant need for aid for education and to provide “regular access to sufficient food and water for nutritional needs” (p. 30). Indeed, the encyclical argues that “the most valuable resources in countries receiving development aid are human resources; herein lies the real capital than needs to accumulate in order to guarantee a truly autonomous future for the poorest countries (p. 71).

However, the encyclical not only acknowledges the importance of using aid to address poverty indirectly by helping to address long-term and structural problems but, in a number of different places, it could be interpreted as arguing that these activities are of greater importance as the following passages suggest.

... the individual who is animated by charity labours skilfully to discover the causes of misery, to find the means to combat it, to overcome it resolutely” (p. 34).

Hunger is not so much dependent on lack of material things as on shortage of social resources, the most important of which is institutional.... The problem of food insecurity needs to be addressed within a long-term perspective, eliminating the structural causes that give rise to it and promoting the agricultural development of poorer countries” (p. 30).

The focus of international aid... should ... be on consolidating constitutional and administrative systems in countries that do not yet fully enjoy these goods. Alongside economic aid, there needs to be aid directed towards reinforcing the guarantees proper to the state of law: a system of public order and effective imprisonment that respects human rights, truly democratic institutions (p. 49).

In the economic sphere, the principal form of assistance needed by developing countries is that of allowing and encouraging the gradual penetration of their products into international markets;... it is therefore necessary to help such countries improve their products and adapt them effectively to existing demand (p. 71).

The encyclical’s discussion of aid also emphasises the importance of poor country governments and the input of poor people in determining how aid should be used, explicitly challenging the view that it is donors and aid agencies which should choose how best to allocate aid, and warning of the dangers of donors imposing their own ideas on recipients.

Aid programmes must increasingly acquire the characteristics of participation... (Aid) must be distributed with the involvement not only of the governments of receiving countries, but also local economic agents and the “bearers of culture” within civil society, including local Churches (p. 71).

At times it happens that those who receive aid become subordinate to the aid-givers, and the poor serve to perpetuate expensive bureaucracies which consume an excessively high percentage of funds intended for development (p. 59).

Indeed, the encyclical seems to suggest that aid could be used to strengthen the voice and capacity of recipient countries to be better able to articulate their needs, not only within their countries but also internationally, highlighting

the urgent need to find innovative ways... of giving poorer nations an effective voice in shared decision-making (p. 79).

Concluding comments

I entitled my talk “Giving Support to Foreign Aid: some challenges to the existing discourse” both because I am a passionate believer in aid and also because I think that those of us who support aid need every so often to step back and take a hard look at the way we present the case for aid and elicit support from the general public.

If you are passionate about aid, you need not only celebrate its successes but be honest about the difficulties involved in providing it well, and be prepared to acknowledge when it has not worked as well as expected. Approaching aid in this way, I believe, provides the best context for working to improve its effectiveness. We need to give far more urgency to analysing the context in which aid is given because the gap between what aid does and what it could do remains still far too wide.

There remains today in the aid world too great a silence about aid’s weaknesses. Perversely this gives aid’s critics an advantage in the discourse about aid because the media tend to give disproportionate space to counter-intuitive viewpoints and perspectives. Those who argue that aid doesn’t work and provide evidence of instances to support this view are in a commanding position when those who defend aid are unwilling to admit to the difficulties of providing aid to those who need it most.

ⁱ Figures from Organisation for Economic Cooperation and Development (OECD (2009) *Development Cooperation Report 2009*. Paris: OECD, pp. 31 and 103-5.

http://www.oecd.org/document/62/0,3343,en_2649_33721_42195902_1_1_1_1,00.html

and World Bank (2009) *Global Monitoring Report 2009*. Washington DC: The World Bank, p. 115.

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTGLOBALMONITOR/EXTGLOMONREP2009/0,,contentMDK:22149019~enableDHL:True~menuPK:5924427~pagePK:64168445~piPK:64168309~theSitePK:5924405,00.html>

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- ⁱⁱ See D. Alexander (2009) "Global Recovery means development policy must top the international agenda" *Europe's World Summer 2009*, p. 130.
http://www.europesworld.org/Portals/0/PDF_version/Issue12/EW12_FINAL_UK.pdf
- ⁱⁱⁱ World Bank (2009), p. 113.
- ^{iv} Figures from OECD (2009) *Development Cooperation Report 2009*, p. 119 and 156.
- ^v OECD (2009) *Ireland DAC Peer Review*. Paris: OECD, <http://www.oecd.org/dataoecd/50/1/42704390.pdf>
- ^{vi} See Hunger Task Force (2008) *Hunger Task Force Report to the Government of Ireland*. Dublin.
http://www.irishaid.gov.ie/uploads/hunger_task_force.pdf
- ^{vii} W. Brandt (1980) *North-South: A Programme for Survival*. The Report of the Independent Commission on International Development. London: Pan Books, p. 240.
- ^{viii} OECD (2009) *Development Cooperation Report*, p. 106-135.
- ^{ix} L. Pearson (1969) *Partners in Development: Report of the Commission on International Development*. New York: Praeger Publishers, p. 127-8.
- ^x OECD (2009) *Development Cooperation Report*, p. 203.
- ^{xi} These figures are drawn from R.C. Riddell (2009) "Does Foreign Aid Really Work? In M. Kremer, P. Van Lieshout and R. Went (eds) *Doing Good or Doing Better: development policies in a globalizing world*. Amsterdam: Amsterdam University Press, pp. 47-79.
<http://www.wrr.nl/english/dsc?c=getobject&s=obj&lsessionId=1cxK1jmb5WBRDacGa19bs1WDcVljs7tW8nhb9oWQdxXKwqyxTagM31UqYyWNZ1zy&objectid=4973&!dsname=default&isapidir=/gvisapi/>
- ^{xii} President H. Truman's Inaugural Address 20 January 1949.
www.trumanlibrary.org/whistlestop/50yr_archive/inaugural20jan1949.htm
- ^{xiii} This is the Independent Advisory Committee on Development Impact (IACDI). Its role and Terms of Reference are available at the following web-site: <http://iacdi.independent.gov.uk/about/terms-of-reference/>
- ^{xiv} R. C. Riddell (2009) "The Quality of DFID's Evaluation Reports and Quality Assurance Systems", para 43.
<http://iacdi.independent.gov.uk/2009/09/the-quality-of-dfids-evaluation-reports-and-assurance-systems/>
- ^{xv} See R. C. Riddell (2008) *Does Foreign Aid Really Work?* Oxford: Oxford University Press, especially Chapter 15, pp. 254-7.
- ^{xvi} For a fuller discussion of the ethics of aid see P. Illingworth, T. Pogge and W. Wenar (2010) *The Ethics of Philanthropy*. Oxford: Oxford University Press (forthcoming).
- ^{xvii} Irish Aid (2009) *Irish Aid Annual Report 2008*. Limerick: Department of Foreign Affairs, Irish Aid.
<http://www.irishaid.gov.ie/uploads/AnnualReport2008/Irish%20Aid%20Annual%20Report.pdf>
- ^{xviii} Peter Power TD, Minister of State for Overseas Development at the Department of Foreign Affairs,
http://www.irishaid.gov.ie/about_minister.asp.
- ^{xix} Government of Ireland (2005) *White Paper on Irish Aid*. Dublin.
<http://www.irishaid.gov.ie/whitepaper/assets/White%20Paper%20English.pdf>
- ^{xx} Benedict XVI (2009) *Caritas in Veritate*..
http://www.askacatholic.com/Resources/document_directory/POPE_BENEDICT_XVI_Caritas-In-Veritate.pdf