

“Does Aid work? And could it do better?”



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These are questions which need to be asked particularly by anyone involved in NGOs.

So why do we give aid? The basic premise is the moral case for giving aid because there still exists extreme poverty and human suffering, enormous wealth inequalities, and an increasing widening of the gap between rich and poor. Indeed in his book “*Does Foreign Aid Really Work?*” (2007) Roger Riddell argues that “Donors could adopt three different approaches to providing information about aid:

1. Try to convince the public that some aid does indeed work.
2. Try to convince the public that steps are being taken to enhance the impact of aid, by trying to reduce the number of cases where it does not work well.
3. Try to nurture, extend and deepen support for aid, acknowledging that a significant part of it is clearly ineffective, and sharing knowledge about aid’s failures as well as its successes.”

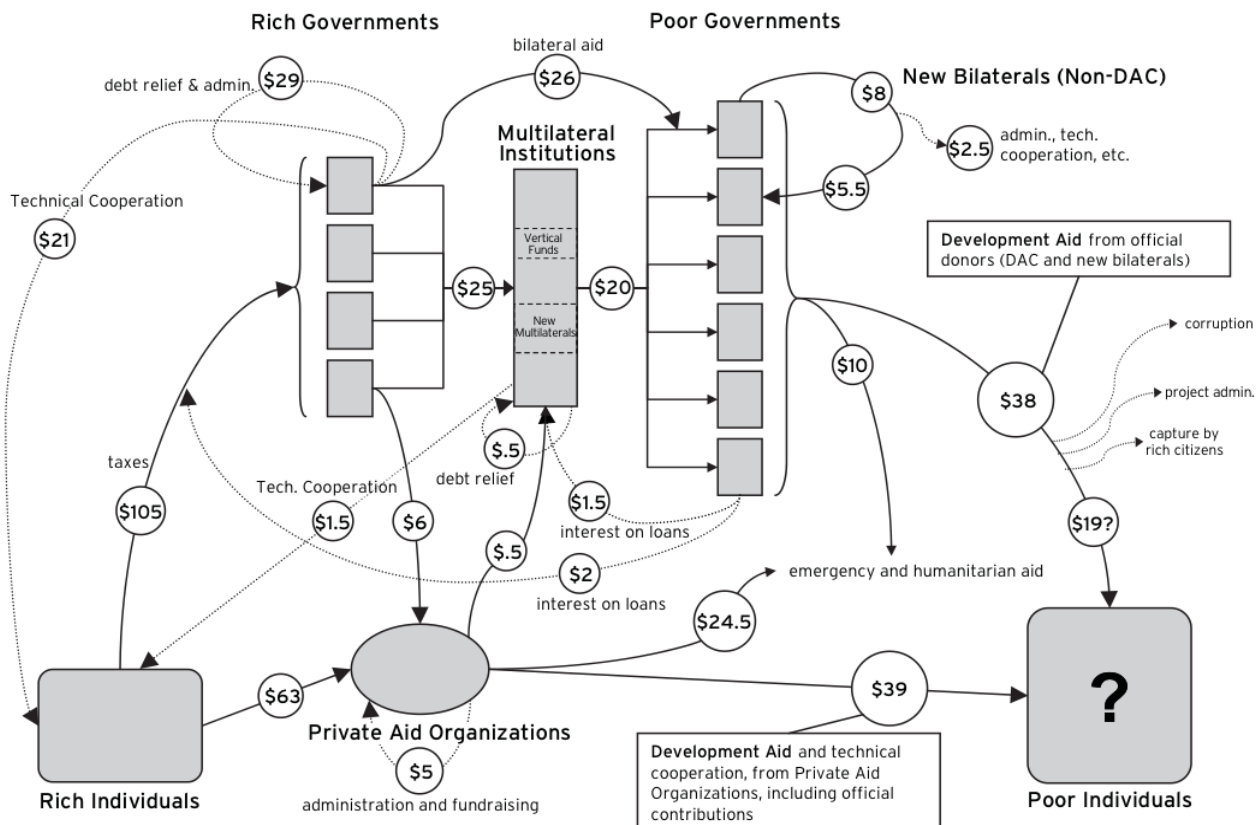
Donors would be acknowledging that, although not all aid is successful, the moral argument remains valid.

There continue to be many opponents of aid, citing reasons such as:

- It doesn’t work
- Too many grand plans
- Too much bureaucracy
- Aid as concept of ‘superiority’ (Escobar). It is disempowering
- Should aid form 50% of some countries’ budgets?
- Not accountable to electorate
- Small businesses do better
- Aid works at local level but often limited impacts nationally
- Is it sustainable?
- Too closely linked to political ideology
- Can governments promote economic growth? Or is that for the private sector?

AND aid “architecture” is very complex. For instance, there are more than 150 multilateral agencies (UN, global, regional) and more than 33 bilateral agencies. The flow diagram shows the complexities:

Figure 7: New aid architecture



Source: www.aidinfo.org/wp-content/uploads/2010/10/kharas-aid-architecture-diagram.png

With all this complexity, one has to ask how much aid gets through to those who need it most. Plus, every stage through the process involves a cost. Add to that taxes and corruption and it brings in serious questions about the value of giving aid. Furthermore the aid “architecture” is now becoming increasingly complex as more “players” become involved. The DAC (Development Assistance Committee) used to provide 95% of all multinational aid but now new “independent” institutions such as GFATM (Global Fund to fight AIDS, TB and Malaria) and The Millennium Challenge Corporation have joined in. Then there are those countries such as China, Japan, Brazil, Korea and India who offer concessional loans and expertise often with “no strings attached”. Other new players include The Gates Foundation and Elton John.

Box 1: Examples of the complexity of the aid system

- The WHO has 4,600 separate agreements with donors and has to provide 1,400 reports to donors each year (*Personal communication with Simon Maxwell, Downing Street, July 2006*).
- Uganda has over 40 donors delivering aid in-country. The Government of Uganda’s own figures show that it had to deal with 684 different aid instruments and associated agreements between 2003/04 and 2006/07 for aid coming into the central budget alone (*Ugandan Ministry of Finance, Planning and Development’s ‘Development Management System’ and the Donor Economists Group in Uganda*).
- A 14-country survey by the OECD and the World Bank showed an average of 200 donor missions per year, three-quarters of these by a handful of donors (the ‘chronic travellers’). Cambodia and Vietnam received 400 missions each, Nicaragua 289, Bolivia 270, Bangladesh 250 (*OECD/DAC, 2006b*).
- There are 90 global health funds (*Benn, 2006*)
- In Vietnam, 11 UN Agencies provide between them only 2% of aid (*Ryan and Morch, 2005*).
- St. Vincent, population of 117,000, was asked to monitor 191 indicators and Guyana 169 indicators on HIV/AIDS (*World Bank, 2005b*).
- The number of registered NGOs in Banda Aceh rose from 80 before the tsunami to 180 by June 2005 (*World Bank, 2005a*).

Source: Burall and Maxwell, ODI 278, 2006

The changes in the aid environment are leading to new pressures including:

- Value for money, recession, donor contributions under pressure
- Accountability
- Increased ownership by country nationals
- Despite all the experience, still barriers between western and local cultural attitudes

Take the instance of micro-finance companies - it may be asking the recipients of loans to do too much as some recipients may be illiterate.

So what are the challenges for agencies to make aid work?

There are national issues:

- Overcome “weak institutions trap” (Nancy Birdsall) in countries that are landlocked, dependent on primary commodities, corrupt, in conflict or lack a middle class.
- Consider the moral hazards such as aid may protect incompetent governments. Is there an incentive to remain poor or a lack of political will? Is there the possibility that aid may cause economic stagnation?

And there are cultural issues such as:

- Donors/agencies may be in a hurry to see results
- Diversion of skilled workforce into donor/aid agency community. For instance, educated people within the recipient country may go and work for the agency because they will get paid a higher salary than if they set up a business for themselves
- Is there an urban bias leaving development lacking in rural areas?
- Gender – it’s hard to involve women in some recipient countries – they are often too busy simply collecting water and farming - but where women gain power, men lose it
- Are partnerships genuine?
- Does the aid ever reach the “hard to reach”?

Could aid work better?

- There is a need for consensus from the UN agency OCHA (Office for the Coordination of Humanitarian Affairs)
- Agree an international strategic vision
- Need to be creative/new technologies
- Increase transparency of NGOs
- Learn from experience – reports v practitioners
- Sustainability – the need to consider what happens when the aid stops – who pays and who maintains?
- The logical step is for NGOs to continue to do what they are good at, their core purpose – at national level, advocacy work - and at local level, grassroots capacity building
- Let other mechanisms such as TNCs (Transnational Corporations) and SMEs (Small and Medium Enterprise) work in other areas
- This will require collaboration and trust

Conclusions:

Letting go of power and control

It is suggested that the way forward is for the West/donors to let go of power and control. There needs to be a change of mindset from “What can I give”? to “What support can I offer”?

There needs to be a new model which recognises diversity of players, local autonomy, commitment by the UN and INGOs (International Non-Governmental Organisations) to change their approach

Proposals for change would be:

- to reform the Inter Agency Standing Committee (IASC) and give power to local and regional players
- change the role of INGOs to enabling and supporting national and local organisations

Remaking humanitarian action

- Promote more complementary and rational crisis response
- Develop mutual understanding between humanitarian and development teams. When humanitarian aid ends where does development work begin?
- Accept that there are different forms of humanitarian action and specific emergency responses
- Ensure that people’s *needs* dictate the operational approach rather than preconceived ideology

How well does aid work for development work and could it do better?

Yes it does work – there is some progress – **but**, it must be accompanied by political will on all sides, appreciation of the complexities and, crucially, cooperation, coordination and collaboration.

Concluding questions:

- Are we obsessed with aid always working?
- Can we ever find out what has been achieved?
- Can aid ever overcome geographical advantages? For instance, landlocked countries are at a distinct disadvantage
- Is there a greater role for civil society?
- How should agencies be reformed?
- Where does aid go next?