

Does Foreign Aid Really Work?

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Abstract

This paper draws widely from the book *Does Foreign Aid Really Work?*, building on that discussion to provide an updated answer to the question based on recent evidence and contemporary debates on aid effectiveness.

It starts with a brief discussion of the question *Does Emergency Aid Work?* (Section 2) This is important to the wider debate for two linked reasons. Firstly, the harshest critics of development aid are all supportive of emergency aid, with a number calling for its expansion, in spite of evidence of major weaknesses and failures. Secondly, the sharp historical distinction made between emergency aid and development aid is becoming increasingly strained as more emergency aid is being used a year or more after emergencies strike to rebuild lives and restore livelihoods while more development aid is used to directly save lives.

The rest of the paper focuses exclusively on development aid. Section 3 provides a rapid overview of the evidence of the impact of individual aid projects, including those of Non-governmental Organisations (NGOs). The picture is overwhelmingly positive: well over 75% of projects meet their immediate objectives and impact has improved, even though sustaining benefits remains a challenge and there continue to be aid failures.

Section 4 reviews the evidence of the wider and long-term impact of aid at the sectoral and country level, including a brief discussion of academic studies on aid and growth. Though there are still major gaps in our knowledge, the quality of the data is improving. However, there is little firm quantitative evidence to show the specific contribution that aid has made to help achieve the Millennium Development Goals (MDGs), a central purpose of many current donor programmes (Section 4.2). More widely, however, there is plenty of evidence to suggest that aid has contributed positively to both growth and wider development at the sector and country level, though some studies suggest aid has had little or no impact. Overall, the contribution that aid makes to aggregate development is lower than the public has been led to believe (Sections 4.1, 4.3. and 4.4). Assessments of the overall impact of the aid provided by NGOs are rare, but a recent study suggests it has been positive (Section 4.5). More attention is now given to the issues of corruption in aid; although there is evidence of aid funds being used for corrupt purposes and of aid worsening corruption, on balance it remains a minor issue. Aid has had significant successes in helping the poor affected by corruption. (Section 4.6)

The second half of the paper shifts the focus to the large gap between what aid has done and what it might do. Section 5 discusses a range of inefficiencies within and across the aid system and their costs in terms of reduced impact, including the way aid is allocated, its growing complexity and the volatility and unpredictability of aid flows (Section 5.1 and 5.2). These inefficiencies place in a different light the evidence of aid's overall positive impact. The paper looks at the different initiatives that have been mounted to begin to address these weaknesses and failures, including the 2005 *Paris Declaration*, and discusses why donors have failed to honour the promises they have made to change the ways they give aid. In Section 5.3, the Paper argues that the most critical debate about aid working concerns the assessment of whether the short-term, immediate and extensive benefits that aid undoubtedly bring are outweighed by the direct and indirect systemic problems that aid risks creating or accentuating. As increasingly over the last decade donors have channelled more of their aid into short-term quick-impact projects, assessing the wider negative systemic effects of aid have become even more important. Some recent studies suggest aid's systemic problems are large and growing, narrowing the gap between aid's harshest critics and broader analyses of aid impact.

Against the backdrop of already too many proposals of how to make aid work better, Section 6 lays out nine concrete proposals for making aid work better: deepening knowledge of local contexts; ensuring short-term uses of aid are consistent with and supportive of long-term development and that all aid is more closely related to overall recipient development goals and processes; helping build local capacities for recipients to be able to coordinate aid better; moving from rhetoric to reality in learning lessons from aid; using aid to help the poor in middle income countries; reducing volatility in aid at the country level; encouraging budget support by addressing donor-country political concerns; and rethinking ways of communicating about aid.

Section 7 concludes. It suggests that paradoxically aid's impact may well have been harmed by focussing too narrowly on trying to make short-term aid work better and that the main focus of attention needs to widen to assess how aid can contribute more to a recipient's own development goals. Additionally, donors need to help build the capacity of developing countries and developing country scholars to enable them to play a bigger role in helping to answer the question *Does Aid Work?* unsettling though their assessments may be.

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1. Introduction

Foreign aid is provided by three main types of donors: rich country governments, Non-Governmental Organisations (NGOs) and private foundations.¹ But why is it given? Aid is provided in the belief - either directly or indirectly - that it will help improve the lives of those who really need it: the extremely poor; those hit by emergencies with nowhere else to turn; and those on the margins of survival at risk of falling into acute poverty and destitution. As discussed below (Section 5.1), while the *allocation* of official aid is still influenced by short-term political, security and commercial interests of donor governments, almost all aid is given to developing countries on the assumption that it will help those most in need, contributing to their development in a sustainable way. Indeed what is central to contemporary discourse about all aid-giving is not merely that it should be effective but the *justification* for providing aid is intimately linked to its impact.

If Aid *does* work, aid agencies can appeal to its success to legitimise the work they do, indeed to justify their very existence. On the other hand, if aid clearly doesn't work, then - so the argument goes - there is no reason for giving it, aid should be withheld and, at the extreme, aid agencies should close down. It is against this backdrop that the question *Does Foreign Aid Really Work?* is considered so important: it is the subject both of my presentation to you today and a book I published a few years ago.²

After a brief discussion of the place of emergency aid in the discourse about aid's impact (Section 2), I will provide a rapid overview of the evidence we have of what aid has achieved, drawn in part from my book but also from more recent studies and assessments of aid's impact, ending with a brief discussion of aid and corruption (Sections 3 and 4). Next, I will draw attention to the main factors that have led to, created and are still today perpetuating the still large gap between what aid has achieved and what it could potentially achieve. I shall look briefly at the views of those who argue that whatever good aid has done in the short-term - and aid's most important critics readily acknowledge it has brought many benefits - this is outweighed by the systemic harm it has done or by holding back development and reinforcing key constraints to poverty-reduction (Section 5). I will then make some (nine) specific suggestions for improving aid's impact (Section 6) and then draw the discussion to a close by affirming my belief that aid still has a role to play but suggest, paradoxically, that aid might well work better if less attention were focused on trying to answer the narrow question of whether it works (Section 7).

The discussion raises concerns about the way in which the current discourse on aid's impact and effectiveness is conducted, most notably the widely-held assumption that *the* determining factor in deciding whether aid should be given is whether it can clearly be shown to work. It is clearly important that aid should work well and that no effort should be spared in seeking to improve its impact. However, the complex context in which aid operates needs to be inserted more centrally into the debate about aid to the extent of readjusting our expectations of what success might mean: the failure of aid to "work" especially in the short-term does not provide a sufficient basis for not giving it.

¹ Data on total aid flows vary year by year and with the exception of aid provided by rich country governments are widely known to be inaccurate. Total aid given amounts to around \$190 bn. Governments provide the bulk of aid (nearly 80% of the total). This is called Official Development Assistance (ODA). Although aid provided by wealthier developing countries has risen fourfold in the last ten years (to reach about \$25 bn by 2012), most ODA (over 80%) is still provided by rich country governments (\$127bn in 2012). Most ODA (about 70%) is provided to recipient countries directly as bilateral aid, the rest as multilateral aid. Some ODA is channelled to and through NGOs or Civil Society Organisations (CSOs), though most NGO funds are raised by private donations. Combining both these sources of finance, NGOs/CSOs spend about 14% of all aid. Private foundations provide aid drawing on the profits of companies and corporations account for about 8% of all aid spent.

² R.C. Riddell (2008) *Does Foreign Aid Really Work?* Oxford: Oxford University Press.

Though it continues to change and evolve, the overall aid system as we know it has been around for at least 60 years. For most of this period, discussions about aid have been extremely polarised: those in favour of aid have been reluctant to draw attention to its problems and inadequacies, those against aid, reluctant to acknowledge that it has done any good. The last 15 or so years have seen the beginnings of a change, with some supporters of aid, even some aid agencies, admitting there are problems with aid, some systemic and far-reaching. In my view, this is both a refreshing as well as major change in the discourse about aid, even if there is still a long way to go on the journey towards a more honest discussion of aid's impact. In much of the work that I have done on aid in the last 20 to 30 years, I have tried to engage as a "critical friend" of aid, and in so doing have drawn fire from both aid's supporters and aid's critics, and it is from this perspective that I approach the subject today.

To start I will first summarise my answer to the question *Does Foreign Aid Really work?* - not as well as it could, and not as well as it should. Against often far too high expectations of what it might achieve, much aid has had a positive impact, though sustaining its benefits has often proved challenging. Over time we have accumulated a large and still growing body of knowledge to help understand how to make aid work better - most importantly that aid's potentially-beneficial impact depends most critically on understanding the usually complex context within which it is inserted - though many aid decisions remain insufficiently informed by such knowledge. More recently we have begun to understand far more about the systemic problems that aid risks creating or perpetuating. I believe there is still an important role for aid to play though donors need to apply more of this knowledge as well as learn more about how best to address some of the more systemic challenges of giving, receiving and using aid. Donors also need to encourage and give more space to developing country assessments of aid's impact.

2. The place of emergency aid in the discourse about aid's impact

2.1 Humanitarian and development aid

Traditionally, a distinction has always been made between *humanitarian* aid and *development* aid, the former being the response to emergencies, and short-term in nature, the latter being the contribution of aid to support longer-term development processes. Historically, the humanitarian element has accounted for only a small share of aid, between 5% and 10% of the total, although in the last 30 years, humanitarian aid has increased at a far faster annual rate than total official aid.³

The most prominent public debates around the question *Does aid work?* have been focused almost entirely on **development** aid. Indeed, aid's most vehement critics, such as Peter Bauer in the 1970s and 1980s, and Dambisa Moyo more recently, have gone out of their way to say that their criticisms of aid are not aimed at emergency aid which, at least in some forms, they appear to support, even its expansion: it is the weaknesses, failures and inappropriateness of development aid that is the sole focus of their attention.⁴

³ In the thirty years to 2005, in real terms, ODA increased two and half times, whereas there was a seventeen-fold increase in humanitarian aid. See 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, p. 50. <http://www1.fee.uva.nl/pp/bin/nonrefereedbookpublication462fulltext.pdf>

⁴ For example, Bauer writes "Relief of need, especially humanitarian relief of poverty in the Third World, should be left to non-politicized charities. They are already active in this field. They could do much more." P. Bauer and B. Yamey (1982) "Foreign aid: What is at Stake?" *Public Interest* Vol. 86, p. 69. For her part, Dambisa Moyo acknowledges that "there are obvious and fundamental merits to emergency aid" D. Moyo (2009) *Dead Aid: Why aid is not working and how there is another way for Africa*, London: Allen Lane, p. 7. Likewise in interviews, she has voiced her support for emergency aid. See for example, "Everybody knows it isn't working" *The Guardian* 19 February 2009

There is, however, a growing problem with the sharp distinction made between emergency or humanitarian aid and development aid. In recent years, on the one hand, a growing amount of emergency aid has regularly been deployed not to save lives and respond to the immediate aftermaths of a disaster but to help to rebuild the lives and restore the livelihoods of those affected by emergencies; and in doing so it has been used to fund projects identical to those supported with development aid funds.⁵ For instance, UK humanitarian agencies only planned to spend 50% of the public funds they raised in the first year following the Asian Tsunami, committing themselves to spending all the funds within a five-year period on longer-term projects.⁶ On the other hand, a growing number of “development aid” projects have been channelled into immediate-life-saving initiatives; billions of dollars of “development aid” is now routinely spent on immunising children against deadly killer diseases, in providing anti-retroviral drugs to keep alive those with HIV, and in supplying bed-nets to reduce malaria deaths; in 2013, the United States alone committed to spending \$8 billion on HIV/AIDS, TB and malaria programmes.⁷

2.2 Does emergency aid work?

Does emergency aid work? Surprisingly, given the high levels of support for it amongst the general public as well as even aid’s strongest critics, there is still a paucity of robust evidence on the overall impact of emergency aid - too few evaluations with too many of poor quality.⁸ However, there is broad agreement about some key failures and weaknesses. While lives have certainly been saved, and livelihoods rebuilt with emergency aid, major failures and weaknesses remain all too common. A key problem is the still large gap between the emergency funds needed and the amounts provided: in the past five years, only around 64% of total emergency needs have been met.⁹ This problem is made worse because of the continuing mis-match between the sorts of aid provided and the needs people have, in part because systematic, overall needs assessments remain the exception: most overall responses to emergencies are the result of aggregating the assessments made by individual agencies. For instance UN data for 2013 show that 57% of overall needs had been met by early December, but only 50% of health needs, 41% of housing needs and only a third of water and sanitation and education needs, similar to shortfalls over the past ten years.¹⁰ These problems are both caused and exacerbated by a lack of coordination between agencies which, though improved, continues to be a major problem.¹¹ Relatedly, although agencies have pledged to meet minimum standards when delivering humanitarian aid, the evidence suggests continuing and significant gaps between agreed standards and what is provided on the ground, due in part to the low level of relevant skills among emergency aid workers.¹²

A further problem with emergency aid, when trying to disburse it quickly in inhospitable and difficult environments, is that the risk is heightened that the aid will not reach the intended beneficiaries. Though information on corruption is difficult to find - perhaps unsurprisingly given that such a

<http://www.theguardian.com/society/2009/feb/19/dambisa-moyo-dead-aid-africa> and “Stop giving aid to Africa: it just isn’t working” NRC.nl. 6th March, 2009 <http://vorige.nrc.nl/article2172883.ece>.

⁵ When I was International Director of Christian Aid, our office in Burundi received emergency aid funds for “seeds and tools” projects that had earlier been funded by development aid sources of finance.

⁶ R. C. Riddell (2008), pp. 332-6.

⁷ See The President’s Emergency Plan for AIDS Relief <http://www.pepfar.gov/funding/index.htm>.

⁸ See Riddell (2008), p. 445 n 5.

⁹ See <http://fts.unocha.org/pageloader.aspx?page=emerg-emergencies§ion=CE&Year=2013>. For earlier years see Riddell (2008), pp. 318-9.

¹⁰ See “Consolidation and Flash Appeals (2013) UN Financial Tracking Service.

[http://fts.unocha.org/reports/daily/ocha_R30_y2013_5_December_2013_\(03_00\).pdf](http://fts.unocha.org/reports/daily/ocha_R30_y2013_5_December_2013_(03_00).pdf) and Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP) (2010) *The State of the Humanitarian System: Assessing performance and progress A pilot study*. London, <http://www.alnap.org/resource/8746> p. 36.

¹¹ See the most recent overall survey of the humanitarian system by the semi-official ALNAP (2010) pp.32-3.

¹² See ALNAP (2010), p. 36.

significant proportion of aid is delivered when law and order has broken down - some concrete examples of the mis-appropriation of emergency aid in academic studies of aid have surfaced. In one instance in the Democratic Republic of Congo (DRC) up to 85% of the aid provided failed to reach those in need; other evidence has suggested that both humanitarian and development aid has, inadvertently, extended and deepened corruption in societies in which it has been provided.¹³ However, major misappropriations of emergency aid funds are not only found in the developing world. For example, a 2006 United States Government report analysing the use of public funds provided to the survivors of Hurricane Rita and Katrina in New Orleans the previous year estimated that some 16% of funds had been lost to fraud, amounting to up to \$1.4bn.¹⁴

Surprisingly, however, neither examples of mis-appropriation nor the cumulative effects of the different weaknesses of emergency aid which significantly reduce its overall impact appear to have made a major difference to the continued and high levels of public support for emergency aid.¹⁵ When the next large-scale “television” emergency occurs, as happened when Typhoon Haiyan struck the Philippines late last year, the felt-need to help and provide aid continue to trump awareness of past problems of the ineffectiveness of and inefficiencies in the allocation and distribution of humanitarian aid. Generous public and official humanitarian aid donations are raised, spurred on by the mainstream media which repeatedly focus on the suffering and needs of those affected - and the aid they need - and not on past stories of such aid not working. Especially when large emergencies strike, there is little sign of any wish to engage in rigorous debate about whether emergency aid works. How different it is when the discourse turns to development aid, as we shall now see.

3. Does aid work? The impact of project and programme aid

3.1 Weak and not easily accessible information and data-bases

Development aid in most countries is still predominantly provided in the form of discrete projects.¹⁶ In spite of a steady expansion in the numbers of projects assessed and an increase in analytic rigour, most projects are still not evaluated, and only a small proportion of projects (considerably less than 1%) are the focus of any in-depth evaluation. Few official agencies and no NGOs undertake aid impact assessment in a systematic way. For most, only a selection of projects and programmes are assessed and the choice of what to assess is not based on selecting a representative sample of all projects implemented.

Besides the dearth and lack of commitment to evaluate aid projects and programmes, assessments of their impact are typically hampered by a number of common problems. These include data inadequacies (insufficient or non-existent base-line and monitoring data); problems of attribution (not knowing what specific contribution aid inputs make to outputs and especially to wider outcomes); and problems of the counterfactual (not knowing what would have happened to those assisted through aid if the aid inputs had not been provided).

¹³ Riddell (2008) pp. 343-5, ALNAP (2010) p. 43 and Kolstad *et al.* (2008).

¹⁴ Gregory D. Kutz, Managing Director Forensic Audits and Special Investigations and John J. Ryan, Assistant Director Forensic Audits and Special Investigations. Testimony before Subcommittee on Investigations, committee on Homeland Security, House of Representatives. *Hurricanes Katrina and Rita Disaster Relief: Improper and Potentially Fraudulent Payments estimated to be between \$600Million and \$1.4 Billion*. Washington, D.C.: United State Government Accounting Office. <http://www.gao.gov/new.items/d06844t.pdf>, accessed 2 December, 2013.

¹⁵ See Council on Foreign Relations (2013) “World Opinion on Economic Development and Humanitarian Aid” Chapter 12 of *Public Opinion on Global Issues*. New York: Council on Foreign Relations <http://www.cfr.org/thinktank/iigg/pop/>

¹⁶ Over the past 10-15 years, programme aid provided through the “new aid modalities” - predominantly sectoral aid, often provided as Sector-Wide Approaches (SWAs) and sector and budget support - have risen to prominence, but more recently general budget support, in particular, has declined as an overall share of total official aid. Recent estimates suggest to 2010, total programme aid accounted for less than 50% of total Official Development Assistance (ODA). <http://www.simonmaxwell.eu/blog/budget-support-is-becoming-an-endangered-species-what-busan-must-do-to-save-it.html>.

For example, a 2008 review of the quality of evaluations commissioned by the Swedish International Development Agency (Sida) tried to answer the question “Do Sida evaluations provide valid and reliable information on efficiency, effectiveness, impact, relevance and sustainability?” The answer was that “fewer than half ... contain an adequate analysis of impact (and) ...between 30% and 80% of Sida’s evaluations failed to deliver plausible statements for each of the five criteria.¹⁷ And as Sida is considered to be grouped among the most professional of official aid agencies, these sorts of weaknesses are likely to be present in others, as well as among non-official agencies. Recent evidence confirms this. For instance, the major finding of a 2013 review of the development impact of the World Health Organisation (WHO) from 2007 to 2010 was that there was “not enough information to draw conclusions about the WHO’s development effectiveness”,¹⁸ likewise a recent (2013) study that looked at the evaluation reports of six of the largest Norwegian NGOs raised questions about the methodologies used and concluded that the evaluations did not tell us much that was reliable about impact, in large measure because of incomplete base-line and monitoring data.¹⁹

A further problem is that it is often challenging to track down the aid impact information that does exist. Notwithstanding improvements in the transparency of most donor agencies in recent years,²⁰ it still remains difficult to first locate and then to access data and information on aid impact that official aid agencies have, especially assessments of aid which are particularly critical.²¹ Even those agencies considered progressive have been criticised for their defensive attitude to evaluation.²²

¹⁷ K. Forss, E. Vedung, S-E Kruse, A. Mwaiselage and A. Nilsdottir (2008) *Are Sida Evaluations Good Enough? ~An Assessment of 34 Evaluation Reports Sida Studies in Evaluation 2008:1*. Stockholm, Sida, p. 72

<http://www.oecd.org/derec/sweden/41390724.pdf>

¹⁸ T. Freeman (Team Leader) (2013) *Development Effectiveness Review of the World Health Organisation (WHO 2007-2010)* Ottawa: Department of Foreign Affairs, Trade and Development. http://www.oecd.org/derec/18_WHO_DE_REVIEW_DONOR_NEUTRAL_VERSION_FOR_DAC.pdf, p. viii. The Review judged that 56% of reported findings on the effectiveness of evaluation systems and processes were unsatisfactory and 56% of monitoring systems (p. ix).

¹⁹ “Our analysis suggests that the reports are weak in terms of the methodologies used: ... the methods of data collection and analysis are at times neither described nor are the strengths and weaknesses of the approach selected discussed against possible alternatives. Analysis of causal relationships is usually weak. In terms of coverage, while the analysis of results invariably focuses on relevance and effectiveness; impact, sustainability and efficiency are not covered as often. The analysis of implementation focuses mostly on planning, coordination and networks; coverage of financial management, governance and leadership is far weaker.” K. Forss, B. Befani, S-E Kruse with R. Riddell and N. Stame (2013) *A Study of Monitoring and Evaluation in Six Norwegian Civil society Organisations*. Report 7/2012. Norad: Oslo <http://www.norad.no/en/tools-and-publications/publications/evaluations/publication?key=402245>

²⁰ For example, the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) has a data-base of all evaluations of the major official agencies, the DAC Evaluation Resource Centre. See <http://www.oecd.org/derec/publicationsdocuments/all/>. However the list remains incomplete. For example, in 2012 an evaluation was made of the Research Portfolio of the International Institute for Educational Planning (IIEP) of the United Nations Educational and Scientific and Cultural Organization (UNESCO) but by early 2014, the (somewhat critical) evaluation was still not available on either the DAC or UNESCO web-sites.

²¹ The 2013 annual report on aid transparency records that 46 out of the 146 largest official aid agencies (31%) were still failing to publish reports on agency performance and impact appraisals. See *Publish What you Fund Aid Transparency Index (ATI) 2013*, p. 24 <http://ati.publishwhatyoufund.org/wp-content/uploads/2013/10/2013-Aid-Transparency-Index1.pdf>

²² For example a 2009 study of the quality of evaluations undertaken by the Independent Aid Advisory Committee on Development Impact (IACDI) concluded that in the UK’s Department of International Development (DFID) – widely considered to be amongst the most professional of aid agencies – “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”. R. C., Riddell (2009) *The Quality of DFID’s Evaluation Reports and Assurance Systems: A Report based on the quality review undertaken by consultations Burt Perrin and Richard Manning*. London: DFID, p. 12 <http://www.docstoc.com/docs/44546894/THE-QUALITY-OF-DFID%C3%A2%E2%82%AC%E2%84%A2S-EVALUATION-REPORTS-AND-ASSURANCE-SYSTEMS>. Since that report was published, the UK Government has set up an Independent Commission for Aid Impact (ICAI) which in December 2013 published a report on a DFID programme in South Africa which it judged a failure. DFID has now closed down this programme [5](http://icai.independent.gov.uk/2013/12/06/dfids-trade-</p></div><div data-bbox=)

Beyond the official aid sector, only a handful of NGOs (almost certainly the largest) give prominence to evaluations on their web-sites; and exceptionally few place any critical evaluations in the public domain.

The upshot is that we are still far from having reliable, consistent and robust aid project information to answer the question *Does Aid Work?* This helps, in part, to explain why we are still asking the question. Against this backdrop what does the evidence tell us about the impact of development aid?

3.2 Project aid: official aid

In total, tens of thousands of project completion (and far fewer) evaluation reports of the results of aid projects have been written which record the results achieved. Though not all agencies aggregate the results of these studies and place them in the public domain, the larger agencies do, including multilateral agencies, such as the World Bank, the Asian Development Bank, the African Development Bank and the United Nations Development Programme (UNDP), as well as bilateral agencies such as the United Kingdom and Australia.²³ In the mid-2000s I spent many months trawling through these data and found that they revealed a consistent and extremely positive picture of aid “working”, in the sense that the overwhelming majority of the aid inputs provided achieved their intended outputs.²⁴ The most common way of judging success is still probably whether aid projects achieve their immediate objectives. Most donors record such “success” rates in excess of 75 percent for their projects. Even allowing for an upward bias in these results (many if not most are based on internal assessments by staff members) the results indicate that most aid projects “work”.

At one level this is an important and positive finding. Each year millions of children are immunised and receive basic health care, or go to school as a direct result of aid used to fund schools and school-places; aid does indeed build clinics, supplies drugs and distributes vaccines; it successfully trains teachers and nurses and pays their salaries; it does fund the successful distribution of anti-retroviral drugs and bed-nets to millions of those who need them. Tens of millions of people have been provided with clean water and sanitation; hundreds of thousands of classrooms and roads have been built with aid funds.²⁵ There are some truly amazing individual success stories such as the global eradication of smallpox which aid played a crucial part in achieving.²⁶

Furthermore, both historical and more recent data indicate the reported rate of success of projects across the leading agencies has continued to improve over time: there has been a steady rise in the proportion of aid projects which have succeeded in meeting their immediate objectives, even

[development-work-southern-africa/](#) However in recent years, it has become difficult to obtain access on DFID aid projects and programmes and almost impossible to access historical data.

²³ However in recent years, it has become difficult to obtain access to any more detailed information on DFID aid projects and programmes beyond two-page briefs and to access to large amounts of detailed historical data on line is near impossible.

²⁴ For more details on project impact see Riddell (2008) especially Chapters 11 and 16.

²⁵ In 2010, the Australian Government aid agency’s (AusAID) programme provided 27,000 new water and sanitation connections to poor households in Indonesia; in Vietnam, an additional 2.5 million people had access to “hygienic” water and 756,000 households have access to latrines; in East Timor, Australian Government support to the GAVI Alliance has contributed to immunisation of over 257 million children and the prevention of 5.4 million deaths; in the Solomon Islands and Vanuatu, AusAID’s Pacific Malaria Initiative has effectively complemented Global Fund support and helped increased the coverage of malaria control interventions such as insecticide-treated bed nets. The number of malaria cases has halved from 199 to 77 per 100,000 in the Solomon Islands between 2003 and 2009, and fallen by 80% in Vanuatu in the same period. See AusAID *Annual Performance Reports*: Canberra: AusAID (various years)

http://www.ausaid.gov.au/publications/pubout.cfm?ID=2449_4722_245_1463_2026

²⁶ For aid successes in the health sector see R. Levine (2007) *Case Studies in Global Health*. Sudbury, Ma.USA: Jones and Bartlett. For most recent evidence across different sectors see B. Ramalingam (2013) *Aid on the Edge of Chaos*. Oxford: Oxford University Press p. 43ff, and O. Barder (20013) “Is aid a waste of money?” <http://international.cgdev.org/blog/aid-waste-money>

though data from some agencies, including the World Bank and the Asian Development Bank, indicate that in the period from the mid-1970s to the mid-1980s, overall success rates for particular groups of projects fell.²⁷

In recent years, these largely end-of-project reports have been complemented both by more in-depth evaluations of discrete development interventions, in part boosted by the popularity of randomised control trial (RCT) approaches and other in-depth approaches. The evidence of impact of most of these studies is also predominantly positive, though no overall scoring seems yet to have been undertaken.²⁸ Indeed somewhat surprisingly to many who have heralded in-depth evaluations as the answer to aid's most radical critics, even proponents of the use of RCTs have cautioned against using their approaches to assess whether aid works or not.²⁹

There have also been failures. Overall donor data suggest that between 10% and 25% of projects have failed to meet their immediate objectives, or have had extremely limited success, or else the data on the projects have been so poor that it has not been possible to form a judgement on project performance. Importantly, too, some types of aid have been less successful than others. For example, transport projects have been less successful, as have agricultural aid projects implemented in particular regions or countries, notably within sub-Saharan Africa.³⁰

Additionally, *immediate* project success (the most common focus of such studies) doesn't necessarily mean *permanent* success. The evidence shows that the numbers of positive project assessments tend to drop markedly when projects are examined over time: there are clearly problems in sustaining success. The good news is that most evidence suggests that a rising proportion of projects are achieving positive scores in relation to their sustainability. The bad news is that the numbers of projects that are not sustainable still remain stubbornly high: mid-2000 data suggested that when looked at over time project success rates could fall below 60%.³¹

3.3 Technical Assistance and Capacity Building

A major component of aid is provided as "technical assistance" (TA). This is aid in the form of trained personnel deploying their skills to achieve specific tasks and, increasingly, sharing their skills by training poor country nationals to replace them, as well as activities aimed at helping to strengthen institutions and to enhance local capacities. Assessments of the impact of these forms of assistance suggest two main outcomes.³² Firstly and positively, most TA has succeeded in filling knowledge gaps and in training local personnel and imparting knowledge, though usually the costs have been high.³³ Secondly, however, successive evaluations suggest that although there have been exceptions, aid has generally not been at all successful in its efforts to build capacities, encourage the retention of high level skills and strengthen public institutions in a sustainable manner.³⁴ Among others, the

²⁷ See Riddell (2008) p. 180ff for further details.

²⁸ For example, A. Banerjee, (2007) *Making Aid Work*, The MIT Press, Cambridge, Massachusetts.

²⁹ For instance Esther Duflo. See her comments at <http://www.effectivephilanthropy.org/blog/2011/06/esther-duflo-explains-why-she-believes-randomized-controlled-trials-are-so-vital/>. "In ideal circumstances, randomised evaluations of projects are useful for obtaining a convincing estimate of the average effects of a programme or project. However, the price for this success is a focus that is too narrow to tell us "what works" in development..." Angus Deaton quoted in B. Ramalingam (2011) *Learning how to learn: eight lessons for impact evaluations that make a difference*. London: Overseas Development Institute, p. 2. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7096.pdf>

³⁰ For a summary of recent evidence on aid to agriculture see A. Chimhowu (2013) *Aid for Agriculture and Rural Development in the global south*. Working Paper No. 014. Helsinki: UNU-Wider. http://www.wider.unu.edu/publications/working-papers/2013/en_GB/wp2013-014%20/

³¹ See Riddell (2008) p. 186.

³² For more details of this discussion and the conclusions drawn see Riddell (2008) Chapter 12.

³³ The annual cost of paying and housing a foreign TA worker, transporting them to the country in which they work and educating their children is commonly in excess of \$250,000 a year, and can be far higher.

³⁴ For a synthesis of recent evidence for the education sector see A. Riddell (2012) *The Effectiveness of Aid to Education: What can be learned?* Working Paper, No. 2012/74. UNU-Wider <http://www.wider.unu.edu/publications/working->

World Bank has been honest enough to acknowledge that its efforts in this area, especially in Africa, have been extremely disappointing.³⁵

3.4 NGO project aid

Do aid projects implemented by NGOs and Civil Society Organisations (CSOs) work? This is a difficult question to answer not only because of the methodological, data and attribution problems already highlighted, but because of the variety of NGO projects in terms of area of activity, scale and size as well as the sheer numbers: tens of thousands of different NGOs and CSOs implementing hundreds of thousands of different projects from the minute (worth less than \$30) to the massive (in excess of \$10 mn). Additionally assessment is made more challenging as most NGOs view the aid they give in terms of the tangible outputs they seek to deliver – health services and schooling, rural development, income generation and micro-credit projects and programmes – as only comprising part of a wider and more long-term purpose they have of seeking to empower beneficiaries to be better able to shape their own lives in the future. In such instances, focusing solely on whether these more immediate goals have been met only provides a partial answer to the more complex and, in their terms, the more important hierarchy of questions they would ask to determine whether their aid has “worked”.³⁶

Assessments of the impact of NGO aid projects have been conducted since the late 1970s, but for many years these were dominated by studies commissioned by official donors and the questions asked tended to focus on the more short-term and concrete outputs of NGO aid projects.³⁷ By the end of the 1990s, they had commissioned more than 20 major studies and the OECD had produced a synthesis of the results.³⁸ There is now a rapidly growing and far larger data-bank of studies, evaluations and assessments of NGO project impact than there was even five to 10 years ago, fuelled both by the acceptance by most medium to large-sized NGOs and CSOs of the need to report on the impact of their activities and a willingness to attempt to experiment and develop new methods and approaches to do so.³⁹ However, to this day, access remains a significant problem: exceptionally few NGOs display prominently substantial evidence of the impact of their work on their web-sites.⁴⁰

Although there are still no global, national (to my knowledge) nor donor data bases of studies on the impact of NGO aid projects, the current evidence is broadly consistent with the early donor-based surveys of impact. These have continued to report fairly high levels of project success not too

[papers/2012/en_GB/wp2012-075/](#). One often-cited exception in Africa has been the successful training of a cadre of African economists. For a recent discussion of this see J. Adams (2013) *The challenge of aid dependency and economic reform: Africa and the Pacific*. 2013 Harold Mitchell Development Policy Annual Lecture. Discussion Paper 32. Canberra: Development Policy Centre Australian National University, p. 12-4.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2357288

³⁵ World Bank (2005) *Building Effective States*. Report of the Task Force on Capacity Development in Africa, Washington DC: The World Bank.

³⁶ For an early discussion of these methodological issues see C. Roche (1999) *Impact Assessment for Development Agencies*. Oxford: Oxfam.

³⁷ The first ones by the United States Agency for International Development (USAID) were undertaken as far back as the 1970s. See for instance, A.H. Barclay, M.W. Hoskis, W.K. Njenga and R.B. Tripp, R. B. (1979) *The Impact of Private Voluntary Organizations: Kenya and Niger*. Washington DC: Development Alternatives.

³⁸ R. C. Riddell, S-E Kruse, T. Kyllönen, S. Ojanperä, and J-L Vielajus. (1997) *Searching for Impact and Methods: NGO Evaluation Synthesis Study*. Paris and Helsinki: OECD DAC and Department for International Development Cooperation, Ministry for Foreign Affairs of Finland (Main Report and Volume II). http://pdf.usaid.gov/pdf_docs/PNACD416.pdf

³⁹ See, for instance, E. Gohl, C. Neuenroth, A. Huber, a V. Brenner (2010) *A Guide to Assessing Our Contribution to Change*. Geneva: Act Development. <http://www.actalliance.org/resources/policies-and-guidelines/impact-assessment/IA-Guide-eng-v1.pdf>; Davies, R. and J. Dart (2005) *The “Most Significant Change” Technique: A Guide to its Use*. Cambridge: MandE News. <http://www.mande.co.uk/docs/MSCGuide.pdf> and

⁴⁰ Exceptions include Oxfam (UK) and Care (US). For Concern Universal see <http://www.concern-universal.org/home>. One of the first NGOs to publish evaluations of the impact of its work – more than 30 years ago - was BRAC in Bangladesh.

dissimilar to official aid projects: most are successful, some reporting major successes,⁴¹ though the studies suggest a broader spread of successful projects than for official aid projects – from a low of 60% to highs of 90%.⁴² For example, a recent study of the impact of NGO projects in East Africa suggested success rates in the range of 73-85%, based largely on qualitative assessments because most projects examined lacked the data needed for accurate result measurement.⁴³ In-depth evaluations of NGO projects are now regularly carried out, with most confirming the positive results of the less rigorous studies.⁴⁴

As with official aid projects, sustainability remains a problem. Indeed, most NGO service delivery projects for the poorest recipients would appear only to be sustainable with continued external financial support. However, NGO aid projects have been successful in other ways, for example in introducing new technologies or bringing in and adapting approaches to new communities and in piloting approaches that have been scaled up and replicated elsewhere.⁴⁵

3.5 Programme aid

Beyond the world of discrete projects, significant amounts of aid are provided as “programme aid” through a number of different approaches. For instance, aid can be channelled directly to different sectors of the economy under what are called Sector-Wide Approaches (or SWAs), often, but not always, involving the pooling together of funds from different donors to support the overall activities of different line ministries (health, education, housing etc.). Alternatively, aid can be given directly to central government, usually to finance ministries, either to fund overall recurrent or capital expenditure, sometimes as “general budget support” or to boost overall spending levels of line ministries, sometimes through sectoral budget support.

How successful has this use of aid been, does it work any better – or worse - than project aid? Theoretically, it has long been argued that programme aid is a more cost-effective way of giving aid than through projects, providing the line ministry, or central government; institutions are able to manage the funds efficiently.⁴⁶ However, studies of programme aid have not generally examined whether aid outputs are better achieved with programme rather than project aid; rather, they have tended to examine whether such aid has been provided effectively and efficiently.

Most assessments of sectoral support, including SWAs, have focussed on the performance of aid given by particular donors or groups of donors rather than on its overall impact. Those that have attempted an overall assessment have suggested that these “new aid modalities” have usually worked “reasonably effectively” especially after some initial teething problems, resulting in both a significant extension of activities funded as well as greater recipient abilities to manage funds and more complex programmes.⁴⁷ However, the evidence also suggests that significant problems remain and thus that the gap between what programme aid could achieve and what happens in practice is

⁴¹ For examples see Riddell (2008) pp.272-4.

⁴² See Riddell (2008) p. 269 and ff.

⁴³ Ternstrom Consulting AB (2011) *Results of Development Cooperation through Norwegian NGOs in East Africa*. Report 1/2011. Oslo: Norad p. xvii. <http://www.norad.no/en/tools-and-publications/publications/publication?key=333388>

⁴⁴ One example would be a recent assessment of an antipoverty programme run by BRAC in Bangladesh which reported a 25% improvement in well-being. See T.M.M. Islam and J. P. Ziliak (2010) *Program Evaluation Using Multidimensional Poverty Measures: Evidence from TUP*. Lexington: University of Kentucky. [http://www.brac.net/sites/default/files/\(e\)%20Program%20Evaluation%20Using%20Multidimensional%20Poverty%20Measures-%20Evidence%20from%20the%20TUP.pdf](http://www.brac.net/sites/default/files/(e)%20Program%20Evaluation%20Using%20Multidimensional%20Poverty%20Measures-%20Evidence%20from%20the%20TUP.pdf)

⁴⁵ See Riddell (2008) pp. 276-8 and more recently, for example, <http://www.wateraid.org/uk/what-we-do/our-approach/delivering-services>.

⁴⁶ See, for instance, I. Jelovac and F. Vandeninden (2008) *How Should Donors Give Foreign Aid? Project aid versus budget support* Working Paper No. 04. Liege: Center of Research in Public Economics and Population Economics (CREPP) <http://www2.ulg.ac.be/crepp/papers/crepp-wp200804.pdf>

⁴⁷ For further discussion of these issues see Riddell (2008) Chapter 12.

still quite large.⁴⁸ The expectation that transaction costs would fall as more aid is provided as programme aid does not seem to have been met.⁴⁹ Assessments of budget support as an aid modality have also been mixed. One early large cross-country study, though reluctant to make an overall judgement reported more successes than failures;⁵⁰ other studies have been more positive.⁵¹ A common finding across many studies is that the success of both sectoral aid initiatives and budget support has tended to be influenced quite critically by what is happening in the wider economy and by donor attitudes, which have sometimes been assessed as too cautious.⁵²

In spite of a commitment by donors to increase programme aid, after initially rising in popularity in the early 2000s, recent years have witnessed a fall in the share of aid channelled to budget support.⁵³ Whether programme aid as currently given is more effective than project aid remains a question that many believe has been answered (it generally is), though the evidence to support this has yet to be provided conclusively.

4. Does aid work? The wider, overall and long-term impact

Some people appear quite happy to accept the argument that if most aid projects and programmes work, then the overall contribution aid makes must also be positive. Yet this has never satisfied aid's critics. What is more, because there is so little general awareness that "most aid projects work", media coverage of the failure of individual aid projects still has a powerful effect on general attitudes to aid, fuelling the false perception that "if this project doesn't work then most aid projects don't work either".

However, the more substantial problem with examining the immediate impact of discrete aid projects and programmes even if (as the evidence quite forcefully suggests) most aid works, is that it doesn't answer the question about impact that a growing number of people, most notably those involved in the professional world of development, believe to be the most crucial - the difference aid makes to the lives, well-being and living standards of those being assisted. What people are most interested in are *outcomes* which overwhelmingly eclipses concerns with whether the aid inputs provided results in the expected *outputs* being achieved. It is these sorts of questions for which answers are sought: are recipients clearly better off as a consequence of aid; does it help those living in extreme poverty to emerge from poverty, and not just in the short-term but permanently? In aggregate, does aid make a significant contribution to reducing the numbers in developing countries living in extreme poverty; does it make a significant contribution to a country's economic growth and development? Does aid work in *this* sense? What does the evidence tell us?

⁴⁸ See, for instance, T. Williamson and C. Dom (2010) *Sector Budget Support in Practice: Synthesis Report*. London and Oxford: Overseas Development Institute; and Mokoro <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5806.pdf> and A. McNee (2012) *Rethinking Health Sector Wide Approaches through the Lens of Aid Effectiveness*. Discussion Paper No. 4. Development Policy Centre, Australian National University http://devpolicy.anu.edu.au/pdf/papers/DP_14_-_Rethinking_health_sector_wide_approaches_through_the_lens_of_aid_effectiveness.pdf

⁴⁹ See Riddell (2008) pp. 197-8 and, more recently, F. Vandeninden (2012) *Foreign Aid Transaction Costs*. Working Paper 2012-007. Maastricht University: UNU-MERIT <http://www.merit.unu.edu/publications/wppdf/2012/wp2012-007.pdf>

⁵⁰ S. Lister (2006) *Evaluation of General Budget Support: Synthesis Report*. Birmingham: International Development Department University of Birmingham. <http://www.oecd.org/development/evaluation/dcdndep/37426676.pdf>

⁵¹ These are discussed and referenced in Section 4.2, below.

⁵² D. Booth and V. Fritz (2008) *Good governance, aid modalities and poverty reduction: from better theory to better practice*. London: Overseas Development Institute (ODI), p. 5-10.

⁵³ See for example Simon Maxwell <http://www.simonmaxwell.eu/aid-and-aid-management/budget-support-is-becoming-an-endangered-species-what-busan-must-do-to-save-it.html> and "Background Study for the 2012 Development Cooperation Forum Trends in International Financial Cooperation for LDCs" (April 2011) http://www.un.org/en/ecosoc/newfunct/pdf/ldc_study_istanbul.pdf

There are two broad ways that answers to these questions have been sought: by examining the contribution that aid has made to overall economic growth over time, and by conducting studies and assessments of aid at the sectoral and country level. Interest in these issues in turn has been boosted by research findings that have looked both at aid projects and at the overall impact of aid and concluded that there had been a micro-macro paradox – that aid worked at the project level but that it didn't seem to at the country level.⁵⁴

4.1 Academic studies of the relationship between aid and growth

There has been a long tradition of academic studies which have analysed the aggregate relationship between official aid and economic growth and which continues to this day, fuelled in part by aid funds that donors have been willing to provide in the hope of finding conclusive evidence showing that aid makes a significant difference to recipient country growth paths. These have produced quite different assessments: some suggest that aid has had little to no effect on growth, others that aid has had a positive effect, especially in countries which have pursued a particular set of policies; and a final group of studies has concluded that either the positive or negative contribution remains unproven.

At first sight this mix of conclusions might suggest that these studies have shed very little light on the issue, but this would be an incorrect conclusion to draw because most studies, especially those that have isolated those types of aid most likely to contribute to growth and those that have encompassed sufficiently long time horizons, have suggested that aid has made a positive contribution to growth.⁵⁵ This positive result has been broadly confirmed by a number of recent studies. However these have also suggested that, though *overwhelmingly positive*, the impact of aid on growth has been comparatively *small*: a sustained contribution of aid of about 10% of Gross Domestic Product (GDP) raises GDP levels by about 1%.⁵⁶ One recent study concluded that while the effect of aid on growth has been marginal and sometimes negative in the short-term (five years or less), over the longer-term (30 years) it has – with almost no exceptions – been larger (than the 1%) and positive.⁵⁷

While the results and conclusions of these studies are clearly important, the robustness of the methods used in order to draw the (different) conclusions about the *causal* relationship between aid and aggregate growth has often been disputed. Growth theoreticians acknowledge, even when using highly sophisticated models, that a high proportion of growth still remains unexplained, suggesting that the comparatively small influence which aid might have on growth, positive or

⁵⁴ See P. Mosley (1986) "Aid-effectiveness: The Micro-Macro Paradox" *IDS Bulletin* 17(2), 22–27 and (1987) *Overseas Aid: Its Defence and Reform*, Brighton: Wheatsheaf Books.

⁵⁵ Studies to the year 2008 are discussed in Riddell (2008). For a more recent review see Temple (2010). Clearly, as Temple points out, counting the numbers of studies tells us very little if, as is certainly the case here, the quality and hence reliability of some studies is in doubt. However, As Temple also goes on to argue, there may be a counter bias at work as journals may be more interested in publishing studies that suggest aid doesn't work rather than that it does. See Temple (2010) pp. 4506-7.

⁵⁶ See, for example, M. A. Clemens, S. Radelet, R. Bhavnani and S. Bazzi (2011) *Counting Chickens When They Hatch: timing and the effects of Aid on Growth*. Washington DC: Center for Global Development, Working Paper No. 44. http://international.cgdev.org/files/2744_file_CountingChickensFINAL3.pdf, subsequently published in 2012 in *The Economic Journal* Vol. 122, Issue 561, pp. 590-617 (June) <http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0297.2011.02482.x/full> and C. Arndt, S. Jones and F. Tarp, (2013), Assessing Foreign Aid's Long-Run Contribution to Growth in Development, WIDER Working Paper No. 2013/072, World Institute for Development Economic Research (UNU--WIDER). http://www.wider.unu.edu/publications/working-papers/2013/en_GB/wp2013-072/

⁵⁷ C. Arndt, S. Jones and F. Tarp, (2013) "What is the Aggregate Economic Rate of Return to Foreign Aid?" Helsinki: UNU/WIDER (mimeo).

negative, could easily be eclipsed by other (larger) influences.⁵⁸ What is more, as it has not been uncommon for some large donors to give more aid when countries experience both short-term as well as sustained economic problems; hence an association between rising aid levels and stagnant or even falling growth rates in no way “proves” that aid impedes or holds back growth.

A further problem with most of the studies that have been conducted is that the relationship between aid and growth commonly analysed has examined the interaction between Official Development Assistance (ODA) and economic growth; but this is a crude (and often very inaccurate) proxy for what types and quantities of aid need to be measured. For instance, a significant component of official assistance - especially in conflict and post-conflict countries and those vulnerable to natural disasters is provided as humanitarian and not development aid.⁵⁹ Likewise a significant share of total ODA (probably over 20%) is spent on goods and services which never reach the recipient country, and a rising share of aid is provided by NGOs and other non-official donors.⁶⁰

It is partly for these reasons that a growing number of academic voices (joined recently by some aid agencies) have recently suggested that less attention should be given to studies which examine cross-country relationships between aid and growth and especially to those which try to draw firm conclusions about the contribution which aid makes to changes in aggregate growth.⁶¹

⁵⁸ See D. Rodrik, A. Subramanian and F. Trebbi (2002) *Institutions Rule: the primacy of institutions over geography and integration in economic development*. Working Paper 9305. Cambridge: National Bureau of Economic Research. <http://www.hks.harvard.edu/fs/drodrik/Research%20papers/institutionsrule,%205.0.pdf>

⁵⁹ The 2004 CGD study, updated in 2011 (Clemens *et al.* 2011), which did distinguish between different types of aid, found that aid which was likely to stimulate growth in the short-term (thus excluding emergency aid and aid to health and education) had a positive causal relationship with economic growth at least two to three times greater than studies using overall ODA. The overall conclusions of this study are strikingly similar to those of Arndt, Jones and Tarp (2013). For as Clemens *et al.* write “These results do not in any way suggest that aid always “works” or that large amounts of aid can be the central pillar of any given country's growth strategy. The results do suggest that the effect of aid on growth is positive on average across all countries, but is limited and quite modest in comparison with other determinants of growth, and is negative in some countries” (2011), p. 2.

⁶⁰ In many countries, the OECD figures for official aid (ODA) differ sharply from nationally-generated data on aid levels, and both suffer from serious gaps and inaccuracies. For instance, according to Ugandan national statistics, total ODA disbursements in the year 2005 amounted to \$775mn, whereas the OECD records disbursements of \$1,198mn, more than 50 percent higher. The difference is particularly marked for the United States which records as “aid to Uganda” funds paid to US consultants and businesses undertaking work on and for Uganda. For instance, according to the OECD/DAD database, the United States was the single largest donor to Uganda in 2005, providing \$229 mn in ODA. But according to Uganda, ODA from the United States amounted to only \$72mn in 2005. See Uganda Ministry of Finance, Planning and Economic Development (MFPED) (2005) *Development Cooperation Report 2004/05*. Kampala: MFPED p. 22, MFPED (2006) *Development Cooperation Uganda, 2005/06 Report*. Kampala: MFPED, p. 22-3 and OECD QWIDS <http://stats.oecd.org/qwids/#?x=2&y=6&f=3:51,4:1,1:24,5:3,7:1&q=3:51+4:1+1:2,24+5:3+7:1+2:1,181+6:2003,2004,2005,2006,2007>

⁶¹ “On balance, it seems that the macro research has attracted attention out of proportion to its value. Even the optimists caution against taking the results too literally and recognize how limited is the insight they can give policymakers” D. Roodman (2007) *Macro Aid Effectiveness Research: A Guide for the Perplexed*. Working Paper, No. 134. Washington DC: Center for Global Development (December), p 21. http://international.cgdev.org/files/15003_file_Guide_Perplexed.pdf The former World Bank Chief Economist, Nicholas Stern has publicly acknowledged that cross-country regressions of the impact of aid are now “running into sharply diminishing returns”, as “one cannot really disentangle with any confidence the direction of causality: aid to growth or poverty/decline to aid” (*Financial Times* [London], 2 July 2005, p. 10). The former head of evaluation at the World Bank, likewise commented that the “limits of cross-country regressions have become clear: they do not throw much light on the reality of aid” See R. Picciotto (2006) “Development Effectiveness at the Country Level”. Paper presented to the WIDER conference on Aid, Helsinki, June 2006. <http://www.wider.unu.edu/conference/conference-2006-1/conference-2006-1.htm>). However this view is not universally shared. For a more positive assessment see the recent review of the aid-growth literature in J.R. W. Temple (2010) “Aid and Conditionality” in D. Rodrik and M. Rosenzweig (Eds) *Handbook of Development Economics*, Vol. 5. The Netherlands: North-Holland pp. 4446-8.

4.2 Aid's overall impact on reducing poverty and achieving the MDGs

There is plenty of evidence of aid's contribution to reducing poverty at the project level. Here we are concerned with the overall contribution aid makes to poverty reduction. What does the evidence tell us?

Compared with aid and economic growth analyses, far fewer studies have been conducted which examine the aggregate relationship across countries between aid and poverty reduction, either to argue that aid does effectively contribute to poverty reduction or that it doesn't. This is surprising, not least because in its 25 year review of the official aid system from 1960 to 1985, the OECD/DAC stated boldly that "the most troubling shortcoming of development aid has been its limited measurable contribution to the reduction – as distinguished from the relief – of extreme poverty, especially in the rural areas."⁶² In contrast, three recent cross-country studies, reflecting the earlier (and still rather thin) literature suggest that aid does "work". The first concluded that inflows of aid *per capita* of \$25 will over time reduce poverty by about 6%;⁶³ the second showed that aid inflows result in poverty reduction even in cases where aid does not seem to contribute to growth;⁶⁴ and the third suggested that aid had helped to enhance the income of all, but that those in middle and higher income groups benefitted more than the poorest.⁶⁵ Additionally, a recent study of the long-term impact of Swedish aid on poverty in three Asian countries concluded that it had been positive in Laos and Vietnam, but inconclusive in relation to Sri Lanka.⁶⁶ A recent study of Tanzania concluded that the recent sharp fall in poverty was due in part to the contribution made by aid funds.⁶⁷

The aid-poverty relationship is particularly important in contemporary aid discourse because of the number of large donors who have linked their recent and current aid-giving to help to achieve the Millennium Development Goals (MDGs), the first of which is to halve the proportion of people whose income is less than \$1 a day, with most of the other MDGs addressing different manifestations of poverty. Has aid "worked" in helping to deliver the MDGs?

A number of early studies discussing this issue were critical of any attempt to draw a clear causal link between aid inputs and the achievement of MDGs because aid was only one variable amongst many that influence development outcomes – not least to counter an anticipated argument from aid's strongest critics that if the MDG targets are not achieved this would prove that aid doesn't work.⁶⁸ Beside the general issue of complexity, analysing the impact of aid on the MDGs is challenging because of a series of more specific problems. One cluster relates to a lack of conceptual clarity about the relationship between the MDGs as a whole and the individual goals, targets and indicators, another that few attempts have been made to assess with accuracy precisely how much

⁶² OECD (1985) *Twenty Five Years of Development Cooperation: A Review*. Paris: OECD, p. 18.

⁶³ C. Arndt, S. Jones and F. Tarp (2011) *Aid Effectiveness: Opening the Black Box*. Working Paper 2011/44, Helsinki: UNU-WIDER http://www.wider.unu.edu/publications/working-papers/2011/en_GB/wp2011-044/.

⁶⁴ E. Alvi and A. Senbeta (2012) "Does Foreign Aid Reduce Poverty?" *Journal of International Development*, Vol. 24, pp. 955-76 <http://onlinelibrary.wiley.com/doi/10.1002/jid.1790/abstract>.

⁶⁵ McGillivray, M., D. Fielding, S. Torres and S. Knowles (2011) "Does Aid Work for the Poor?" Economic Discussion Papers No. 114. School of Business Studies, University of Otago, Dunedin. http://www.business.otago.ac.nz/econ/research/discussionpapers/DP_1114.pdf

⁶⁶ M. McGillivray, A. Pankhurst and D. Carpenter (2012) *Long-Term Swedish Development Co-operation with Sri Lanka, Vietnam and Laos: Synthesis of Evaluation Study Findings*. Stockholm: Sida Evaluation No. 4. <http://sidapublications.citat.se/interface/stream/mabstream.asp?filetype=1&orderlistmainid=3337&printfileid=3337&filex=4707815133116>

⁶⁷ A. Lawson, J. Kipokoa and others (2013) *Joint Evaluation of Budget Support to Tanzania: lessons learned and recommendations for the future Final Report Volume 1 2013*. Hove, UK: ITAD, p. xii and 83-95. http://www.itad.com/wp-content/uploads/2013/08/Tanzania-BS-Evaluation-Final-Report-Volume-I-180713_AP.pdf

⁶⁸ See, for example, M.A. Clemens, C.J. Kenny and T. J. Moss (2004) *The Trouble with the MDGs: Confronting Expectations of Aid and Development Success*. Working Paper No. 40. Washington DC: Center for Global Development <http://128.118.178.162/eps/dev/papers/0405/0405011.pdf>

aid would be needed either for the poverty target to be met or for the other MDG targets to be met either in aggregate or at the country level.⁶⁹ One reason for this is that some MDGs do not have (any) quantitative targets against which to assess progress. But by far the greatest problem lies in the fact that for many countries and for many indicators there is no baseline data (1990 is the baseline year) or reliable data against which to monitor progress. In March 2007, the Director of the United Nations Statistics Division acknowledged the seriousness of these problems, noting that only 17 out of 163 developing countries had trend data to assess progress for less than half the MDG indicators. All else was effectively based on guess-work.⁷⁰

Numerous reports have been written commenting on progress towards achieving the MDGs and there is broad agreement that the core poverty goal of halving the proportion of those living in poverty will be met. Yet what is by no means clear is to what extent this has been due to the (increased) aid provided, and what impact aid has had on the MDGs where there has been greater progress and the influence of aid on those MDGs where progress has been far slower. What we do know is that perhaps the most important reason why the (overall) poverty target will be met is due to changes that have occurred in China, where aid inflows as a proportion of GDP have been exceedingly small.

Excluding China, has aid helped to achieve the MDGs and further reduce poverty? The short answer is by now the familiar refrain, namely that based on the best available evidence, we do not have sufficient data and information with which to draw any firm assessment. This was the conclusion drawn in one of the most rigorous recent surveys undertaken which drew on all the other major studies conducted.⁷¹ As the authors felt there was insufficient evidence to enable them to say whether the MDGs had contributed to poverty reduction, it is not surprising that they were even more cautious in the conclusions they drew about the role of aid in helping to achieve the MDGs, suggesting merely that “aid may have had some role in improving outcomes” (p. 24). While their cross-country analyses showed that poverty rates fell faster in the last ten years than in earlier periods, a time when aid levels were rising, they warned against necessarily attributing this fall to the increased aid provided.⁷² Slightly more upbeat, another synthesis of studies looking at the impact of aid provided in the framework of the Millennium Development Goals (MDGs) suggested at best that aid has only made a minimal contribution to development outcomes.⁷³

4.3 The aggregate impact of official aid at the sectoral level

Besides the more academic studies on aid and growth and aid and poverty, what does the wider evidence tell us about the aggregate contribution that aid makes to development outcomes?

⁶⁹ Recent costing studies have focused on the additional aid that would be needed to achieve the MDGs - between \$40 and 70 billion - but many other factors were involved and it was never seriously suggested that all that was needed was to provide this aid and poverty would automatically be reduced. See Clemens *et al.* (2004).

⁷⁰ P. Cheung, (2007), “Letter to the editor – Nature”,

http://mdgs.un.org/unsd/mdg/Resources/Attach/News/2007/Mar/unsd_commentary_nature%2026-3.pdf.

⁷¹ It concluded that there was insufficient data to say whether the MDGs have contributed to poverty reduction and if so by how much. See Kenny and Sumner (2011).

⁷² Kenny and Sumner (2011) p. 11-14.

⁷³ “... given the increase in aid which flowed disproportionately towards social sectors, and was of a scale commensurate with MDG ‘costing studies’ which attempted to calculate how much it would cost to meet the Goals, the evidence of only somewhat more rapid progress is a concern. On the positive side, aid may well have played a role. On the cautionary side, and as suggested by the more cautious of costing studies in the beginning, that role was partial, and had to involve changes in developing country policies as well.” C. Kenny and A. Sumner (2011) *More Money or More Development: What have the MDGs Achieved?* Working Paper No. 278. Washington DC: Center for Global Development, p. 24.

http://international.cgdev.org/sites/default/files/1425806_file_Kenny_Sumner_MDGs_FINAL.pdf

Firm evidence of the contribution that programme aid makes to development outcomes is not easy to come by, in large measure because of the paucity of rigorous studies undertaken which examine the relationship between programme aid inputs and wider outcomes: they focus mostly on the mechanics of aid delivery. The authors of in-depth studies of the workings of the new aid modalities have usually been reluctant to draw firm conclusions on how the aid provided within these (new) frameworks has contributed to development outcomes - notwithstanding pressures put on them to do so. This is because of the difficulties of singling out the effects of aid when a complex range of other factors clearly influence outcomes. For example, the Synthesis Report of the substantial cross-country evaluation of budget support concluded that even if the data were better, it would still have been exceedingly difficult to trace the causal links between the provision of aid in the form of GBS and changes in the poverty status of poor people, especially their income levels.⁷⁴ This general conclusion was confirmed in a more recent review of budget support,⁷⁵ though (as mentioned above) a recent in-depth study of Tanzania was more firm in its conclusions that budget support did have a positive effect.⁷⁶

General reviews of sectoral aid have pointed to positive outcomes, especially in relation to an expansion in access to services (health, education, agricultural extension, credit) which, it is then often simply assumed, will lead to improvements in well-being. Where sectoral studies have delved a little deeper, the assessments have tended to be more critical. For example, a recent review of the education sector highlighted the effects that educational aid had had on school enrolments, but raised questions both about the quality of that education and the rigour with which educational quality is assessed.⁷⁷ Likewise, health sector studies have suggested that to the mid-2000s aggregate aid to the sector did not seem to have a significant effect on mortality rates.⁷⁸

Looking particularly at the education and health sectors, the 2011 *Global Monitoring Report* made some overarching comments on the outcomes of aid interventions.⁷⁹ It not only judged that the recent unprecedented increases in aid had not led to the expected improvement in outcomes, but concluded that the quality of outcomes remained “a grave concern”.⁸⁰ A particular problem identified has been the failure of human development spending to reach the poor, a conclusion similar to that drawn by some of the more rigorous assessments of micro-finance programmes a number of which have highlighted the difficulties of reaching the poorest.⁸¹

Most studies of the impact of micro-finance projects suggest a mix of outcomes, some successful others not, and some harmful (encouraging greater indebtedness), with the overall context profoundly influencing what the outcome is likely to be. In most cases, any additional income

⁷⁴ Lister (2006). Of relevance to this discussion are some of the very broad comments made about general budget support and poverty reduction. In particular, the study raises questions about the appropriateness of donors pushing recipients hard (or harder than they would wish to be pushed) to adopt policies with such a strong focus on addressing immediate and short term poverty problems. In some places (p. 86-9), the report suggests that the aid provided might have been better spent helping to address the underlying structural problems causing and perpetuating poverty.

⁷⁵ H. Jorritsma (2012) *Budget Support: Conditional Results. Review of an instrument (2000-2011)*. Amsterdam: IOB, p 169-78.<http://www.government.nl/documents-and-publications/reports/2012/09/01/iob-budget-support-conditional-results.html>

⁷⁶ Lawson *et al.* (2013) p. 83-95.

⁷⁷ See Riddell (2012).

⁷⁸ S. E. Wilson (2011) “Chasing Success: Health Sector aid and Mortality” *World Development* Vol. 39, No. 11, pp. 2032-43. https://fhss.byu.edu/polsci/SiteAssets/pages/wilson/papers/home/Wilson_Chasing%20Success.pdf.

⁷⁹ World Bank (2011) *Global Monitoring Report 2011: Improving the Odds of Achieving the MDGs*. Washington DC: The World Bank p. 71. <http://www.seachangepop.org/sites/default/files/documents/2011%2004%20World%20Bank%20-%20Global%20Monitoring%20Report%202011.pdf>

⁸⁰ GMR (2011) pp. 71-3.

⁸¹ See Riddell (2008) pp. 274-6.

generated is not likely to be sufficient to enable the poor to “escape” from poverty.⁸² A recent review of the literature concludes that there is very little evidence that micro-credit interventions result in long-term increases in either consumption of income, or in their ability to transform the lives of the poor.⁸³

4.4 The aggregate impact of official aid at the country level

Compared with programme aid assessments, considerably more attention has been focused on trying to assess the overall contribution of aid at the country level. For more than 30 years, studies have been conducted which have examined and tried to assess the overall contribution that official aid has made to economic, growth, development and poverty reduction across a range of recipient countries. What do these tell us about whether aid works?

For more than two decades, donors have also conducted or commissioned studies to assess the impact of their aid interventions at the country-wide level. A rough tally suggests that between 1994 and 2005 at least 300 were produced. However these studies were not commissioned to answer the overarching question of whether the aid provided in its entirety “worked”, but rather to examine the different projects and programmes and to draw lessons especially about aid delivery issues. To this day, individual bilateral donors, in particular, are still unable to produce robust and unambiguous evidence to document the direct contribution their own aid is making to aggregate growth and poverty reduction, still less of all aid provided. Indeed, a common thread running through the most rigorous of these country evaluations has been the reluctance of evaluators to be drawn into making firm conclusions about the direct link between the aid provided and wider outcomes. Two – by now, all too familiar - reasons are most commonly cited: the lack of information and hard data upon which to track the narrow impact of the aid provided; and the knowledge that a range of influences other than the aid provided was also contributing to outcomes at the sectoral or national levels.⁸⁴

Surprisingly, exceptionally few studies of the *overall* impact of *all* aid to particular countries have been undertaken jointly or commissioned by either all donors or the leading donors to a particular country.⁸⁵ It was only in the autumn of 2004 that the idea of undertaking a first pilot study to assess the development effectiveness of total ODA at the country level was formally discussed by the OECD/DAC’s network on development evaluation, as a prelude to more systemic assessments. But not even the proposed pilot study has commenced, in part because of an acknowledgement of the formidable methodological problems involved in being able to draw robust conclusions when all the work had been done.⁸⁶

A number of studies have been undertaken by individual donors whose own aid dominates total official aid flows. Of particular relevance to this Workshop have been the studies of Australian aid to Papua New Guinea (PNG). A major study of the impact of Australian aid to Papua New Guinea from

⁸² See J. Copestake and R. Williams (2011) *what is the Impact of Micro-Finance and what does this imply for micro-finance policy and future impact studies?* Oxford : Oxford Policy Management

http://www.opml.co.uk/sites/opml/files/impact_study.pdf

⁸³ A.V. Banerjee (2013) “Microcredit Under the Microscope: What Have We Learned in the Past Two Decades, and What Do We Need to Know?” *Annual Review of Economics* p. 508-12. <http://economics.mit.edu/files/9071>

⁸⁴ For a recent example of this reluctance, in this case Dutch aid, see G. Spitz, R. Muskens and E. van Ewijk (2013) *The Dutch and Development Cooperation*. Amsterdam: NCDO, p. 20-6.

<http://sidapublications.citat.se/interface/stream/mabstream.asp?filetype=1&orderlistmainid=3337&printfileid=3337&filex=4707815133116>

⁸⁵ In 1986, the World Bank commissioned a global independent assessment of all (official) aid. This contained seven country studies, to be discussed below. See Cassen, R. H. and Associates (1986) and (1994) (2nd edn) *Does Aid Work? Report to an Intergovernmental Task Force*. Oxford: Oxford University Press.

⁸⁶ See. A. Bigsten, J. W. Gunning and F. Tarp (2006) “The Effectiveness of Foreign Aid: Overview and an Evaluation Proposal”. http://www.econ.ku.dk/ftarp/miscellaneous/Docs/evaluation_proposal_february%202006.pdf

1975 to 2000 was published in 2003.⁸⁷ Although in terms of *per capita* income growth, PNG would be judged a development failure, according to the authors this did not mean that Australian aid should be judged as having failed: tangible gains in terms of life expectancy, literacy rates and infant mortality have been achieved in PNG, though the study was clear that aid had only been one factor amongst many influencing these beneficial outcomes. In some instances, aid's contribution was judged more to have been one of helping to arrest further deterioration than adding to tangible improvements. The report unequivocally argued that many of the early discrete aid projects were ineffective; indeed aid's wider impact was judged merely to have added to the burdens of already weak administrative structures. In the view of the authors, it was only from the 1990s onwards that Australia began to realise that the key to PNG's long term development lay in helping to strengthen institutions and build capacity, as well as to encourage greater public debate and scrutiny of development performance. The study suggested that it would take a long time for the impact of this form of assistance to be felt, and that assessing the contribution that aid will make will be difficult because of the complex influence of factors external to the aid relationship influencing outcomes. Ten years later, a major independent review deliberately refrained from making an overall judgement on the impact of all Australian aid to PNG in the subsequent decade, though it did comment on the perceived lack of impact, while pointing to some successes in what it termed a difficult environment.⁸⁸

More widely, a number of aid studies at the country level have been carried out, often by researchers and independent scholars, an important early batch of seven produced as background studies for the mid-1980s donor-funded International Task Force.⁸⁹ One characteristic of all these studies is that they each have analysed different aspects of aid – some growth, some poverty, a few both. More recent studies have looked at the contribution aid makes to capacity building and institutional strengthening, with most focusing on different problems perceived as reducing the overall impact and effectiveness of aid. This “pick-and-mix” way of approaching the assessment of aid at the country level indicates that there never has been, nor is there today, an overall agreed method of assessing the overall impact of aid to answer the question of whether – at the country level - it has worked. The different “in depth” studies undertaken at best provide some (key) pointers which help but do not provide an overall and definitive answer to the question.

As indicated, many of these country studies examine the different ways in which aid has had a positive impact at the sectoral level, with aid boosting resources to expand the ability of governments to increase recurrent and capital expenditure. In relation to the wider impact of aid on poverty and growth, the early country studies are quite circumspect, and they provide differing assessments. For instance, the study of Bangladesh suggests that the impact of aid on poverty was disappointing, the study of Colombia, that aid contributed to poverty reduction for long periods of time, and the study of India that the evidence was mixed. Did aid contribute to growth? Again, the studies come to different conclusions both between countries and over time, though the methods used also vary, making it even more difficult to undertake a rigorous comparison between different countries. Thus in Colombia, Uganda and Nicaragua (at particular times) it did; in Malawi, the combination of financial aid, technical assistance and institution building contributed to growth in the 1970s; the case study of Kenya concluded that it was not possible to say.⁹⁰

⁸⁷ J. Fallon, C. Sugden and L. Pieper (2003) *The Contribution of Australian Aid to Papua New Guinea's Development 1975-2000*. Evaluation and Review Series, No. 34. Canberra: AusAID.

⁸⁸ E. Kwa, S. Howes and S. Lin (Independent Review Team) (2010) *Review of the PNG-Australia Development Cooperation Treaty (1999)*. Canberra: Department of Foreign Affairs and Trade, p. 1-2.
<http://www.oecd.org/countries/papuanewguinea/45827611.pdf>

⁸⁹ Cassen (1986).

⁹⁰ Cassen and Associates (2008) various chapters.

Subsequent studies have made similar sorts of points. For instance, a 1990 study of Tanzania commented that it is “hard to argue that aid has had a very positive effect on economic growth”, adding that growth mainly depended on factors other than aid, but then concluded that the overall impact of the resource transfers was positive.⁹¹ Trends in poverty and economic growth have been largely downwards in Zambia, even in times of rising aid inflows, while a more recent study of Mozambique suggests that over time aid has had a positive effect on growth or poverty reduction.⁹²

Most recent country studies of aid have not attempted to answer the “big questions” about aid’s overall impact, although a recent discussion of Botswana unequivocally deems aid to have been a success.⁹³ Rather they have examined some of the sorts of problems that are now commonly agreed to reduce aid’s impact and effectiveness, such as the volatility and unpredictability of aid, and the administration of aid, sometimes using a sectoral focus, such as health, to draw wider conclusions about what is deemed to be impeding aid’s greater impact.⁹⁴ What this suggests is that more recent studies have tended to shift their focus even further away from trying to assess whether aid in general “works” to try to identify those factors impeding its greater impact.

In terms of overall aid impact, the conclusions emerging from these country case studies are a mixed bag: in most countries aid frequently has had a positive overall impact in some time periods, but in some countries it has had a negative impact. In short, aid at the country level has sometimes “worked” and sometimes it hasn’t in some countries and at different periods of time. Recent research suggests that although aid projects tend to work better in countries with a supportive policy and institution environment, project success seems to vary more within than between countries.⁹⁵ What is the success rate? It is difficult to say, in part because even for the independent reviews and assessments, the judgements on which aspect of aid’s impact is highlighted seem to be influenced in part by the overall perspectives on aid of those undertaking the assessments and the specific questions raised by those commissioning such studies. In no country has the record of aid been unproblematic: those commissioned to undertake these studies that seem to have been more critical of aid have tended to emphasise the problems; those more favourably inclined have tended to emphasise aid’s strengths and successes. Importantly, however, no rigorous study has ever suggested that aid has never ever worked in any aid-recipient country. What is more, aid’s strongest critics of aid have never published rigorous long-term assessments of aid at the country level.

A further point of interest is that it was also only in 2008 that an aid-recipient country, in this instance Uganda, first commissioned a comprehensive evaluation of its overall development efforts which focused explicitly on the contribution that aid had played in helping to achieve its poverty-

⁹¹ C. Adam, A. Bigsten, P. Collier, E. Julin and S. O’Connell (1994) *Evaluation of Swedish Development Co-operation with Tanzania*. Stockholm: Secretariat for Analysis of Swedish Development Assistance, Ministry for Foreign Affairs, p. 162.

⁹² C. Arnt, S. Jones and F. Tarp (2006) *Aid and Development: The Mozambique Case*. Discussion Paper No. 6, Department of Economics University of Copenhagen. <http://www.econ.ku.dk/english/research/publications/wp/2006/0613.pdf/>

⁹³ G. Maipose (2009) “Botswana: The African Success Story” in L. Whitfield (Ed) *The Politics of Aid: African Strategies for Dealing with Donors*. Oxford: Oxford University Press. P.108-30.

⁹⁴ See, for example, F. W. Mwega (2009) *A Case Study of Aid Effectiveness in Kenya: volatility and fragmentation of foreign aid with a focus on health*. Working Paper No. 9. Washington DC: Wolfensohn Center for Development.

http://www.brookings.edu/~media/research/files/papers/2009/1/kenya%20aid%20mwega/01_kenya_aid_mwega.pdf;

E. Chanboreth and S. Hach (2008) *Aid Effectiveness in Cambodia*. Working Paper No. 7. Washington DC Wolfensohn Center for Development.

http://www.brookings.edu/~media/research/files/papers/2008/12/cambodia%20aid%20chanboreth/12_cambodia_aid_chanboreth; and R. Aminjanov, M. Kholmatov and F. Kataev (2009) *Case Study on Aid Effectiveness in Tajikistan* Working Paper No.13. Washington DC: Wolfensohn Center for Development.

http://www.brookings.edu/~media/research/files/papers/2009/10/aid%20tajikistan%20aminjanov/10_aid_tajikistan_aminjanov.pdf

⁹⁵ See C. Denizer, D. Kaufmann and A. Kraay (2013) “Good countries or Good Projects?” Macro and micro-correlates of World Bank project performance” *Journal of Development Economics*, Vol. 105, pp.288-302. <http://www.sciencedirect.com/science/journal/03043878/105/supp/C>

reducing targets. Against the backdrop of a significant overall decline in poverty in the country, the study concluded that Uganda's development partners had contributed to the significant fall in the numbers of people living in poverty, though acknowledged that it was difficult to quantify the specific contribution that the aid funds had made.⁹⁶

4.5 The overall impact of NGO aid at the country level

In recent years, greater attention has been focused on the role of NGOs in aid-giving and thus, inevitably, the over-arching impact question is now being asked of aid provided by NGOs – what is its overall impact at the country level? Although what are often called “country evaluations” of the impact of NGO activities have been undertaken and published for some 20 years, these have almost entirely consisted of the summation of the evidence of NGO *projects*. In contrast to official aid, formal evaluations and overall assessments of CSOs at the country level have not yet been undertaken.⁹⁷ As a result, little is known about the wider and longer-term contribution that aid channelled to and through CSOs makes to development and poverty reduction. Some analysts have suggested that the overall impact of NGO activities to global poverty reduction has been small and unproven, others that that is too harsh a judgement.⁹⁸ To begin to try to address this knowledge gap the Norwegian aid agency Norad set up a Civil Society Panel in 2012 to undertake a pilot study to assess the overall impact of CSO/NGO activities in four countries: Malawi, Nepal, Ethiopia and Vietnam – all of which were funded by public and private aid money.⁹⁹

The Panel's assessment is unequivocal: in all four countries, aid channelled to and through CSOs/NGOs works: it makes a significant contribution to development in a number of different ways, the most important being through the combined contribution that different CSOs make to the national provision of education and health services. Even in inhospitable contexts, where states impose severe limitations on civil society organisations, CSOs have played an important role in poverty reduction. This occurred not only directly, by working with poor and marginalised groups, but also indirectly, by helping to empower them and strengthen their voice as well as through advocacy, lobbying and “campaigning” activities some of which were judged as having succeeded, even if it is difficult to assess the contribution made by NGO activities to the beneficial outcomes achieved. Interestingly, the study argued that the wider and longer-term impact of CSOs on development and poverty reduction could be far greater if agencies approached their work more strategically instead of focusing narrowly, as most do, on merely trying to ensure that their discrete projects “work”.

⁹⁶ A. Matheson, C. Scott, A. Thomson, A. Wyatt and R.C. Riddell (2008) *Independent Evaluation of Uganda's Poverty Eradication Action Plan (PEAP): Final Synthesis Report*. Oxford: Oxford Policy Management, p. 22-33 <http://www.finance.go.ug/peap/evaluation.html>.

⁹⁷ The narrowness of NGO impact assessments is not widely nor sufficiently understood. This is in part because the titles of many of the larger evaluations suggest that overall assessments are increasingly of NGO interventions, providing the reader with information on impact well beyond the level of discrete projects. For example, the widely-referenced 1999 Danish evaluation which was commissioned in order to examine the impact of Danish NGOs in developing countries argued that it was not possible to undertake an overall assessment because of a “lack of any common understanding or framework around which we could engage with different actors on these issues” P. Oakley (1999) *The Danish NGO Impact Study: A review of Danish NGO activities in developing countries. Synthesis Report*. Copenhagen: Danida, Ministry of Foreign Affairs. p. 17.

⁹⁸ For a more in-depth discussion see Riddell (2008) Chapter 17.

⁹⁹ See A. Abuom, K. Alemu, I. Evensmo, E. Hafild, S-E Kruse, and R.C. Riddell (2012) *Tracking Impact: An Exploratory study of the wider effects of Norwegian civil society support to countries in the South*. Oslo: Norad (March) <http://www.norad.no/en/tools-and-publications/publications/publication?key=389645>. For a summary see R. C. Riddell (2013) “Assessing the Overall Impact of Civil Society on Development at the Country Level: An Exploratory Approach” *Development Policy Review*, Vol. 31, No. 4 (July) pp. 372-96. <http://onlinelibrary.wiley.com/doi/10.1111/dpr.2013.31.issue-4/issuetoc>

The Panel's report argues that there are few general insights on impact and development approaches that either can or ought to be applied and transferred from one setting to another: its work led it to confirm the view of the wider literature, that context matters greatly. But it adds that history and culture matter, too, and suggests that perhaps even more than for discrete projects, the wider development impact of civil society is crucially dependent on external factors and influences: what has happened in one country at one point in time is not necessarily a good guide to what will happen in another country, or even in the same country in the years ahead.

4.6 Aid and corruption

The issue of corruption is raised by aid's critics in relation to aid-giving. Overall, the very act of giving and receiving aid is said to extend and deepen corruption in recipient countries and, of more direct relevance to aid effectiveness debates, aid is said not to work because so much aid is misappropriated and never reaches those whom it is intended to help. What does the evidence tell us?

Unsurprisingly perhaps, there is a general lack of concrete and specific evidence on the misappropriation of funds (though some specific cases have been brought to light), and few overall studies examine the issue rigorously and in depth, in part because donors have only recently begun to examine the issue in any systematic fashion.¹⁰⁰ However, there is no firm evidence to enable one to conclude that aid in general contributes to corruption or, perhaps as important, no evidence to suggest that when aid has been withdrawn from countries, this results in less corruption.¹⁰¹ Indeed, one recent cross-country study found a strong relationship between countries which received high levels of aid and lower levels of overall corruption, another that donors tend over time to give aid to the same set of countries regardless of whether they are assessed as being more or less corrupt.¹⁰²

This discussion, in turn, needs to be placed in its proper, wider context. Withholding aid and encouraging private sector development is of course no answer to solving and probably not even reducing the extensive problems of corruption that poor people face on a daily basis. Petty corruption exists within small-scale business and evidence continues to be produced of the involvement of larger corporations in incidents of grand corruption in both poor and rich countries.¹⁰³ In particular, there is no evidence to suggest that aid fuels corruption more than private sector engagement in poor countries; indeed some studies suggest the opposite.¹⁰⁴

Importantly, too, as our understanding of the importance of corruption to poor people has grown, more aid has been channelled into projects and programmes aimed both at highlighting the systemic problems of corruption and helping to strengthen poor people in their fight against corruption at the

¹⁰⁰ I. Kolstad, V. Fritz and T. O'Neil (2008) *Corruption, Anti-Corruption Efforts and Aid: Do Donors Have the Right Approach?* Working Paper No. 3, Good Governance, Aid Modalities and Poverty Reduction. London: Overseas Development Institute, pp. 62-3. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/2267.pdf>

¹⁰¹ S. Devarajan (2009) "Aid and Corruption". Washington DC: World Bank <http://blogs.worldbank.org/african/aid-and-corruption>. For a recent review of the literature see Temple (2010) pp. 4460-2.

¹⁰² See T. Kangoye (2011) "Aid and governance: when aid unpredictability increases corruption in recipient countries". Paper presented to Conference on Economic Development and Africa, Oxford Centre for the Study of African Economies <http://www.csaee.ox.ac.uk/conferences/2011-EDiA/papers/141-Kangoye.pdf> and W. Easterly and T. Pfitze (2008) *Where Does the Money Go: best and worst practices in foreign aid*. Working Paper No. 21, Brookings Global Economy and Development. Washington DC: Brookings, p. 14 http://www.brookings.edu/~media/research/files/papers/2008/6/foreign%20aid%20easterly/06_foreign_aid_easterly.pdf.

¹⁰³ See L. Cockcroft (2012) *Global Corruption: Money, Power and Ethics in the Modern World*. London: I.B. Tauris.

¹⁰⁴ See L. Ndikumana (2013) *The Private Sector as Culprit and Victim of Corruption in Africa*. Working Paper No. 330. Political Economy Research Institute, University of Massachusetts, Amherst. University http://www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_301-350/WP330.pdf. See also Cockcroft (2012).

local level. Some have been remarkably successful; for example a recent evaluation in South India reported benefits of \$11 per person in terms of accrued benefits for every \$1 invested in anti-corruption programmes.¹⁰⁵

5. Improving the impact of aid: key problems at both the donor and recipient end of the aid relationship

One conclusion we can draw from this rapid overview of the evidence of aid's impact is that the data and information we have today to enable us to judge whether aid works remains incomplete, with notable gaps and uncertainties in relation to the wider and long-term contribution that both official and non-official aid makes to the achievement of key development outcomes. The paucity and poor quality of information has certainly provided the impetus for donors in general and aid agencies in particular and, especially, to try to improve the coverage and enrich the quality of data on aid's impact.

There is, however, an issue of far greater concern to donors and agencies than developing new ways to improve the data and information on what aid does and has done, and this is the attention they give to trying to improve aid's impact – seeking to enhance its impact, to make aid “work better”. This, in turn, suggests that it is not only aid's detractors who are critical of aid's past and current impact; in seeking to understand better the problems which impede aid's greater impact donors themselves - at least implicitly - seem willing to acknowledge that aid is not working as well as it could.

Can this gap between what aid could do and what it does be substantially narrowed - could aid work substantially better? Aid's supporters and those providing aid argue that it can, and what is needed is to understand the major problems that reduce aid's impact and address them; and, as we have seen, there is evidence to show that this has happened.

In sharp contrast, aid's strongest critics maintain that the most substantial problems impeding the effectiveness of aid are not minor ones that can be addressed by marginally improving the way aid is given or by “learning lessons” from past projects and programmes and feeding these into the next round of aid interventions. Rather, most argue that aid's main problems are largely systemic in nature, some rooted in politics, which cannot be solved by making marginal changes to the way aid is given or used. For aid's harshest critics, these problems are intractable and create outcomes of such magnitude that the “harm” done outweighs and eclipses any evidence we might have of aid “working”. An early proponent of these sorts of arguments was Peter Bauer, for many years professor of development economics at the London School of Economics.¹⁰⁶ Here is the more recent view, on similar lines, of an even more respected development economist, Angus Deaton, in his book entitled *The Great Escape*, published late last year:

Aid and aid-funded projects have undoubtedly done much good: the roads, dams and clinics exist and would not have existed otherwise. But the negative forces are always present: even in good environments, aid compromises institutions; it contaminates local politics; it undermines democracy. in spite of the direct effects of aid that are often positive, the record

¹⁰⁵ J. D. Clark (2013) “Partnership for Transparency Fund. Good Governance: Community Mobilization to Combat Corruption” Final Evaluation. Washington DC: Partnership for Transparency Fund. <http://ptfund.org/2013/09/independent-evaluations-of-116-projects-stresses-the-value-of-partnership-for-transparency-funds-pioneering-approaches/>, p. 5.

¹⁰⁶ See, for example, P. T. Bauer. (1971) *Dissent on Development*. London: Weidenfeld and Nicolson. Bauer was made a peer by UK Prime Minister Margaret Thatcher for his views on aid and development.

*of aid shows no evidence of any overall beneficial effects... Negative unintended consequences are pretty much guaranteed when we try.*¹⁰⁷ (emphasis in original)

These views form one part of a larger group of arguments made about the systemic problems with aid. There are, broadly, four sorts of ways - it has been argued – that the impact of humanitarian and development aid has been held back or undermined: firstly, by the way aid is allocated; secondly, by the manner in which aid is given; thirdly, by the aid relationship within recipient countries; and, fourthly, by the wider context within which the aid relationship exists and operates. I will discuss each in turn, though space does not permit more than a rapid look at these arguments and the evidence we have to support or refute them.

5.1 The allocation of aid

The largest (OECD/DAC) donors are responsible for over 80% of all official aid, of which some 70% is provided as bilateral aid. Historically, the decisions that the largest donor countries make about how their aid is allocated has always been influenced by their own national and short-term political interests. For some donors, commercial interests, for example through aid tying, have also played an important role in determining aid flows. These factors influence which country will receive aid, the amounts provided and the period for which aid is given. They are important because, historically, donors have regularly switched the countries to which they provide aid as well as varied (annually) the amounts of aid they provide, influencing in turn the predictability of official aid flows. For instance in the year 2000, between them, Afghanistan, Iraq and Pakistan received less than 2% of total ODA. Five years later, in 2005, these three countries accounted for 26% of all ODA. By 2005, Iraq and Afghanistan were amongst the top 15 largest recipients for 17 of the largest 19 bilateral aid donors; ten years earlier neither of these countries was in the top fifteen recipients of *any* major donor country.¹⁰⁸

What effect does the prevailing allocation process have on the ability of aid to “work” effectively in terms of its humanitarian and development impact? This is a difficult question to answer unequivocally because there is still no agreement on what the “ideal” or best allocation of aid would look like. For instance, should aid be allocated solely on the basis of need? If so, should aid go to the poorest countries or to the countries where most of the poorest live? This is a critical question today as less than a quarter of the world’s poorest people now live in low-income countries, compared with over 90% 15-20 years ago - largely because countries with sizeable numbers of very poor people, such as India and Nigeria are now classified as middle-income countries.¹⁰⁹ Or should aid allocations be determined in part on an assessment of the likelihood of aid being used effectively as well as on the criterion of need? The literature suggests widespread support for such a view, though precisely what factors should be used to determine the potential for aid to be deployed well remains an area of deep-seated disagreement.¹¹⁰

¹⁰⁷ A. Deaton (2013) *The Great Escape: health, wealth and the origins of inequality*, Princeton and Oxford: Princeton University Press, pp. 305-6, 312.

¹⁰⁸ Figures from the OECD/DAC statistical data-base, http://www.oecd.org/document/33/0,2340,en_2649_34447_36661793_1_1_1_1,00.html.

¹⁰⁹ See A. Sumner (2013) *Global Poverty, Aid and Middle Income Countries: are the country classifications moribund or is global poverty in the process of “nationalizing”?* Working Paper No. 2013/062 (June). Helsinki: UNU-Wider. http://www.wider.unu.edu/publications/working-papers/2013/en_GB/wp2013-062/

¹¹⁰ Influential in this debate was this study published and promoted by the World Bank: P. Collier and D. Dollar (1999) *Aid Allocation and Poverty Reduction*. World Bank Policy Research Working Paper no. 2041. Washington DC: World Bank. http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2000/02/24/000094946_99031911113061/Rendered/PDF/multi_page.pdf

In spite of these uncertainties, we do know that the overall impact of aid allocations being shaped and influenced by non-developmental factors and their knock-on effects in terms of increasing aid's volatility and unpredictability is to reduce sharply the effectiveness of aid as the following examples clearly illustrate.

- A recent study of European Union (EU) aid judged that if poverty were the criterion for the allocation of aid, then 70% of aid should be reallocated, the result of which would be equivalent to a net gain of almost €8 bn in aid funds, or one quarter of all EU programmable aid currently provided.¹¹¹
- In 2003/04, less than half of all ODA went to the 65 poorest countries.¹¹² If aid allocations were determined by development/poverty criteria then studies have suggested that aid would have the potential to almost double the current numbers lifted out of poverty as a result of aid.¹¹³
- The volatility and unpredictability of aid flows reduces the ability of recipients to incorporate aid funds into spending plans and budgets and this can severely reduce the efficiency of aid funds. [Recipients often do not know how much a donor is going to provide even over the subsequent six to nine months.] According to a recent review, the effects on the volatility and unpredictability of aid “are large and significant”.¹¹⁴ Analyses have suggested that the combined effect of the volatility and lack of predictability of aid inflows result in an effective reduction in the total value of foreign aid of between 8 and 20 percent, and that the benefits of reducing volatility alone would be equivalent to about a 15 percent rise in all programmable aid.¹¹⁵
- As much as 50% of all ODA (including technical assistance) is tied in some form. Aid tying increases the cost of aid by between 15-30%.¹¹⁶

It is, however, one thing to point out how the current system of providing aid severely reduces its development impact, quite another to change the system. Besides there still being no consensus as to what the best allocation system is or should be,¹¹⁷ the reality is that official aid is and always has been a system of voluntary giving with each government deciding for itself how the balance

¹¹¹ Bigsten *et al* (2011) p.12 and 139.

¹¹² Riddell (2008) p. 104

¹¹³ P. Collier and D. Dollar (2002) “Aid Allocation and Poverty Reduction” *European Economic Review* Vol. 46, pp. 1475-1500. [http://211.253.40.86/mille/service/ers/30000/IMG/000000021698/Collier\(2002\)_Aid%20allocation.pdf](http://211.253.40.86/mille/service/ers/30000/IMG/000000021698/Collier(2002)_Aid%20allocation.pdf). Collier and Dollar argue that the re-allocation of aid would have the same impact on poverty as trebling prevailing aid volumes and leaving allocations as they were.

¹¹⁴ J. Pycroft and P. Martins (2009) *How Unpredictable Aid Influences Service Delivery: Literature and Data Review*. London: Centre for Aid and Public Expenditure Overseas Development Institute, p. 33. <http://siteresources.worldbank.org/INTKNOWLEDGEFORCHANGE/Resources/AidPredictLitdatareviewODIfinalversionJune.pdf>

¹¹⁵ See H. Kharas (2008) “Measuring the Cost of Aid Volatility,” Brookings Institution, Wolfensohn Center for Economic Development Working Paper No. 3. And B.T. Carlsson, C.B. Schubert and S. Robinson (2009) *The Aid Effectiveness Agenda: Benefits of a European Approach*. Brussels: The European Commission http://ec.europa.eu/europeaid/how/ensure-aid-effectiveness/impact-inefficiencies_en.htm and A.L. Bigsten, J.P. Platteau and S. Tengstam (2011) *The Aid Effectiveness Agenda: the benefits of going ahead*. Brussels: The European Commission, p. 10 http://ec.europa.eu/europeaid/how/ensure-aid-effectiveness/documents/benefits_of_going_ahead-aid_effectiveness_agenda_en.pdf

¹¹⁶ See Riddell (2008) pp. 99-102 and for a more recent assessment see E.J. Clay, M. Geddes, L. Natali and D. Willem te Velde (2008) ‘Thematic Study – The Developmental Effectiveness of Untied Aid: Evaluation of the Implementation of the Paris Declaration and of the 2001 DAC Recommendation on Untying ODA To The LDCs’, Copenhagen: Ministry of Foreign Affairs of Denmark, December 2008, available online at <http://www.oecd.org/dataoecd/5/22/41537529.pdf> and Bigsten *et al* (2011), pp. 75-85.

¹¹⁷ See Temple (2010) pp. 4478-9.

between national self-interest, recipient need, the importance of trying to ensure aid has an impact and the pledges it has made at international conferences should interact to shape the way donors choose to allocate and give aid, responding, as they deem appropriate, to the views and lobbying efforts of different national interest-groups. The overall allocation of all aid is the (unplanned and unpredictable) outcome of the cumulative voluntary decisions made by all individual donors.

Inefficiencies in terms of impact and effectiveness are thus “built into” the current way that aid is allocated and will continue to contribute to the wide gap between how aid works for development and how it might work unless or until the present system of aid-giving based on the individual decisions of donors were ever to change.

5.2 The donor end of the aid system

The way aid is allocated is but the first step in the wider process of official aid-giving which has developed over the past 60 years. Although it is widely referred to as an aid-giving “system,” the way official aid is given has never been formally determined nor deliberately designed. Rather, it has evolved as a result of a succession of discrete and piece-meal decisions made over time by governments and official donor agencies on how they think *their* aid should best be given, though in recent decades these decisions have been increasingly informed by discussions with and knowledge of how other donors were acting.

Official aid-giving is thus characterised by an ever-increasing number of donors overseeing a growing number of discrete projects, creating an ever-more complex web of transactions and parallel management systems, many replicating and duplicating each other. Almost ten years ago, in 2005, the main donors signed the *Paris Declaration on Aid Effectiveness: ownership, harmonisation, alignment, results and mutual accountability*. In so doing, they not only committed themselves to working more closely together in a number of specific areas to change the ways they gave aid – in itself a giant step forward – but in signing the *Declaration* they were also implicitly acknowledging that the way they were currently giving aid was characterised by a succession of practices and processes that were already highly inefficient and becoming increasingly unworkable.¹¹⁸ They were, in effect, saying that they were in part responsible for aid not working as well as it might. Although, the *Declaration* has been criticised by some as not going far enough, seen in the historical context of official aid-giving, it is difficult to exaggerate the importance of this.

The main trends in donor growth, fragmentation and proliferation are illustrated by the following examples.¹¹⁹

- Twenty years ago there were fewer than 100 official aid donors; today there are over 70 bilateral and more than 230 multilateral aid agencies. In the mid-1960s, the 22 largest (OECD/DAC) donors each provided aid to fewer than 40 countries; by the late 2000s the figure had risen to over 120 countries each.

¹¹⁸ OECD (2005) *Paris Declaration on Aid Effectiveness: ownership, harmonisation, alignment, results and mutual accountability*. Paris: OECD. <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

¹¹⁹ These figures are drawn from the following sources: Riddell (2008) Chapter 20; Carlsson *et al.* (2009); Bigsten *et al.* (2011); F. Sagasti, K. Bezanson and F. Prada (2005) *The Future of Development Financing*. London: Palgrave Macmillan (also available at http://www.forestry.umn.edu/prod/groups/cfans/@pub/@cfans/@forestry/documents/asset/cfans_asset_409829.pdf; and International Development Association (of the World Bank) (IDA) (2007) *Aid Architecture: an overview of the main trends in Official Development Assistance flows*. Washington DC: Resource Mobilization, IDA <http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1172525976405/3492866-1172527584498/Aidarchitecture.pdf>; and M. L. Lawson (2013) *Foreign Aid: International Donor Coordination of Development Assistance*. Congressional Research Service 7-5700. Washington DC: CRS Report for Congress. <http://www.fas.org/sgp/crs/row/R41185.pdf>

- The number of donors each recipient country has had to interact with has also increased dramatically, rising from an average of 12 major donors in the 1960s to 33 by 2005.
- When sectoral aid or budget support is provided it is not uncommon for ten different donors to be round the table actively involved in ongoing discussions on spending priorities and participating in regular monitoring activities.
- In 1996, 17,000 separate donor-led aid activities (mostly aid projects) were recorded; ten years later this had risen fivefold to 81,000, their average size falling from over \$2.5mn to \$1.5mn. By that time, Ghana had 44 different donors, and Tanzania had over 700 different aid projects. Some 10 years ago, Tanzania had to host more than 540 donor missions, and in 2005, 752 donor missions were reported to have visited Vietnam. It is not only senior government officials who have to allocate large chunks of time to the administration of aid: administrative overload stretches right down to the project level. For example in some districts of Tanzania, health workers have had to spend 20 days a quarter - almost 25% of their working time - writing reports for different donor agencies.¹²⁰
- Less than half of all aid “received” passes through recipient government financial systems. Most is packaged up into discrete projects that are overseen and often managed by donors, even when project implementation units are located within sectoral ministries.
- In recent years, donors have been creating a succession of new mechanisms and funds to channel aid to recipient countries to help address specific needs - to increase food production, to expand primary school enrolments, to extend immunisation programmes to address HIV/AIDS, TB and malaria, and to address environmental and climate change problems. These often run in parallel with, and are at best usually only loosely linked to other mainstream sectoral aid programmes. The allocation of monies from these funds is controlled by donors, the reverse of what was agreed in the *Paris Declaration*, and often skews the budget and sectoral priorities of recipient countries.

A number of studies have tried to quantify the overall costs of these inefficiencies. For instance, a report for the European Union, which accounts for about 65% of all ODA, suggests that the inefficiencies in term of donor proliferation and the fragmentation of aid add between €2 billion and €5 billion to the costs of providing aid, adding to the evidence of the current inefficiencies of official aid.¹²¹ If the costs to recipient countries are added, the overall figures would be far higher.

Although, in general, in signing the *Paris Declaration*, donors pledged to work more closely together and to bring their activities more closely in line with plans and programmes of developing countries in order to make their aid more effective, they went further than this. More concretely, they committed themselves to the following - reducing the numbers of donors each recipient had to work with; minimising overlap in their programmes and a duplication of their parallel aid efforts; harmonising their different aid initiatives more closely together; providing more aid through recipient government channels; aligning their aid more closely to recipient priorities; working together to help and strengthen recipient government institutions, in part, in order that developing countries rather than donors would lead in the coordination of all aid efforts – and agreed targets to achieve specific and agreed goals. In all, the *Paris Declaration* comprised 13 indicators to monitor

¹²⁰ E. Deutscher and S.Fyson “Improving the Effectiveness of Aid” *Finance and Development* September 2008, p. 16. <http://www.imf.org/external/pubs/ft/fandd/2008/09/pdf/deutscher.pdf>

¹²¹ Carlsson *et al.* (2009), pp. v-vii, and Bigsten *et al.* (2011), p. 11.

performance and 12 quantitative targets were set and agreed to, though many of which were not particularly ambitious, pledging to meet these targets by the year 2010. Relatedly, donors pledged to increase significantly the total amounts of aid they provide to meet estimated funding gaps.

What happened? Although some donors have made progress in some areas,¹²² in aggregate they failed to meet all but one of the targets set,¹²³ while only half the increases in aid they said they would give was forthcoming.¹²⁴ The gap between rhetoric and reality remained large, continuing to reduce the potential impact of the aid provided.

5.3 The aid relationship: donor approaches to recipient country development

Whatever the weaknesses and inefficiencies at the donor end, whether aid works or not ultimately depends upon what happens at the “recipient-end” of the aid relationship. In giving aid, all aid donors, be they official agencies or NGOs, face a fundamental dilemma: aid is likely to work best in countries, communities and contexts where it is needed least, while the risks of its working least effectively tend to be highest in those countries that need it most.

If the over-riding objective is to make as much aid as possible work as well as it can, then aid would be given to countries characterised by good governance; democratically elected with accountable governments and strong parliamentary systems capable of scrutinising public finances and officials; a free press and a vibrant civil society; where the rights of minorities are protected and the rule of law is respected; where there is a vibrant private sector, paying minimum wages and championing core labour and employment rights; and where strong regulatory agencies are able effectively to address the market abuses of the rich and powerful. If “making aid work” were the sole basis for giving it, then aid would best be channelled to the sorts of countries and governments, like Norway, the United States, Japan or Australia, which share most of these attributes - those that clearly are not in need of development aid.

In contrast, those countries and communities most in need of aid will be those most likely to be deficient in many if not most of the core characteristics that are likely to be quite crucial in ensuring the delivery of effective aid. The implication of working through this dilemma ought to be central to any discussion of aid effectiveness, though this is seldom the case. If aid is to be channelled predominantly to those who need it, then a degree of “failure” must be expected.¹²⁵

How have donors sought to resolve this dilemma? One approach has been to attach conditions to the aid given, in the general manner of “we will give you aid if you will do such-and-such”. As is well known, some conditions have been overtly political and have had little bearing on the development

¹²² For some examples see H. Kharas (2007) *Trends and Issues in Development Aid*. Working Paper, No. 1. Washington DC: Wolfensohn Center, p. 20ff.

http://www.brookings.edu/~media/research/files/papers/2007/11/development%20aid%20kharas/11_development_aid_kharas.pdf

¹²³ See OECD (2011) *Aid Effectiveness 2005-2010: Progress in Implementing the Paris Declaration*. Paris: OECD, p. 19 <http://www.oecd.org/dac/effectiveness/48742718.pdf>. The target that met was the fourth “To strengthen capacity by co-ordinated support” (percent of technical cooperation implemented through co-ordinated programmes consistent with national development strategies). The target figure was 50%, and by the year 2010 the actual figure reached was 57%. However, when the target was set in 2005 the figure then was already 49%. It reached 60% in 2007 falling back to 57% three years later. See p. 62.

¹²⁴ In 2005, donors agreed to increase ODA by \$50 billion between 2004 and 2010, but only \$25 billion was provided. See World Bank (2013) *Global Monitoring Report 2013*. Washington DC: the World Bank, p. 69-70.

http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1327948020811/8401693-1355753354515/8980448-1366123749799/GMR_2013_Full_Report.pdf

¹²⁵ “... if aid is sometimes a failure, it is a necessary failure. Donors must ‘fail again, fail better’”. Temple (2010) p. 4454.

impact of aid. Indeed, a common criticism has been that too great a focus on political conditionality - “we will give you aid if you support our foreign policy”. This perspective was important during the cold war but today has returned to aid-giving in today’s post 9/11 world raising concerns that less attention would be paid to ensuring that the aid provided is used for its intended development purposes.¹²⁶ The problem here is that if the political support of the recipient were so important as to completely dominate the relationship, then the issue of whether aid “works” in a development sense would become very much a secondary consideration. In practice, however, this rarely happens. Far more common in recent years has been for the donor’s *political interests* increasingly to influence the decisions of who to give aid to, the amount given and the broad form in which it is given (military and/or development aid). It has then largely been up to the *donor development aid agency* to try to ensure that the aid is as effective as possible from a *development* viewpoint.¹²⁷

In practice, the aid-giving community (both official donors and NGOs) have always sought to ensure that the aid provided has been used for the purpose intended, first by ensuring that aid expenditure is accounted for in an open and transparent manner. Official donors especially have often gone further than merely monitoring the development impact of their aid and have attached additional conditions to their aid-giving, most controversially by requiring recipients to pursue development that the donors believe they should pursue rather than enabling them to develop and implement their own (home-grown) policies. The record tends to suggest that this type of conditionality has been relatively ineffective: even if recipients have agreed to such conditions in the short-term, they have usually been less rigorous in deploying those policies that they have seen as damaging as time went on. In general because donors have continued to provide aid even when such conditions have been breached, recipients have frequently paid lip-service to them. Some independent studies have suggested that such recipient country approaches may well have been correct, as a number of key donor conditions have turned out not to have been beneficial to the recipient’s growth and development.¹²⁸

Beyond the general issue of conditionality, another seemingly attractive way of trying to “make aid work” better in difficult environments would be for donors to seek to ensure that it is they, and not the recipients, who control and manage the aid. This is easiest to achieve if aid is packaged into discrete projects run or closely monitored by the donor agencies: in other words by not *giving* aid to others, but in effect by *holding on to it* for as long as possible.

One donor approach to making aid “work better” has been to channel aid into those sorts of initiatives which link aid inputs to simple, clear and tangible outcomes that materially and directly improve the lives of the maximum number of poor people as quickly as possible - by distributing bed-nets and anti-retroviral drugs, immunising children and at-risk populations etc. – and by

¹²⁶ The immediate impact and the influence of 9/11 on development aid is discussed in N. Woods (2005) “The Shifting Politics of Foreign Aid” *International Affairs*, Vol. 81, No. 2, pp. 395-409.

¹²⁷ That said, it is not always easy to distinguish clearly between military aid and development aid. According to the OECD, what is critical to the classification of different sorts of aid is the *purpose* for which it is given: development aid is defined, *inter alia*, as financial flows that are “administered with the promotion of the economic development and welfare of developing countries as their main objective”.

<http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm>

In recent (especially post 9/11) years, this distinction has been particularly strained as a result of growing amounts of “development” and humanitarian aid being distributed by the military, which, according to the military, is provided for development purposes and to help “keep the peace”. A 2007 study reported that one in every five dollars that the U.S. spent on development assistance was then being handled by the Department of Defense (DoD) and the Pentagon’s share of U.S. development spending had increased three-fold in the past five years, to a total then of some \$5.5 billion annually. See S. Patrick and K. Brown (2007) *The Pentagon and Global Development: making sense of the DOD’s expanding role*. Working Paper No. 131. Washington DC: Center for Global Development (November), p.1.

http://international.cgdev.org/files/14815_file_PentagonandDevelopment.pdf

¹²⁸ The issue of conditionality is discussed in more detail in Riddell (2008) Chapter 14, pp. 231-51.

spreading initiatives that work in one place to others through rapid replication. This approach involves donors providing aid in discrete projects or providing sectoral aid to those activities whose benefits can be immediately seen, such as expanding school places, expanding immunisation programmes, expanding access to clean water, etc. giving high priority to learning what works and using that knowledge to develop manuals of “how aid works in this sector” and applying them to new countries and new communities to spread aid’s successes to even more poor people.¹²⁹

As will be discussed in more detail below, this is the sort of approach which donors have been adopting increasingly in recent years, in part spurred on by the way they have sought to interpret their commitment to help “deliver” the Millennium Development goals (MDGs): provide more aid targeted directly at poor people which will quickly produce tangible results.

The problem with this type of approach to aid-giving and aid effectiveness is that it ignores a number of fundamental features of our (evolving) understanding of sustainable development, and risks not merely holding back but possibly undermining the very development process that aid is supposed to assist. In brief, current thinking suggests the following.

- That development and poverty reduction is best understood not as a simple set of linear processes whose future path is relatively easy to foresee and quite predictable but, in part at least, as including non-linear patterns and processes, some unpredictable, with the overall process emerging from the complex interaction of cultural, economic, social, institutional and political forces internally and by an array of external factors.
- That for development processes to be durable they need to be nationally owned and thus built on approaches resulting from internal discourse to produce domestically-rooted policies and processes rather than external or imposed ones.
- That additionally, as the outcome of the interplay of market-driven development and prevailing political processes are likely to result in widening inequalities, if faster poverty reduction is the goal then this will require explicit policies to narrow inequalities,¹³⁰ as well as being likely to require the judicious application of interventions involving the engagement and participation of representatives of poor and more marginalised groups and the introduction of policies that directly target those at risk of being excluded from broad-brush national strategies.

From this perspective, making aid work would require quite a different way of thinking about aid and impact from the more protective and sanitised ones just outlined. It suggests a deliberate move away from an approach which is dominated by conditionality and focuses on quick wins and narrow concerns of how aid might work better as an end in itself. In its place a more all-encompassing approach would be promoted which would seek first to understand the context and then provide aid in a manner which would not only help address short-term problems but would also aim to facilitate, support, strengthen and help to accelerate a domestically-owned and domestically-driven,

¹²⁹ The use of “best practice” manuals has risen in part as a result of donor agencies in particular reducing their cadre of technical specialists in their attempt to manage expanding aid budgets while attempting to trim their overhead costs, sometimes replacing specialists with generalist personnel.

¹³⁰ The importance of narrowing inequalities has been confirmed in a recent study, though quite how to do this remains a challenge, see N. Yoshida, H. Uematsu and C. E. Sobrado (2014) *Is Extreme Poverty Going to End? An Analytic Framework to Evaluate Progress in Ending Extreme Poverty*. Policy Research Paper 6740. Washington DC: World Bank.

http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2014/01/06/000158349_20140106142540/Rendered/PDF/WPS6740.pdf

sustainable development process. Especially in countries characterised by widespread and growing inequalities, this would often also suggest using aid to encourage debate and help to facilitate a shift in the balance of internal forces that sustain and worsen such inequalities. In other words aid would have an explicit medium to long-term *transformational* role to play, complementing its role in addressing more immediate problems, and encompassing an explicit political dimension added to its more technical approach.¹³¹

This all sounds quite abstract. Fortunately, however, and quite significantly, the main donors began to develop just such ways of addressing some of these issues in the studies which led to the *Paris Declaration* commitments, developing ideas for working more closely together and with aid recipients. They include the following:

- Using aid to help deepen country ownership of development policies;
- Using aid to help to support and strengthen institutions;
- Aligning aid more closely to national priorities;
- Channelling aid to and through local institutions and agencies; and
- Using aid to help to strengthen the country's ability to oversee, manage and coordinate incoming aid and donor activities.

In relation to the key issue of inequality, the *Paris Declaration* is unequivocal in stating that "addressing inequalities of income and opportunity within countries and between states is *essential* to global progress" (Para 3). Aid could help in a number of different and complementary ways, from assisting countries to address problems of widening inequalities at a general level to helping more directly to facilitate and support opportunities for poorer people from minorities and marginalised groups to increase their engagement and participation in decisions about their development and to ensure their equal access to basic services and jobs etc. However, the *Paris Declaration* provides no guidance for donors on how they might assist the process or how their increased involvement in this critical issue might be monitored.

This perspective also provides a different way of approaching the issue of aid conditionality. Realistically, some sort of donor conditionality will continue to be a core component of the aid relationship. The evidence suggests that the type of donor conditionality most likely to contribute to aid working better is one that is rooted in and attempts explicitly to build the confidence and capacity of recipient countries to develop their own policies and, where necessary, to apply their own policy conditions to all expenditures be they with aid funds or their own funds.¹³²

However as noted above, donors have not lived up to these commitments. There are a number of linked reasons for this. Firstly, donors have never warmed to an approach to aid-giving which results in their losing control of "their aid". Channelling more aid into joint activities with other donors or to activities whose benefits are less easy to identify or whose outcomes are uncertain makes it more difficult for donors to attribute specific outcomes to their own aid inputs. This in turn, makes it

¹³¹ In this context, one scholar refers to the need to "disrupt" the prevailing "political equilibrium", assessed to be a key factor constraining the development of domestically-driven policies that will more effectively address the problems of poverty and underdevelopment. See S. Devarajan (2013) "The Donors' Dilemma – Aid as Disruption" to be published in A. Sumner (Ed) (2014 - forthcoming) *The Donors' Dilemma: Emergence, Convergence and the Future of Aid*. London: Global Policy. <http://www.globalpolicyjournal.com/blog/02/12/2013/donors%E2%80%99-dilemma-aid-disruption> The following provides a similar sort of viewpoint. "To be effective in helping to advance development, aid actors need to operate from a genuine understanding of the political realities of the local context, engage with a diverse array of relevant actors both inside and outside the government and insert aid strategically and subtly as a facilitating element in local processes of change" T. Carothers and D. de Gramont (2013) *Development Aid Confronts Politics: The Almost Revolution*. Washington DC: Carnegie Endowment for International Peace, p. 11.

¹³² See Riddell (2008) pp. 241-52, and, more recently, Temple (2010).

difficult to convince the public in donor countries either that their own aid works or that it is worth providing aid which is merely going to be added to a pool of funds over which others decide how it will be used. Secondly, the recession has simply aggravated these problems. When deep public spending cuts are being made across the board in many donor countries, it is challenging enough to convince a sceptical public that aid budgets should be maintained - even more difficult to sustain support for rising aid budgets at the same time as channelling aid into activities whose benefits cannot be seen quickly or easily.

The core problem is not so much that donors have failed to honour their commitments of working more closely together and with recipients, and have perpetuated historic inefficiencies in the aid system, though this is clearly serious. Of potentially far greater importance is has been the knock-on effects of restructuring of their aid programmes. Such restructuring has been characterised by funding even more aid interventions that bring immediate tangible benefits that can be attributed to their own aid inputs as well as by failing to use aid to help address growing inequalities. This risks donor aid interventions contributing to a growing range and number of systemic problems. Indeed – and this is perhaps the most critical issue for contemporary aid discussions aid – we seem to be moving beyond risks to reality. More and more evidence is accumulating which suggests that the immediate benefits of short-term aid are gradually being undermined by the aggregate costs of such interventions which, both directly and indirectly, result in holding back the long-term development prospects of recipient economies. For example short-term approaches to aid-giving tend to downplay, or, at the extreme, ignore evidence which indicate that some development processes - which produce tangible medium and longer-term benefits - may not show any short-term benefits and can even involve things getting worse before they get better.¹³³ Where such knowledge is set aside – due to the short-termism which politics so often seems to demand - long-term development success is impeded.

A succession of recent studies – many commissioned by the donor community and emerging from the aid-research community – point to the different types of problem that have been occurring.

- A recent World Bank study argues that when donors rely on their own systems to deliver aid, the effect is to undermine recipient-country systems.¹³⁴
- Research from the London-based Overseas Development Institute suggests that unless and until recipient countries have acquired development leadership, aid tends to have “fairly powerful perverse effects”.¹³⁵ One deleterious effect relates to institution building, whose overall progress, it concludes, has been hampered by donors adopting a “silo” approach and by widespread evidence of donors continuing to recruit public servants to implement their projects, which undermines national capacities especially in contexts where they are particularly weak.¹³⁶

¹³³ These notions are discussed more fully in Michael Woolcock (2009) “Toward a plurality of methods in project evaluation: a contextualised approach to understanding impact trajectories and efficacy” *Journal of Development Effectiveness*, Vol. 1 No. 1 (March) pp. 104 <http://dx.doi.org/10.1080/19439340902727719>

¹³⁴ S. Knack and N. Eubank (2009) *Aid and Trust in Country Systems*. Policy Research Working Paper No. 5005. Washington DC: World Bank.
http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2009/07/20/000158349_20090720134118/Rendered/PDF/WPS5005.pdf

¹³⁵ D. Booth (2011) *Aid Effectiveness: bringing country ownership and politics back in*. Working Paper No. 336. London: Overseas Development Institute. <http://www.odi.org.uk/publications/4928-aid-effectiveness-country-ownership-politics-busan>.

¹³⁶ OECD (2011) p. 33 and 38.

- Relatedly, where donors have focused their aid on addressing problems impeding long-term development, the results have been disappointing: institutional reform initiatives have usually not solved the problems and have often made them worse.¹³⁷
- Even more clearly, an evaluation of 20 years of Dutch aid to Africa (1998 to 2006) praised the switch that had taken place from project to programme aid, which contributed to an expansion in public services. However it concluded that this resulted in the productive focus of Dutch aid disappearing, in spite of pleas by recipients for this to continue, resulting in a *reduction* in the Dutch contribution to poverty eradication.”¹³⁸
- And a recent study of “crisis states” argues that if development assistance programmes are undertaken without understanding “the political settlement on which a state rests can lead to unintended consequences of all sorts”.¹³⁹ And an OECD report study of international support for state-building in fragile states based on this study argues that donors risk doing harm by failing to provide support for the “creation of capacity to expand productive activities”.¹⁴⁰

These sorts of conclusions are particularly worrying when placed alongside the evident lack of progress in achieving the goals of the *Paris Declaration* discussed above. But there is more to add. Evidence of the failure of the aid relationship to shift very far in the direction of using aid to support recipient-led development processes and initiatives is seen perhaps at its clearest in relation to the issue of country *ownership*, which some believe as embodying the core of the *Paris Declaration*.¹⁴¹ By the year 2010, fewer than two (5%) aid-recipient countries were reported to have in place their own sustainable development strategies - up from zero in the year 2005. In 30% of countries, there was no local ownership and nothing had happened in the interim period to encourage and support local ownership.¹⁴²

Relatedly, the *Paris Declaration* states that aid recipient countries should “take the lead in co-ordinating aid at all levels in conjunction with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector” and partner countries to “commit to help strengthen their capacity to exercise it”.¹⁴³ However no indicator was agreed to monitor this (core) dimension of the aid relationship,¹⁴⁴ and there is little evidence of donors actively working together to enhance the ability of recipients to effectively coordinate donor aid efforts.¹⁴⁵

¹³⁷ For a recent overview and assessment see M. Andrews (2014) *The Limits of Institutional Reform in Development*. Cambridge: Cambridge University Press.

¹³⁸ F. van der Kraaij and E. Kampuis (2008) *The Netherlands’ Africa Policy 1998-2006: Evaluation of bilateral cooperation*. The Hague: Policy, Operations and Evaluation Department (IOB), Government of the Netherlands, p. 2 and 102-12. http://docs.watsan.net/Downloaded_Files/PDF/DGISIOB-2008-Netherlands.pdf

¹³⁹ J. Putzel and J. Di John (2012) *Meeting the Challenge of Crisis States*. London: Crisis States Research Centre, London School of Economics and Political Science <http://r4d.dfid.gov.uk/PDF/Outputs/CrisisStates/Meeting-the-Challenges-of-Crisis-States.pdf>, p. iv.

¹⁴⁰ J. Putzel, D. Esser, L. Moens and S. Massing (Ed) (2010) *Do No Harm International Support for Statebuilding*. Paris: OECD. <http://www.oecd.org/dac/incaf/44409926.pdf>, p. 21.

¹⁴¹ See P. de Renzio, L. Whitfield and I. Bergamaschi (2008). *Reforming Foreign Aid Practices: what country ownership is and what donors can do to support it*. Briefing Paper (June). Oxford: University of Oxford Department of Politics, Global Governance Programme. <http://www.eldis.org/go/home&id=41700&type=Document#.UrQNBtJdUa8>

¹⁴² See OECD (2011) pp. 29-31. Confirming this assessment, the evaluation of Dutch bilateral aid to Africa concluded that little more than lip-service was paid to recipient country ownership and when it did occur, this consisted primarily of an increased role of Ministry of Finance officials. See Kraaij and Kampuis (2008) p. 119-21.

¹⁴³ OECD (2005) Para 14 And 15, p. 3.

¹⁴⁴ Similarly, although the Paris Declaration speaks of the need “to support partner country efforts to strengthen governance and improve development performance” (para 1), no indicator was established to monitor progress in this crucial area.

¹⁴⁵ This point was made even more strongly at Busan, South Korea in 2011. “Partnerships for development can only succeed if they are led by developing countries, implementing approaches that are tailored to country-specific situations and needs.” *Busan Partnership for Effective Development Cooperation*. Fourth High Level Forum on Aid Effectiveness, para 11b. <http://www.oecd.org/dac/effectiveness/49650173.pdf>

The overall problems that prevailing aid practices have had on wider development processes have been well captured and summarised in an extended essay by a former head of the largest bilateral agency, the United States Agency for International Development (USAID), Andrew Natsios. Though written after he stepped down, he has gone further than most to argue that the focus on short-term measurable and quick results actually undermines the *transformational* potential of aid.¹⁴⁶

One of the little understood, but most powerful and disruptive tensions in established aid agencies lies in the clash between the compliance side of aid programs and the technical side. The essential balance between these two tensions in development programs – accountability and control versus good development practice – has now been skewed to such a degree in the US aid system (and in the World Bank as well) that the imbalance threatens program integrity. (p. 2-3)

. the international aid system is now focused on implementing the Millennium Development Goals (MDGs), which measure service delivery or service standards, not the institutional development needed to carry them out. . The MDGs' heavy emphasis on the delivery of public services by whatever means necessary has overwhelmed the building of those local institutions that will be needed to deliver those services when the MDGs are long forgotten. The institutional viability of developing country education ministries is far more important than the number of schools constructed; textbooks printed, or even children in the classroom. Outside contractors, NGOs, and UN agencies could ensure that these tasks get done on their own, but that would have a much more limited developmental benefit. If a country's Ministry of Education were to achieve half of what was required under the MDGs, but took the leadership itself to accomplish this more modest objective, it would be of far greater significance than if Western aid agencies or international organizations fully achieved the actual quantitative calculation. (p. 62-63)

This sort of assessment from within the aid industry adds support to the even harsher view of Angus Deaton that, notwithstanding the clear benefits that aid funds clearly achieve, from the viewpoint of aid's transformational role, on balance aid doesn't work.

In my view this assessment goes too far for two main reasons. Firstly, the conclusion drawn is based on what probably is too partial and selective reading of the evidence.¹⁴⁷ Donors may well have failed, at times undermined recipient country ownership and (unintentionally) held back long-term development prospects but they are now more aware of their short-comings as well as more knowledgeable about how they need to change current practices to give greater priority to transformational aid in order to make aid work better overall. Indeed, proposals for working in new and different ways are not only being put forward for mapping out specific approaches for donors to adopt, but there is evidence that a number of key donors are willing to adopt approaches more in line with the transformational approach. Indeed, after a recent visit to the UK, Deaton said that both Oxfam and the UK's Department for International Development for International Development were pursuing approaches to aid with which he agreed.¹⁴⁸

¹⁴⁶ A. Natsios (2010) *The Clash of the Counter-Bureaucracy and Development*. Washington DC: Center for Global Development.

http://www.cgdev.org/content/publications/detail/1424271/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+cgdev%2Fpublications+%28Center+for+Global+Development+-+Publications%29

¹⁴⁷ As Temple puts it "The arguments that aid can weaken accountability and institutional development are potentially fundamental, but much of the supporting evidence remains impressionistic and anecdotal." (2010) p. 4499.

¹⁴⁸ See remarks at the end of this public lecture given at Princeton in November 2013.
<http://www.youtube.com/watch?v=XwLNqDbPNBw>

Secondly, the distinction made between *short-term, quick-impact aid*, aimed at achieving immediate results, and *transformational aid* is not as clear-cut as some of the discussions suggest. For example, using aid to expand the number of girl pupils in school has both an immediate effect (more girls in school) and a potentially transformative effect in terms of changing attitudes to the status and traditional role of women. Importantly, too, there is evidence now emerging of significant national development successes occurring because, notwithstanding the lurch towards the short-term, donors have by no means abandoned a long-term time horizon approach to aid and are participating with governments in initiatives that blend service delivery and capacity support, as a recent study of maternal health care in Nepal clearly illustrates.¹⁴⁹

The challenge is to increase awareness of the importance – indeed the centrality of these issues – and to encourage more debate on extending and deepening such approaches to aid-giving to transform the current aid relationship, still so dominated by short-termism. What we certainly do know is that there is often a conflict between donors using aid to achieve short-term and long-term objectives and more and more studies are drawing attention to this.¹⁵⁰

Changes to make aid work better are evolving, notably by addressing some of the problems which the short-term, narrow approaches which frustrate aid's transformational role have created. The emphasis being given to accelerated economic growth, job creation and poverty initiatives targeted specifically at the poorest in the discussions about post-2015 approaches to development are seen by some as heralding a new era in which aid priorities are shifted to focus on economic transformation; indeed the title of the report of the UN's High Level Panel is entitled *A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development*.¹⁵¹ Already some donors have begun to signal a change in their priorities in giving aid. For example in January, the UK announced a "radical shift" in its approach to aid involving a restructuring of DFID "to focus on jobs and growth" because "economic development is without question the only way countries can leave behind enduring and chronic poverty".¹⁵² However, it is too early to know whether other donors intend to change their policies and priorities in aid-giving. If they do, what difference will this make in practice to the current dominance of and preference for aid that is able to show immediate and tangible results? Will assistance aimed at helping to transform recipient economies not merely channel aid funds into initiatives to boost private sector growth and job creation but ensure that the problems which short-term quick-win aid interventions can bring are also addressed?¹⁵³ Will aid be used to help create a pattern of economic growth and development which begins to address inequalities in wealth and power? And above all, will donors use their aid funds to help build recipient ownership of development strategies and local capacities to enable recipients to outline their priorities for where aid should be channelled and coordinate the aid provided, as they agreed to do in the *Paris Declaration*? There is little in the initial outline of the UK's new approaches to aid to suggest that these issues will form the main thrust in Britain's new

¹⁴⁹ See J. Engel, J. Glennie, S. R. Adhikari, S. W. Bhattarai, D. P. Prasai and F. Samuels (2013) *Nepal's Story: Understanding Improvements in Maternal Health*. London: Overseas Development Institute.

<http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8624.pdf>

¹⁵⁰ "...budget support was given a dual objective: both poverty reduction and improved governance. But previous research had already shown that attempts by donors to change the administrative and political system were largely ineffective. Moreover, the great deal of attention being paid to the second objective weakened budget support's capacity to fight poverty. Experience shows that these two objectives are sometimes incompatible." Jorritsma (2012) p. 20.

¹⁵¹ <http://www.post2015hlp.org/wp-content/uploads/2013/05/UN-Report.pdf>

¹⁵² "DFID is on a dramatic journey. We are changing our people, our training, our programmes, our resourcing, our partners. We're making DFID pro-entrepreneur, pro-business because that's how we ultimately defeat poverty." Speech by Rt Hon. J. Greening Secretary of State 27 January 2014. <https://www.gov.uk/government/speeches/smart-aid-why-its-all-about-jobs>. See also DFID Press Release 27 January 2014 "Greening: UK will focus on frontier economic development" <https://www.gov.uk/government/news/greening-uk-will-focus-on-frontier-economic-development>

¹⁵³ "What we think of as 'traditional aid' continues to play a critical role...helping more children into school, beating killer diseases like polio and malaria, supporting countries like the Philippines when disaster hits. These are life-changing, life-saving programmes, and we're going to keep doing them." Greening (2014).

approach to aid-giving. Indeed, a key message of the Secretary of State has been to highlight the benefits the new emphasis on economic development would bring to British firms and interests through the development of new partnerships and opportunities for them.¹⁵⁴

The final point to make on this issue is that today's dominant focus on using aid to achieve tangible and quick results – the term “quick-wins” is now a constituent part of contemporary “aid-speak” - is comparatively new. Aid has continually been subject to fads and fashions and there is no reason why the recent radical shifts to short-termism cannot be reversed. In the past, indeed for most of the 70 year history of aid-giving, aid has been used to support longer-term and transformational development processes. As Natsios himself acknowledges even quite recently the approaches were very different.

Before the 1990s, aid programs were typically 10 years in length, with a review after the first 5 years to make adjustments if needed. Right now the time horizon for these programs is 1 year instead of 10 years. . many traditional aid practices are now simply unacceptable because of the regulatory demands of the system. USAID has historically been first among bilateral and multilateral agencies in funding local NGOs, indigenous think tanks, and developing country colleges and universities to build local institutions and local capacity, but has reduced its funding to these local institutions because of the demands of the counter-bureaucracy. (2010, p. 64).

6. Making Aid Work Better: some suggestions

The aid business is not short of suggestions for what needs to be done to make aid work better; indeed, it could be argued that it already faces too many and thus that any further suggestions will be self-defeating.¹⁵⁵ At the aid project and programme level, it is usually a requirement of evaluations to make recommendations for improving aid effectiveness, while, as we have seen, both the Paris Declaration and the different studies undertaken which analyse inefficiencies within and across the aid system both explicitly and implicit propose changes which, if carried out would make aid work better.

Although aid-giving faces some key unresolved issues, such as determining what is the best way to allocate aid more efficiently to maximise its poverty-reducing impact, it is not technical solutions that are predominantly lacking. Thus, we know that aid-giving needs fewer official donors managing fewer projects and providing a more streamlined delivery system, reducing the sheer numbers who run so many similar aid bureaucracies; we know aid-giving needs to be better harmonised and more aligned to recipient country systems and processes and that more priority should be given to strengthening local institutions to enable those in recipient countries to be better able to determine aid priorities and coordinate aid spending.

As the earlier discussion suggests, perhaps the key problem lies in the political will of donors to change current practices and the unwillingness of individual donors to sacrifice more than they already have of the freedom they currently enjoy to decide how to allocate and to determine how to

¹⁵⁴ “Of course smart aid isn't just good for the countries we're helping, it's good for Britain too. If we get development right we are market making and creating new investment opportunities.... We all recognise the importance of the world's new emerging powers – the BRICS countries, Brazil, Russia, India, China and South Africa. And we're also improving our relationships with the world's next tier of emerging economies...fast growing markets in Mexico, Indonesia, Nigeria, Turkey. The MINT countries as they've been coined. But what about tomorrow's BRICS and MINT countries? ... we could wait until these markets have grown, until they are less risky and the opportunities are more obvious. But how much better to start our relationships with these countries sooner rather than later.” Greening (2014).

¹⁵⁵ For an overview of many of the different suggestions for reforming aid to improve aid effectiveness see M. Morris and J. Pryke (2011) *Beyond Paris: 11 innovations in aid effectiveness*. Discussion Paper 10. Canberra: Development Policy Centre Australian National University. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2025727

deploy their own aid funds. What is lacking above all lies within the realm of political economy and *real politick*: not so much getting donors to decide on what to do, but for them to understand the complexities of the context in which they give aid and work together to contribute to effective change.

Against this backdrop, I present here nine suggestions for making aid work better. Most have not featured prominently in the literature, though few are original.

1 Deepening knowledge of local contexts

A key ingredient to providing effective aid is in-depth local knowledge, an issue of fundamental importance if aid is to make an effective contribution to building local expertise and ownership.¹⁵⁶ However the recruitment policies of most official donors (and some NGOs) have increasingly relied on short-term assignments of staff, many of whose work is focused on aid management and administration issues.¹⁵⁷ To enhance, deepen and extend their knowledge into complex areas, donors need to revisit their approach to recruitment, replacing or supplementing the current norm of short-term in-country contracts dominated by aid administrators and project managers with more long-term contracts of more skilled technical personnel – viewing contracts of three to five years more as the norm. Such contracts need to apply to country aid managers and (local as well as external) short-term technical personnel including those who understand what country ownership and coordination by recipients might look like and who appreciate what the transformational approach to aid is trying to do.

2 Ensuring short-term uses of aid are supportive of long-term development goals

Relatedly, the performance and assessment of the activities of donor aid personnel needs to focus less on the current methods of managing the project cycle and delivering aid outputs. It needs to be linked far more to progress in delivering sustainable development outcomes, and to focus more on developing (with other donors - and based on discussions with key recipient country stakeholders) ways of using aid in more transformational ways. For the foreseeable future, discrete projects aimed to deliver short-term benefits will continue to be part of overall donor portfolios. The methods of project appraisal, monitoring and evaluation of these projects need explicitly to include two linked elements.

- * Firstly, both initial project development and project appraisals need explicitly to be undertaken within the framework of the *Paris Declaration*, ensuring in particular that new projects are consistent and aligned with long-term recipient-country development goals, sufficiently harmonised with other donor initiatives and that they do not undermine the development of local capacities. Currently they are not.¹⁵⁸

¹⁵⁶ "... donors *must* develop a sophisticated understanding of political processes, patterns of state-society relations and sources of legitimacy in the countries in which they are operating" (emphasis added). E. Deutscher, Chair of the DAC in Putzel *et al.* (2010) p. 3.

¹⁵⁷ According to the recent survey of Australian aid, over 80% of AusAID Managers are in post for less than two years, over half for a year or less. See S. Howes and J. Pyke (2013) *Benchmarking Australian Aid Results from the 2013 Australian Aid Stakeholder Survey*. Canberra: Development Policy Centre, Crawford School of Public Policy the Australian National University, p. 40-1, 53-6. <http://devpolicy.org/pdf/Benchmarking-Australian-aid-results-from-the-2013-Australian-aid-stakeholder-survey-full-report.pdf>

¹⁵⁸ According to the 2009 study of evaluation quality in the UK's DFID there is "a significant gap between the positive and supportive statements made about the Paris Declaration, confirmed in the Accra Agenda for Action, and the way that DFID is approaching evaluation. In its view, too little has changed in practice, especially in relation to the alignment dimension of the Paris Declaration. For instance, although DFID has extended its consultation process to include stakeholders outside the Department, the final decision of what the Evaluation Department chooses to evaluate, and when, is still made by DFID and IACDI. Similarly, developing country stakeholders are rarely, if ever, involved in decisions of what to evaluate and when; the results of centralised evaluations are rarely shared with them in any systematic way, and though DFID is a leader

* Secondly, these wider factors need to form a constituent part of regular monitoring and evaluation. Additionally, at the level of project support especially in the poorest (low-income) countries, a growing body of evidence¹⁵⁹ suggests the need for donors to give (greater) priority to beneficiary involvement in both designing and monitoring and evaluating the implementation of poverty-focused projects and ensuring that this includes more marginal groups, and to encourage the development of networks, often seen as an important contributor to more sustainable development impact.¹⁶⁰

As the *Paris Declaration* has now been signed by a growing number of NGOs and private foundations, these changes would apply equally to official and non-official aid donors.¹⁶¹

3 Linking all aid more closely to overall developing country goals and processes

The aid programmes of individual donors need to be developed not in isolation but as part of the overall aid effort at the country level. This, in turn, needs to be focused far more on, and indeed increasingly shaped by trying to work out how best aid might contribute effectively to extending and building country ownership of a poverty-focused and sustainable development strategy focused that enables recipients to become the effective coordinators of donors and their aid programmes. Clearly this will require in-depth local knowledge (see # 1 above), including knowledge of the nature of political power and the way political and economic processes interact, which in turn provides the context for discussions of how to engage in institutional support and capacity building.¹⁶² As part of this process, donors need to prioritise support to initiatives that will help encourage the local and more widespread ownership of development plans and policies. What this will mean in practice will clearly differ from country to country and will, in part, need to be based on donors themselves developing a deeper and more extensive knowledge of the political economy of the countries to which they provide aid than is currently common. One way to do this would be to provide long-term funding to assist the development of strong, independent and locally-rooted think-tanks, especially in the areas of governance and political economy. Besides helping to develop and expand national debate on central development policy issues, this will also reduce the need to rely on the use either of externally-recruited political economists as well as local expertise most commonly recruited for short-term assignments who, quite understandably, tend to confirm or ventriloquise what donors want to hear.

among agencies committed to and undertaking more joint evaluations, there are still very few joint evaluations conducted with and especially led by developing country governments or institutions. Additionally, far too little is being done to help build the capacity of aid-recipient countries to enable them to undertake evaluations, especially to take more of a leadership role" Riddell *et al.* (2009) para 48.

¹⁵⁹ See for example, the recent speech given by the Chief Commissioner of the UK's ICAI in November 2013 on improving aid impact <http://icai.independent.gov.uk/2013/11/28/chief-commissioner-speech-crowe-clark-whitehill-ingo-conference-28-november-2013/>

¹⁶⁰ See Ramalingam (2013), Chapter 16.

¹⁶¹ See

<http://www.oecd.org/dac/effectiveness/countriesandorganisationsadheringtotheparisdeclarationandaaa.htm>

¹⁶² There is a growing awareness that past efforts at institutional building have failed in part because donors were trying to introduce and impose inappropriate (external) models and approaches. For a recent critique of more traditional approaches see L. Pritchett, M. Woolcock and M. Andrews (2012) *Looking Like a State: Techniques of Persistent Failure in State Capability for Implementation*. Working Paper No. 2012/63 Helsinki: UNU-Wider.

http://www.wider.unu.edu/publications/working-papers/2012/en_GB/wp2012-063/. They argue that what is required is better understanding of the conditions under which political space is created for nurturing the endogenous learning and indigenous debate necessary to create context-specific institutions and incremental form processes. For development agencies, particularly external agencies, the key questions should focus on how they can facilitate such process. (p. 19).

4 **Prioritising help to build local capacities for recipients to coordinate aid better**

As discussed above, while it confirmed its importance, the *Paris Declaration* failed to develop any indicators to encourage efforts to help build and expand local capacities to enable recipient countries to effectively oversee and coordinate overall aid efforts and to ensure the plans of different donors are supportive of and sufficiently integrated into national processes. One way donors could begin to do this would be to (jointly) fund studies that would work out a plan and timetable for what needs to be done on both sides, seeking the input from both the donor and recipient side (including NGOs and civil society more widely). A course of action could then be agreed with the assurance that sufficient funds are forthcoming to implement the agreed approach.

5 **Learning lessons – moving from rhetoric to reality**

Potentially evaluations are an important way not only of assessing the impact of aid interventions but of learning lessons to make aid work better. While it is widely recognised that good quality evaluations need to include specific recommendations and lessons learned, only recently has it been formally agreed within the OECD/DAC donor community that the quality of evaluations should be determined not only in terms of a written report written but also in relation to whether and how such reports are *used*.¹⁶³ Many if not most of the larger official development agencies incorporate “lessons learned” in both evaluations and in project appraisal documents, but it is often the implementation that is lacking and there remains a significant gap between theory and practice. Today across many agencies insights from research and evaluation are not incorporated into the development of future aid projects and programmes, and many recommendations are regularly ignored or not implemented. To make aid work better, these failures and weaknesses need to be addressed by each donor agency. Thus, as a matter of course, donors should establish a (formalised) system to implement the findings of evaluations and linked research, explaining clearly how they intend to respond to the recommendations made or, in cases where they disagree, why, providing an agreed and monitorable action plan which they will implement and then formally report back on progress made.

6 **Rethinking how to help the poor in middle income countries**

A new challenge has arisen as a result of the upgrading of countries containing large numbers of very poor people from the low-income to middle-income group of countries: almost three quarters of the world’s poorest people are now located in middle-income countries.¹⁶⁴ To date however, this has made very little difference to the way donors deploy their aid (predominantly through projects); the approaches remain almost identical to the projects they promote in the poorest countries. The crucial difference between the poorest and middle income countries is that the latter do not suffer from a shortage of funds: they have the resources to address the needs of the poorest; it is the manner in which they allocate funds and human resources and the choices they make that result in the perpetuation of extreme poverty. What donors need to do - and thus far have failed to do - is to facilitate in each of these countries an understanding of how and why extreme poverty persists so that decision-making processes and priorities can shift to give poor and marginalised groups greater voice to participate in these processes and enable them to access the services and opportunities from which their non-poor fellow citizens are clearly able to benefit.¹⁶⁵

¹⁶³ OECD (2010) *Quality Standards for Development Evaluation*. DAC Guidelines and Reference Series. Paris: OECD.
<http://www.oecd.org/dac/evaluation/qualitystandards.pdf>, p. 15

¹⁶⁴ Sumner (2013).

¹⁶⁵ The wording here is important: donors should “facilitate analysis of” rather than do it themselves. Recent work has criticised some of the political economy work undertaken by donors or commissioned by external consultants as it has not

7 Reducing volatility in aid at the country level

We know that aid needs to be provided within a longer and more assured timeframe to reduce its unpredictability and volatility. Relatedly, donors need to meet the commitments they make to provide aid and to honour the repeated pledges they make (and which many repeatedly break) to provide more aid. In the short-term, especially in countries (usually the majority) not facing any immediate political problems, one way that the gap between donor rhetoric and the reality of aid-giving might be narrowed would be for the largest six or seven donors in recipient countries to agree with the recipient the total combined aggregate amount of aid recipients would be able to spend and donors agree they would be able to provide over, initially say, a three to five year period. Once agreed, these donors would commit to providing the aid they have agreed to give, if necessary putting peer pressure on any recalcitrant donor threatening to reduce aid, and ultimately by each donor committing to help make up any shortfall if one of their number reneges on the initial promise made. As European donors have recently agreed to provide aid through a system of joint programming under a common framework, they could be the vanguard in adopting such an approach.¹⁶⁶

8 Encouraging budget support by addressing donor-country political concerns

In spite of evidence indicating its benefits in recent years, some of the new aid modalities and especially general budget support has lost favour with many official aid donors even in environments where its impact has and is likely to continue to be favourable. This decline in support has often been due to human rights violations and wider political concerns. At the extreme, donors have withdrawn completely from providing GBS funds but in many cases the effectiveness of budget support is severely hampered by erratic, volatile and unpredictable funding.¹⁶⁷ One way to addressing both the problems of decline in donor interest in budget support and funding volatility would be for donors providing general budget support to commit themselves to a range of possible funding options dependent upon their assessment of recipient behaviour. If donors are generally happy with recipient performance they would provide funds at the level agreed. If things proceed better than expected and they gain confidence with the use to which the funds are put and the wider context, then they would increase their funds by, say 20%. If, on the other hand, their view is that the support programme or the wider context has become especially problematic, then they would be free to reduce their commitments by a fixed amount, say 20%. Creating a fixed-floor approach would create a “cushion” for the donor to address concerns at home about providing aid when difficult political problems arise, and for the recipient to provide a greater guarantee against aid volatility and unpredictability. Only in rare and exceptional circumstances would donors withdraw completely from an agreed funding support mechanism.

9 Rethinking ways of communicating about aid

been sufficiently understood in the local context. See D. Booth (2013) *Facilitating Development: an arm's length approach to aid*. London: Overseas Development Institute. For successes in using aid funds to strengthen the voice of poor communities see, for example, J. D. Clark (2013) “Partnership for Transparency Fund. Citizens against Corruption Programme” Final Evaluation. Washington DC: Partnership for Transparency Fund.

<http://ptfund.org/2013/09/independent-evaluations-of-116-projects-stresses-the-value-of-partnership-for-transparency-funds-pioneering-approaches/>, p. 4-6.

<http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8330.pdf>. Of course these issues also apply with similar force in many if not most of the world's poorest countries as well.

¹⁶⁶ See http://europa.eu/rapid/press-release_MEMO-11-844_en.htm

¹⁶⁷ C. Dom, and A. Gordon (2011) *Budget Support in Fragile Situations*. Oxfam Discussion Paper. Oxford: Oxfam p. 78 <http://www.oxfam.org/sites/www.oxfam.org/files/dp-budget-support-fragile-situations-111111-en.pdf>

Finally, donors need to rethink the way they communicate with the wider public on the role and purpose of aid and on the expectations created. Especially as they work more closely with other donors and recipients, they need to develop different, more systematic and proactive ways of communicating why they are now working in these new ways and the findings of evaluations to key public audiences about what evaluations can be expected to say about the specific contribution that the aid of different donors has on development outcomes. They need to explain why aid needs to be channelled to initiatives whose outcomes might take time to emerge and might even be uncertain, provide evidence of when this works and examples of how lessons are learned when outcomes differ from those expected. To do all this they will need to encourage the use of different theories-of-change models as well as to examine ways in which to focus on intermediate outcomes to which both they and donors are contributing in order to assess and explain the contribution that each has been making to development outcomes and processes.¹⁶⁸

7 Conclusions

In many countries, aid has made important contributions to development and poverty reduction, but in different sorts of ways. For example in some countries, such as Taiwan, South Korea and Botswana in the past, and Malaysia and Indonesia more recently, significant amounts of aid have provided an important platform for future growth and development. In most countries where it has made a contribution in recent years, aid has helped some of the poorest countries to expand basic services to enable millions to go to school and receive basic health care, opportunities that, without aid funds, they would not have had. Some aid has filled crucial gaps in recipient economies, preventing economic development from stalling because of key shortages, providing catalysts to boost further growth or to expand those making use of basic services to those who because of a shortage of funds and skills would not otherwise have access to them.¹⁶⁹ In the 1950s and 1960s especially, but also again in the 1980s, aid made crucial contributions to the expansion of the physical infrastructure of developing countries. In all of these cases, aid has enabled growth, development or poverty reduction to occur faster than would have happened without aid.

However aid's potential contribution has been consistently over-played. The fact that there are still hundreds of millions of extremely poor people in the world and dozens of poor countries whose needs can be met, in part, by rich "outsiders" has been used to argue that aid is necessary for development and fuelled the false notion that without aid there will be no development.¹⁷⁰ In contrast, development can and does occur without aid; indeed, some of the most rapid decreases in poverty in recent decades have occurred in two countries which have received very little aid and where the contribution of aid to development has been fairly marginal: China and Vietnam.¹⁷¹ What is more, to the extent that donor countries continue to deploy broader economic and financial policies (for example in the areas of trade, immigration, taxation and financial regulation) that hold back or undermine the pace of aid-recipient country development, the aggregate effect of these policies can easily outweigh the benefits which aid brings.

¹⁶⁸ For a discussion of contribution analysis and theories of change see J. Mayne (2011) "Addressing Cause and Effect in Simple and Complex Settings through Contribution Analysis" In R. Schwartz, K. Forss, and M. Marra (Eds) *Evaluating the Complex*. New Brunswick: Transaction Publishers, pp. 53-96 and Treasury Board of Canada Secretariat (2012) *Theory-Based Approaches to Evaluation: Concepts and Practices*. Ottawa: Treasury Board of Canada. <http://www.tbs-sct.gc.ca/cee/tbae-aeat/tbae-aeat-eng.pdf>

¹⁶⁹ J. P. Pronk (2004) *Catalysing Development? A Debate on Aid*. Oxford: Blackwell Publishing.

¹⁷⁰ Deaton suggests that if the West can "cure itself of its addiction to aid.... There is real hope for locally-driven development" (2013) p. 328.

¹⁷¹ Between 1990 and 2008, the proportion of the population in China living in poverty fell from 60% to 13%; in Vietnam, from 73% to 17%. However a recent long-term assessment of Swedish aid to Vietnam suggests it has had a significant impact on poverty reduction. See McGillivray *et al.* (2012) p. 33.

Aid has also failed and has done harm, as its critics have repeatedly pointed out. The evidence clearly shows that aid's harshest critics have been wrong to suggest that most aid projects established to meet immediate needs or fill short-term gaps fail, though this has not stopped the media from giving publicity to examples of aid's failures and to incorrectly suggest or imply that these are typical of all such projects.

However beyond this rather sterile exchange, a far more important debate has begun to take place about the systemic effects of providing aid. Until recently, it was predominantly aid's harshest critics who suggested that any short-term benefits that aid might bring would be eclipsed by the indirect harm it could bring in its wake or the delay it could cause to a more rapid growth and development path it could delay or frustrate. Today the main aid donors are ready to acknowledge that aid-giving has become so complex and fragmented that a series of systemic problems have developed which are now seriously undermining aid's potential impact. But what a growing body of recent scholarship on aid is now suggesting is that the recent emphasis given to short-term results and the channelling of more aid into projects and programmes aimed at "making a tangible difference" and doing so quickly is not only adding significantly to aid's systemic problems but risks eclipsing those benefits. The gap between aid's strongest critics and an important cluster of studies analysing aid's wider impact has narrowed considerably.¹⁷²

The priority given to short-term, tangible and measurable results means that less aid is available to support more complex initiatives that take longer to achieve their intended results, and whose outcomes are more difficult to predict. It is based, in part, on the notion that what matters most is the impact of aid *per se* and it underplays the transformational approach to aid-giving, assisting a country to build and promote its own development path and accelerating the sustained elimination of extreme poverty. Equally, to the extent donors focus narrowly on the short-term impact of their aid, they will pay less attention to the more important issue of ensuring that the outcome of their wider trade, economic, financial, immigration and taxation policies and practices are consistent with the poverty and development objectives of their aid policies. Taken together, the more these factors drive policies, the more severe and extensive are likely to be the systemic problems which a short-term approach will foster.

Aid's strongest critics argue that the systemic problems caused directly and indirectly by aid and aid donors are so significant that they drown out all the immediate and tangible benefits that aid undoubtedly brings so that on balance aid doesn't work. My own view is that this judgement is premature, non-proven and too sweeping, based on too crude and polarised a characterisation of *all* aid interventions. There are significant systemic problems with aid; these have almost certainly grown in recent years and far more attention needs to be given to them than is currently the case, and I hope that my paper to this workshop will help raise this awareness. But calling for the ending of all aid is not the answer, not least because this is not going to happen any time soon.

Does aid work? For 40 years or more, a great deal of knowledge has been accumulated to understand why aid projects fail. For the past 10 to 15 years, knowledge has begun to accumulate about aid's systemic failures and the often limited role it can play in contributing to a country's development and the eradication of poverty. The challenge today for professionals and practitioners concerned with the scandal of over one billion people living in extreme poverty alongside affluence

¹⁷² "In recent years, how many conferences, how many meetings have been held, how many memoranda written on aid effectiveness? Reading them, aid critics feel justified and comfortable: why would you support a policy whose inefficiency is denounced by its own stakeholders? Aid professionals have proven to be the best undertakers of their own business." J-M. Severino (2011) "The resurrection of aid" in OECD *Development Cooperation Report 2011*. Paris: OECD, p. 122. http://www.oecd-ilibrary.org/development/development-co-operation-report-2011_dcr-2011-en

and growing inequalities within and across countries is not to build up or hide behind academic constructs but to engage with the real problems and hardships that poor, marginalised and disempowered people face. This will mean not merely deploying their analytic and practical skills to expose the damage that aid does and can do, including especially the systemic harm it risks doing, but to continually examine new and creative ways in which aid might be used more effectively at the village, local, national and international levels to address the immediate and underlying problems that poor people, especially poor women and girls face, to ease hardships and especially to give more voice to poor and marginalised groups.

Paradoxically, aid is likely to work better if less attention is given to trying to answer the immediate question of whether it works and if more attention is focused on trying to understand the contribution that aid can best make to a recipient's development, and the inevitable tensions that will continue to arise when trying to address both short-term and long-term needs. Paradoxically, too, the greater is the contribution of aid to helping to strengthen and accelerate a recipient-led and sustainable development path, the less easy it will be to assess the precise contribution that aid has made to this process.

Finally, more encouragement needs to be given to and more aid funds channelled into programmes aimed at expanding the cadre of independent evaluators and assessors across aid-recipient countries, whose livelihood and opinions are not dependent on the work they do from within the comfort-zone of the donor community. A far greater understanding of whether aid works and new insights into how it could work better is likely to arise when scholars in recipient countries and institutions are able, as a matter of course, to analyse the impact and workings of aid and not feel afraid of voicing their views. *Does aid work?* To obtain a more rounded assessment, those involved in aid-giving need far more aid recipients and far more recipient scholars and analysts to give us their answers to this question and be ready to listen to the challenging and perhaps uncomfortable assessments they are likely to present.