

# **Does Foreign Aid Really Work?**

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## **Introduction and overview**

I have worked on aid and development issues for some 40 years and have tried to engage as a “critical friend” of aid, perhaps - inevitably – drawing fire from both aid’s supporters and aid’s critics. And it is from this perspective that I approach the subject today. My presentation this morning is based on a longer paper that I have prepared for this Workshop. There are some important themes relevant to a full analysis of aid impact in the paper which there is no time to discuss here at all – such as aid and corruption – and most of the issues raised here are treated in far more detailed and referenced in my paper.

The title of my talk today is the beguilingly simple one – Does Foreign Aid Really Work? Some might say that the fact that we are still asking this most basic question about aid over 60 years since official aid started to flow in the late 1940s is an indication of how little we still seem to know about aid’s impact and influence. My own view is that robust and reliable information on aid’s impact certainly remains a significant problem. However there are two other reasons why the question continues to be asked.

The first is that aid has been constantly changing: it has been provided in different forms to address a succession of different problems or to fill different gaps seen as critical at particular points of time. In the 1950s, it was physical infrastructure and technical skills; in the 1960s, it was the savings and investment gaps; in the 1970s, meeting basic needs, in the 1980s, the productive sector; in the 1990s governance, human rights and human development; and today (not unlike the 1970s), assistance targeted on the achievement of key Millennium Development Goals.

The second reason why we are still asking whether aid works is that the question *Does Foreign Aid Work?* has been understood differently at different periods of times. Broadly speaking, there are three ways that the question has been interpreted.

- Thus 30 years ago, when most people asked whether aid works they principally wanted to know if different aid projects met their immediate objectives – were the schools that aid funded actually built, the children immunised, the roads built and the teachers trained.
- More recently in asking the question *Does Aid Work?*, most people have wanted answers to the broader and more general questions of whether aid makes a lasting difference to the lives, incomes and well-being of poor people and helps to lift them out of poverty - and if so how much aid is needed to lift everyone out of poverty - and whether aid makes a significant difference to a recipient country's growth and development path.
- Today, a significant and growing number of people have begun to raise an even more challenging question – not whether aid projects achieve their immediate objectives, nor whether aid makes a tangible and lasting difference to poor people and a significant difference to the goal of ridding the world of extreme poverty, but whether poor country economies are better off with the aid they receive than they would be without such aid.

For years, aid's critics have argued that poverty falls faster and economic growth and development rises more rapidly without aid, then on this basis aid is judged not to have "worked". Today it is not only aid's critics but by aid scholars and officials within donor agencies who are also seeing the merits in seeking answers to such questions. One way this question is now being approached is by looking more closely at the systemic and long-term effects of donors providing aid focused increasingly on addressing immediate short-term poverty problems. More specifically does the way aid is currently given, with more and more donors funding more and more projects aimed at maximising immediate and visible benefits – *expanded school places and immunisation programmes; greater*

*access to clean water and sanitation; more bed-nets and anti-retroviral drugs* – result in holding back the long-term development prospects of recipient country economies by failing to address underlying development problems, or even by actually creating new obstacles? If the answer is “yes” then in this sense aid could be said not to be working.

Which is the right question to ask? My own view is that all are important in coming to a judgement about aid. But beyond my own value judgements, the strongest case for aid will be made if all three can be answered affirmatively: if aid projects achieve their immediate objectives and these can be sustained; if aid contributes to an aggregate fall in poverty levels, and to faster growth and sustained development; *and* if aid-giving rather than adding to the systemic problems which constrain a recipient’s long-term development prospects, helps to reduce them.

Many of you may be surprised to know that for the first 30 years of official aid-giving no one really much bothered with trying to answer the question *Does Aid Work?* This is because trying to help address the needs and solve the most pressing problems of poor countries was seen as a sufficient justification in itself for providing aid. And in its 25 year review of the official aid system published in 1985, the OECD/DAC was confident enough to champion official aid-giving when stating boldly that “the most troubling shortcoming of development aid has been its limited measurable contribution to the reduction of extreme poverty...”<sup>1</sup> Today in sharp contrast, demonstrating that aid does have a positive impact is quite widely seen as providing the (sole) ground for determining whether aid should be given. Viewed from an historical perspective, it would seem that donors have been painting themselves into a corner from which they need to escape.

With this background, I will now look at some of the evidence to try to answer the question *Does Foreign Aid Really Work?* from these three different perspectives.

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<sup>1</sup> OECD (1985) *Twenty Five Years of Development Cooperation: A Review*. Paris: OECD, p. 18.

### **Aid's critics and emergency aid**

Though it might strike you as rather odd, the first thing I want to discuss is the issue of emergency or humanitarian aid. Why? - Because the most prominent public debates around the question *Does Aid Work?* have been focused almost entirely on development aid: 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.

Is this because emergency aid works and development aid doesn't? Seemingly not because, as discussed in my paper, while the information we have of the impact of humanitarian aid remains poor and patchy, the evidence we do have indicates a range of problems, some quite serious. In spite of these problems and even evidence of emergency aid "going astray", public support for emergency aid remains strong spurred on by media.

Another reason for raising the issue of emergency aid is that the historical distinction between emergency aid and development is nowhere near as clear-cut as it was. Increasingly in recent years a growing amount of emergency aid has been used not to save lives nor respond to the immediate aftermaths of a disaster but to help to rebuild the lives and restore the livelihoods of those affected by emergencies. At the same time, billions of dollars of "development aid" is now regularly channelled into immediate-life-saving initiatives by providing clean water, through mass immunisation programmes, by supplying anti-malarial bed-nets or distributing anti-retroviral drugs to those who are HIV+. An important reason why people are so supportive of emergency aid is because it is perceived as the aid which "saves lives". It is clearly still not sufficiently well known that for every person who dies as a result of a natural disaster, 200 people die from diseases of poverty.

Thus, in short, the public remains a strong supporter of emergency aid when there is firm evidence to suggest significant impact problems and critics of development aid laud emergency aid for saving lives when a growing amount of development aid is doing precisely that.

## **Development aid projects and programme aid**

Development aid is still predominantly provided in the form of discrete projects. 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. Even today, few official agencies and no NGOs undertake aid impact assessment in a systematic way. Against this backdrop what is the evidence of project aid impact?

The most common way of judging success is still probably whether aid projects achieve their immediate objectives, such as funding schools and school-places, building clinics and supplying drugs, building roads. 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) the results indicate that most aid projects “work”. 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. At one level this is an important and positive finding and there have been some truly amazing individual success stories such as the global eradication of smallpox which aid played a crucial part in achieving.

There have also been failures. Overall donor data suggest that between 10% and 25% of projects have failed to meet their immediate objectives, have had extremely limited success, or else that 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.

Additionally, *immediate* project success (the most common focus of such studies) doesn't necessarily mean *permanent* success, and mid-2000s data suggest that when looked at over time project success rates could fall below 60%, though most evidence suggests that a rising proportion of projects are achieving positive scores in relation to their sustainability.

A major component of aid is provided as “technical assistance” (TA). Assessments of the impact of these forms of assistance suggest that in spite of most TA filling knowledge gaps and training local personnel, such aid generally has not been at all successful in sustainable capacity development including the retention of high level skills and the strengthening of public institutions.

### **NGO aid projects**

Assessment of the impact of NGOs projects is often 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 part of a wider purpose of seeking to empower beneficiaries to be better able to shape their own lives in the future.

Nonetheless, against this backdrop, recent evidence is broadly consistent with the early donor-based surveys of impact, though with a broader spread of successful projects than for official aid projects – from a low of 60% to highs of 90% - and with often more challenging sustainability problems, with projects typically requiring continued external financial support.

### **Programme aid**

Most assessments of sectoral support, including SWAps, 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 abilities to manage funds and more complex programmes. 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. Subsequent studies have been more positive. However, in spite of donor commitments to increase programme aid, its popularity in the early 2000s and the positive outcomes in many contexts, there has been a fall in the share of aid channelled to budget support in recent years.

Some people today are quite happy to look at aid projects and if the majority achieve their immediate objectives (as they undoubtedly do) conclude that “aid works”. However this has never satisfied aid’s critics and, as discussed earlier, more and more people today are more concerned to know whether aid – overall – works. What does the evidence tell us?

### **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. Almost as much ink has been spilt in discussing the methods these studies used as on their findings. As discussed in my book and, for more recent studies in my paper, most studies have suggested that aid has made a positive contribution to growth though perhaps the more interesting recent finding is that 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 only about 1%.

### **Aid and the reduction in poverty**

For many, the key question that needs to be answered is what the overall contribution of aid is to poverty reduction. 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). Far fewer studies have been conducted which examine the aggregate relationship across countries between aid and poverty reduction compared with the aid and growth studies. These almost all suggest that aid does “work” in helping to reduce the numbers living in poverty, though quite a common finding is that aid has not been so successful in reaching and assisting the poorest and most marginalised.

Analysing the impact of aid on the MDGs is challenging because of a number of methodological and data problems. For example, 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.

Against this backdrop of uncertainty and lack of conceptual clarity, has aid helped to achieve the MDGs and further reduce poverty? The authors of one major study which looked at this issue said that there was insufficient evidence to enable them to say whether the MDGs had contributed to poverty reduction, so it was thus 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”. 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.

### **Aid at the country level**

For more than two decades, donors have also conducted or commissioned numerous country studies on aid impact. However these studies have predominantly been assessments of the impact of *their* aid interventions at the country-wide level and not of all aid. What is more, 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 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 influencing outcomes at the sectoral or national levels.

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. A number of studies have been undertaken by individual donors whose own aid dominates total official aid flows, such as studies of the impact of Australian aid to Papua New Guinea which many of you I am sure are familiar with, and which I discuss briefly in my paper.



In terms of overall aid impact, the conclusions emerging from these country case studies are mixed: 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. Importantly, no rigorous study has ever suggested that aid has never ever worked in any aid-recipient country. What is more, aid’s strongest critics have never published rigorous long-term assessments of aid at the country level.

In recent years, greater attention has been focused on the role of NGOs in aid-giving. Too little is still known, however, about the wider and longer-term contribution that aid channelled to and through CSOs makes to development and poverty reduction.

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. I took part in the Asian parts of this study. 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 contributed to poverty reduction. Interestingly, the study argued that the wider and longer-term impact of CSOs on development and poverty reduction could be far greater if agencies took a more strategic approach to their work instead of focusing narrowly, as most still do, on their individual projects and trying to ensure that these “work”.

## **Problems and inefficiencies in aid-giving**

So it seems that on balance the vast majority of aid projects “work” in the sense of achieving their near-term objectives and that, though the evidence is far less robust, aid has probably made a positive contribution to poverty reduction and broader development.

What is therefore of particular interest is the large and growing literature which shows that aid-giving and the aid relationship – the interaction between donors and recipients – is characterised by a range of problems which taken together seriously undermine the development impact of aid and create a very significant gap between what aid currently achieve and what it could do if changes to the aid relationship were implemented.

Interestingly, while donors are loathe to admit their aid is not working, they are far more ready to acknowledge that current ways of aid-giving are riddled with inefficiencies and that there is an urgent need to address them. I will now look briefly at some of these.

The first problem concerns the way official aid is allocated and the mis-match between who gets aid and who needs it. Historically, the decisions that the largest donor countries have made have always been influenced by their own national and short-term political interests as well as development and poverty considerations. But if you believe poverty should determine the allocation of aid, difficult – but crucial – questions remain. Should aid go to the poorest countries (currently less than half all official aid does so), or should it go to the countries where most of the poorest people live? This question has become increasingly important as a number of countries containing large numbers of poor people (such as India and Nigeria) which were once classified as low-income countries have been reclassified as middle-income countries. Today over 80% of the world’s poorest people now live in middle-income countries.

For some donors, commercial interests, for example through aid tying, have also played an important role in determining aid flows. 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%.

Another major problem besides the way it is allocated is aid's volatility and unpredictability: many recipients don't know from one year to the next how much aid they are likely to receive so they are unable to plan how to use aid resources efficiently. This reduces the effective value of official aid by between 8 and 20 percent.

Further inefficiencies result from the way donors actually provide and deliver aid. Official aid-giving is 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, and creating growing demands on recipients. Individual donors often provide aid that is not harmonised with other donors' aid and not integrated with recipient country plans and priorities, as much aid is managed by donors not recipients. 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 terms 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. If the costs to recipient countries are added, the overall figures would be far higher.

Almost ten years ago, in 2005, the main donors signed the *Paris Declaration on Aid Effectiveness: ownership, harmonisation, alignment, results and mutual accountability*. This has rightly been seen as an historically important document as, in signing the *Declaration*, the donors were 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. The *Declaration* committed the donors to do the following by the year 2010: reduce the numbers of donors each recipient had to work with; minimise overlap in their programmes and duplication of their parallel aid efforts; harmonise their different aid initiatives more closely together; provide more aid through recipient government channels; align their aid more closely to recipient priorities; work together to help and strengthen recipient government institutions, in part, in order that recipients rather than donors would lead in the coordination of all aid efforts. Relatedly, donors pledged to increase the total amounts of aid they provide to estimated funding gaps.

What happened? Although some donors have made progress in some areas, in aggregate they failed to meet all but one of the targets set, while in relation to the aid they said they would provide, only half the increases were forthcoming. The gap between rhetoric and reality has remained almost as wide as it ever was in spite of the analysis of and commitment to address many of the critical structural and systemic problems of aid-giving which, sadly, remain and continue to reduce the potential impact of the aid provided.

### **Recent changes in aid-giving and aid's systemic problems**

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. Spurred on in part by the commitment many donors made to helping achieve the Millennium Development Goals (MDGs), one approach donors have increasingly adopted in recent years to make 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. They have pursued this approach either by providing aid in discrete projects or through sectoral aid initiatives to fund activities whose benefits can be immediately seen, such as expanding school places, expanding immunisation programmes, expanding access to clean water, etc.

The priority given to short-term, tangible and measurable results has meant paying less attention to using aid to help address long-term development problems. It has meant channelling less aid to support more complex initiatives that take longer to achieve their intended results, and whose outcomes are uncertain and more difficult to predict; and it has resulted in less attention being paid to addressing the array of systemic problems of aid-giving to which the Paris Declaration drew attention.

In contrast, a more *transformational approach* to aid giving would minimally seek to ensure that aid given to address short-term problems does not contribute to or undermine a recipient's long term development. More positively, it would seek to hold in creative tension the (current and understandable) desire of donors to use aid funds to help address immediate problems with the use of aid funds to help countries address the different problems which constrain and hold back long-term development. Individual donor

programmes would be determined and shaped by understanding how best each donor can contribute to an overall aid effort aimed at addressing both short-term and long-term poverty and development problems and ensuring that aid-giving itself does not add to these problems in a process that is increasingly led and coordinated by recipients and not donors.

Evidence from a succession of recent studies – some commissioned by the donor community and others emanating from the aid-research community – is now steadily accumulating which suggests that aid focused on short-term and visible interventions is not merely resulting in less aid being used “transformationally” but that it is adding to a recipient’s systemic problems and holding back long-term poverty reduction. For example, 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. 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”. For example 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. In my paper I discuss other studies which highlight other systemic problems.

Based in part on the findings of such studies, aid’s traditional critics have been joined by some of aid’s traditional supporters to argue that the systemic problems caused directly and indirectly by aid and aid donors are so significant that they eclipse all the immediate and tangible benefits that aid undoubtedly brings so that on balance aid doesn’t work - one example being Angus Deaton’s discussion of aid in his book *The Great Escape* published last year.<sup>2</sup>

My own view is that the issues raised by these studies and by what might be termed aid’s “new critics” are extremely important. However, I think that the judgement that aid “doesn’t work” is premature. There are three reasons for this.

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<sup>2</sup> A. Deaton (2013) *The Great Escape: health, wealth and the origins of inequality*, Princeton and Oxford: Princeton University Press.

Firstly, the judgements made are not based on an overall and rigorous assessment of all aid. As with earlier debates on whether aid works, this new wave of criticisms is based on partial and often poor data.

Secondly, to make too sharp a distinction between short-term focused and transformational aid can be misleading because some “short-term” aid, such as expanding school places for girls, can potentially play an important role in long-term transformational change within recipient country societies.

Thirdly, while some donor aid may well be contributing to aid’s systemic problems and some may have undermined recipient country ownership, there is a growing awareness of these short-comings as well as more knowledge about how donors can change current practices to give 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 adopting approaches more in line with transformational aid. There is evidence 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.

Thus changes to make aid work better, notably by addressing the short-term, narrow approaches which frustrate aid’s transformational role are evolving. 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 genuinely transform current aid relationships, still so dominated by short-termism.

The word “genuinely” is important here because some of the new rhetoric on economic transformation including recent announcements by donors, such as the UK, that they will radically change their approach to aid-giving to promote growth and expand job creation

while seemingly signalling a shift to a more transformational aid-giving approach do not seem to be addressing some key weaknesses in current aid practices.<sup>3</sup>

For me, one of the key tests in judging these new approaches is to ask whether donors will use their aid funds to help those in recipient countries, including those who are poor and marginalised, rather than donors to increasingly take the lead in deciding how to transform their economies. This means priority would need to be given to aid that would help to strengthen recipient ownership of development strategies and to build local capacities to enable recipients to outline their priorities for where aid should be channelled and to coordinate the aid provided, as donors agreed they would do in the *Paris Declaration* they signed. There is little in the initial outline of the UK's new and "radically different" approach to aid, outlined at the end of January, to suggest that this type of approach will inform the new way that the UK is intending to provide aid. It would thus be worrying if other bilateral donors were to blindly adopt Britain's approach without significant modification.

### **Does foreign aid really work?**

So, summing up, does foreign aid really work? On balance, the vast majority of aid projects "work" in the sense of achieving their near-term objectives and, though the evidence is far less robust, aid has often made a positive contribution to poverty reduction and contributed to broader development goals, though there continue to be exceptions. 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. However, especially when aid is focused overwhelmingly on activities aimed at achieving visible short-term successes, it can contribute to, perpetuate and even risk causing structural and systemic problems to which far greater attention needs to be given. As a result aid has not worked as well as it could. Indeed when viewed alongside all its different weaknesses, the fact that aid has broadly "worked" is in my view even more of an achievement than is widely recognised.

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<sup>3</sup> "DFID is on a dramatic journey. We are changing our people, our training, our programmes, our resourcing, our partners..." 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>

## **Making aid work better**

Given aid's weaknesses and donors' acknowledgement of some of its systemic problems, not surprisingly many suggestions have been made about how it might work better. Many of the weaknesses require solutions that are more political than technical in nature. What this suggests is the need for priority to be given to the political economy of aid reform, including a deepening and broadening of donor understanding of recipient countries which will usually entail greater engagement with different recipient country interest-groups and scholars rather than flying out more donor country based experts in political economy.

But understanding to do what? One of the most urgent priorities for donors is to try to work out how best their aid might contribute effectively to building country ownership and enabling recipients to become the effective coordinators of donors and their aid programmes. As part of this process, donors need to prioritise support to initiatives that will help encourage the local ownership of development plans and policies. What this will mean in practice will clearly differ from country to country. 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 would also reduce the need to depend so much on externally-contracted political economists most commonly recruited for short-term assignments and local consultants who, quite understandably, tend to confirm or ventriloquise what donors, currently focused on short-term quick-win aid interventions, want to hear.

Relatedly, donors need to rethink the way they communicate with the wider public on the role and purpose of aid and on the expectations created. They need to explain why they need to work more closely with other donors and to help build up the capacity of recipients to take a more pro-active role in helping to shape aid programmes. They need to explain why some aid needs to be channelled to initiatives whose outcomes might take time to emerge and might even be uncertain. To do this they will need to develop and make use of different theories-of-change models as well as examine ways in which to report the value and importance of helping to achieve intermediate outcomes to which both they and other



donors are contributing in order to assess and explain the contribution that each has been making to poverty-reduction and longer-term development processes.

In my paper I discuss half a dozen other suggestions that I do not have time to discuss just now. However I would like to mention one further idea because it is insufficiently debated and discussed: the need for donors to re-think how to give aid to help reduce extreme poverty in middle-income countries – where, as I noted just now, most of the poorest now reside. The crucial difference between the poorest and middle income countries is that the latter do not suffer from an overall shortage of funds. They have the resources to address the needs of the poorest; it is the manner in which they allocate resources and the choices they make that result in the perpetuation of extreme poverty. Yet, predominantly, donor approaches to aid-giving mimic and replicate the approaches they use in poor countries. What donors need to do far more is to deepen their understanding of how and why extreme poverty persists so that poor and marginalised groups have a stronger voice and are enabled to address to make use of opportunities from which their non-poor fellow citizens already benefit.

### **Concluding comments**

Whether we like it or not, foreign aid is not going to disappear soon. The political and moral drivers that have created and preserve the official aid system and the compassion and sense of injustice which drives individuals to support NGO and CSO aid projects and programmes means that aid as a form of “helping” will be with us for many years, possibly many decades to come.

Against this backdrop, the most fundamental question we need to try to answer is not whether aid works, but how it can be made to work better from a development perspective. As I have suggested, this in turn requires us to acknowledge far more explicitly and seek to understand far better than we do the structural and systemic problems that aid contributes to or risks causing.

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 the contribution that aid makes 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.

*Does Foreign Aid Work?* A greater understanding of whether aid works and new insights into how aid could work better are likely to be gained when institutions and scholars in recipient countries are able, as a matter of course, to undertake in-depth analyses of the impact and workings of aid and when donors are ready to listen to the challenging and perhaps uncomfortable assessments they might make.