

Aid and Influence: Do Donors Help or Hinder?

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Speaking Notes

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There are at least three reasons why I think this book is important:

Firstly, it is written by someone with the rare combination of both extensive hands-on experience of aid and development across a range of different countries and an in-depth understanding of the history of aid.

Stephen has written and published books and articles on aid and development at least the early 1990s. I have personally benefited enormously from insights. I found his 1990 book *Foreign Aid in Practice* not only one of the most accurate and accessible publications on the history of multilateral aid, but it remains a highly relevant text today. We should all be grateful that he is continuing to write and reflect on the purpose and practice of aid.

The second reason this book is important is not only because it focuses on a central issue – the role and influence of donors – but because we have here a view of aid and especially of bilateral aid from the perspective of someone from the multilateral aid community.

Far too much written about donors is written by donor governments, their agencies or their club - the OECD/DAC. As this book convincingly argues, bilateral donors are far from independent observers of the aid world or altruistic participants in it. Most, possibly all in their different ways, act in part out of self-interest, and, for some, politics, commerce and national self-interest remain the main drivers which shape and determine who they give aid to, how they give it and for how long they give it.

Right at the end of his book Stephen comes down off the fence to answer the question posed in the sub-title of the book: “Do donor’s help of hinder?” where he says “in its tortuous way, aid to individual developing countries may help more than it hinders in

the development process” (page 148). The important message is not so much that on balance aid seems to work, but rather that so much aid is seemingly ineffective, and that a significant part of the problems with aid can be traced back to the main donor governments. I was reading Stephen’s book at the same time as I received the new DFID White paper, *Eliminating world Poverty: making governance work for the poor*. So different in perspective are they that it was sometimes difficult to remember that they were both seemingly talking about the same subject. The last chapter of the White Paper “Reforming the International Development System” criticizes much that is wrong with the current system of giving aid. It explicitly mentions the UN and the EU as areas where reform is needed. However, it is curiously silent about the role of bilateral governments or agencies, and nowhere suggests that either the number of bilateral agencies should be reduced, or – as suggested by Stephen (on page 146) – bilateral aid might be put to better use if more of it was pooled together rather than continuing to be allocated by the decisions of each individual donor government, even though this is not a new idea and has been debated by aid scholars for more than 10 years. [See, for instance, G. Hyden (1995) “Reforming Foreign Aid to African Development: A Proposal to set up Politically Autonomous Development Funds”. *Development Dialogue*, No. 2, 35-52; and, more recently, R. Kanbur and T. Sandler (1999) *The Future of Development Assistance: Common Pools and International Public Goods*. Policy Essay Number 25. Washington DC: Overseas Development Council (ODC).] However, it should be noted that DFID and Stephen are in agreement that far more aid needs to go through multilateral channels.

And this brings me to the third reason why this book is important: because of the series of proposals it makes to reform the aid system. Stephen has outlined a number of these, so I won’t repeat what he has said.

What I would like to do, however, is raise and ask a number of questions, which either pick up on issues and themes in the book, or in some cases take us a little beyond what is contained in the book, because I think we should use the opportunity of Stephen’s presence here to try to gain more insights into the working of the UN system and the prospects for reform. I have four questions.

1. The book makes the strong case for more multilateral aid, indeed it goes even further to argue that in the case of chronically weak and incapacitated states there is “no alternative to multilateral channels for aid” (page 145). For its part, too, as just noted, the recent DFID White Paper also says that more aid should be channelled multilateral. My question is this: what mechanisms and processes should be put in place to ensure that this happens. Most of us may agree with you that it is a good thing to expand the use of aid in multilateral form, but if, as one of the main these of the book, suggests, donors acts out of self-interest, how can we encourage or persuade donors to reduce their influence by allocating more aid through multilateral institutions?

2. My second question relates to the UN. The White Paper highlights a number of weaknesses within the multilateral aid system and within the UN system in particular. There is, as you and Richard well know, extensive overlap between different UN agencies. There also remains still a considerable gap between the stated aim of bringing all UN agencies in a particular recipient country under a clear unified and single UN system - whether it is in the provision of technical assistance or in providing emergency aid - working closely on the priorities set by the government of each country and what happens in practice. Is it wise to channel more aid through the UN system before the far-reaching reforms have been completed? Or, as some have suggested these reforms (as others before them stretching back more than 40 years One of the earliest of these initiatives took place more than 40 years ago to the 1969 Jackson Report ‘A Study of the United Nations development system’) have little hope of achieving the radical changes needed because vested interested across UN agencies, funds and programmes and within them remain so strong that they will continue, as they have in the past, to frustrate effective change?

3. Question three concerns the debates about aid volumes. Some people, such as Jeffrey Sachs, argue that huge amounts of additional aid are both needed and can be absorbed by recipient countries. Other such as Tony Killick, believe that giving too much more aid too quickly can only lead to greater aid ineffectiveness. Where do you stand in this debate? I could not find a clear discuss on this issue in the book. In your view, is more aid needed, and what are the prospects for more aid to be used effectively?

4. My final question concerns the debate, especially debate within the UN, on how aid should best be used. Jeffrey Sachs and the UN Millennium Project, UNDP and UNICEF argue strongly for more aid to be channelled into direct poverty alleviating project and activities, arguing that this is the best way to achieve the MDGs. In contrast, UNCTAD, most recently in its Least Developed Country Report, published last week (*The Least Developed Countries Report 2006: Developing Productive Capacities*. UN, 2006, page 283ff) argues that far more aid ought to be channelled into boosting productive sector development - indeed, that a radical paradigm shift is required for substantial and sustained poverty reduction to occur, and for international actors to switch the emphasis in the forms in which they give aid. To actively support this approach. Where do you stand on this debate?

That's enough of my questions. Finally, I want to return to the book that is being launched today. I would urge people simply to "read it". It is rich in its analysis. I found Chapter 6 Aid and Imperialism particularly stimulating.

But it is also rich in its insights on aid and development. For me comments such "how donors meet the challenges of fragile and failing states provides the acid test for aid" (page 96) are absolutely spot on. It is a pity that it has taken so long for this message to strike home. Following the publication of the influential World Bank Study *Assessing aid: what works, what doesn't and why* in 1998, almost a decade has been "lost" by donors worrying about how to provide aid effectively in contexts where it was more likely to work. As you have rightly stressed, we should hurry on from discussing how aid works in supportive environments. If, back in 1998, we had asked the difficult question of how to make aid work in difficult environments we would be far wiser today than we are, and far more able than we are to provide better answers..

Stephen thank you for your book. I hope it receives the attention it deserves.

Roger Riddell
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