OFFICE OF DEVELOPMENT STUDIES

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Aid in the 21st Century

Roger Riddell

DISCUSSION PAPER SERIES
6

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Discussion Paper Series

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Foreword

Development assistance has, in recent years, come under close scrutiny, and there has been considerable debate about "aid fatigue"—about the waning of political support for traditional income transfers from richer to poorer countries. Although official development assistance (ODA) allocations have dropped from 0.36% of OECD countries' GNP to 0.30% between 1993 and 1994, this is hardly a dramatic decrease. ODA has never moved significantly beyond the 0.30% level. So why now the concern about aid and its future?

Several forces funnel the present debate and the search for a new framework of development cooperation. Chief among them are: the end of the cold war and the change in international political relations; the emergence of new major donor countries (such as Japan) and the retreat of some of the traditional ones (notably the United States of America); the persistence of the very problems that aid was intended to resolve, notably poverty; the emergence of some developing countries as strong and successful competitors in international markets (confusing the traditional notion of developing countries as "needy"); the lengthening of the aid agenda through growing problems of war and conflict; the emergence of transition economies as new recipients; and the growing number of global problems (such as global climate change).

The supporters of aid find it difficult to argue their case at times, not because they cannot point to positive aid examples—aid has had many successes—but for several other reasons. Aid allocations have always been rather small, so it has been difficult to isolate their effects from those of other factors. They have been used in a dispersed manner—scattered over a broad range of problems. They have supported development strategies which have in large measure been abandoned by now. For example, in virtually all countries the role of the state has in recent years been markedly changed and more emphasis is being placed on market-led development. Not all aid has been used for the purposes for which it was intended. And it is difficult to show the macroeconomic impact of aid.

Since there is continuing need for aid, the choice facing the international community is not whether to abandon aid but how to make aid work more effectively and efficiently. The present paper by Roger Riddell intends to make a contribution to this search.

Riddell argues that the time has come for us to approach aid in a more systematic and professional way. We still have much to learn about how development assistance really works. Accordingly, the thrust of this paper is to develop a policy agenda for further research and discussion. Given the urgency of many of the problems calling for international development assistance, it is frightening to see the length of the list of topics still needing research. The agenda calls for collaborative action by development researchers worldwide. It is particularly important for researchers from developing countries to join in this debate.

As with the other Discussion Papers published by the Office of Development Studies (ODS), this paper invites development specialists, policymakers and academics to give us their views and observations on the study and to share information on their own work in this area.

The study is part of an ODS series on a new framework for international development cooperation. Other studies in this series include Keith Griffin and Terry McKinley's *New Approaches to Development Cooperation*, elaborating on unconventional economic cooperation mechanisms. In view of the growing importance of private capital flows for developing countries, there are also papers addressing the nature of today's capital markets and the policy experiences of developing countries in managing private capital flows, such as that by Manuel Agosin and Ricardo Ffrench-Davis. Other studies are under way which examine all the instruments of

international economic cooperation—aid, trade and private capital flows.

We look forward to your responses and to a stimulating dialogue on this critical issue of international responsibility.

Inge Kaul
Director
Office of Development Studies
New York, February 1996

Preface

Given changing world events following the end of the cold war, many official aid donors have begun to rethink the aid relationship and their role as donors in the contemporary world. There also appears to be a growing view among development professionals and many practitioners that foreign aid has reached a stage where some fundamental and far-reaching questions need to be asked about its future.

This paper is one contribution to the rethinking of foreign aid. Its thrust and perspective derive from its main purpose: to outline a research agenda for a new framework for international development cooperation. The idea is to enhance, strengthen and, where necessary, pursue new ideas for international development cooperation appropriate to the development needs of recipients at the end of this century and the start of the next.

The paper does not discuss in any great depth either the various contemporary strengths of aid or those defects and weaknesses of aid which are adequately (and often ably) being addressed in the wide range of current or planned activities of donors and major research initiatives. In particular, it does not discuss the following important characteristics or features of contemporary aid debate, discussion and research: the growing interest among donors in assessment and evaluation work to enhance

development impact; research focused on particular issues, such as aid and adjustment, aid and poverty, aid and governance and human rights, aid and environmental issues, and aid and privatization; and different initiatives focused on geographic-specific aid and aid impact issues, such as work being done on the impact of aid on the former Soviet Union and Eastern Europe. This does not imply that the proposals presented here constitute a research agenda which supersedes or makes redundant other aid and international development cooperation research initiatives. In many respects, the proposals here would complement much of this work, though it is hoped that the discussion will contribute to the important debate about research priorities.

The paper presents a view of aid that extends well beyond not only the narrow parameters within which donor-based studies are often confined, but beyond the aid-development paradigm as well. It goes on to argue the importance of distinguishing clearly between those arguments and attacks on aid which are rooted in the aid-development paradigm (such as the failures of aid to accelerate growth, promote development or enhance the lives of the poor) and attacks on aid which have their origins in more general debates and trends taking place outside the aid-development framework. It points out that if core criticisms of aid are not rooted in concerns about its impact but focus more on ideological or *a priori* assumptions made about aid, the contemporary wave of (largely) donor-initiated impact assessment work will be a particularly costly way of missing this particular target.

Another feature of the paper is that, beyond very general principles, it does not set forth its own particular views and recommendations about aid's future role and purpose: the aim is not so much to provide answers as to raise important questions and point to gaps in contemporary knowledge. Additionally, though the paper has been prepared for a key international development agency, the UNDP neither seeks to promote prevailing views of any particular donor, nor does it assume rigidity or permanence in current institutional arrangements and divisions between donors and recipients.

Much contemporary discussion of aid makes mention of "fatigue" or "crisis". It is quite common for the words "crisis" and "fatigue" to be used interchangeably: this is clearly both muddled and muddling. "Crisis" implies that something fundamental is occurring, and thus carries with it some notion of permanence, whereas "fatigue" means weariness (and not

malady or illness), suggesting that what is being described is temporary in nature. Here, the term "aid fatigue" is used to describe a temporary problem or difficulty with aid—and "aid crisis" to describe something far more deep-seated and fundamental.

Roger Riddell

Executive Summary

Aid has an important role in the future. Yet accumulated weaknesses, defects and contradictions in the current aid relationship point to the growing need to engage in some fundamental rethinking of the whole aid relationship, embracing the role and purpose of aid, the form it takes, its place in broader international relations, and the tasks of different types of donors. What is needed, however, is probably not the creation of a completely new agenda for aid and international development cooperation more widely, but the establishment of a firm contemporary agenda that builds on some of the proven strengths of the "old" agenda. Within this context, the case for development aid in particular ought to be built on far firmer and more intellectually robust foundations than it is today.

WHY IS AID GIVEN?

Aid has been provided for four main reasons: to further the strategic and political interests of donors; to further the economic, including commercial, interests of donors; in response to a humanitarian (ethical/moral) imperative; and in response to additional or complementary imperatives arising from historical relations between donor and recipient. A large part of the traditional moral imperatives can be encapsulated in the following:

when the needs of the potential recipients are placed against the ability of donors to help, donors feel they ought to help and do so by providing direct and immediate help in the form of aid. What all four reasons share is that, either in their entirety or partially, they are located *outside* the aid-development relationship. (The paper does not discuss in depth either historical or commercial/economic reasons for providing aid, as these have changed little in recent years.)

Since the end of the cold war, political and strategic reasons for providing aid have not disappeared, but they have changed.The core challenge therefore lies in narrowing the gap between the significant medium- to long-term strategic and political arguments for providing aid (which remain and, in some cases have intensified) and the political will to do so. It is suggested that one of the factors contributing to the current failure to narrow this gap could lie in the inability or unwillingness of the donor community to focus on new and different forms in which aid might be provided.

PROBLEMS OF AID IN THE AID-DEVELOPMENT PARADIGM

Beyond changing strategic and political factors, a second important factor adversely influencing aid lies in the ripple effects of changing perceptions within donor countries about the nature of the state, the welfare state and society; the nature of responsibility for assisting those which do not have the means to help themselves; and how best to prioritize the use of state funds. Recent cuts in aid may well be influenced by pressures on state spending and, in some cases, the crowding out of aid budgets. But in many donor countries, they also reflect the relative rise in the importance of new approaches to resolving domestic (social) issues, namely, the diminution in the state's responsibility for direct action in the economic sphere, and new emphasis given to market solutions and to stimulating individuals to seek their own solutions. As state aid, including hand-outs, are viewed less and less sympathetically as solutions to domestic problems, it is asked why these (bankrupt) solutions should continue to be used to help solve development problems of poorer countries.

Throughout its history, aid to developing countries has been attacked from a variety of different quarters. The ability of aid to *change*, especially in relation to objectives and the forms in which it is given—in short, aid's *flexibility*—has played an important role in deflecting criticisms made against it, often by adding new objectives to absorb these criticisms. Yet the successive

addition of new objectives has probably run its course: increasingly, aid's flexibility is becoming a weakness, not a strength.

The motivation for and purpose of aid

A fundamental motivation for providing development aid has long been to address the needs of recipients. However, confusion can be and often is caused by the failure to distinguish between the *motive* for providing aid and the *purpose* of the aid provided. Is the purpose of aid to achieve specific *development* objectives, such as poverty alleviation, or is the purpose of aid to increase the ability of recipients to bring about tangible development objectives for themselves? The failure to think through the implications of these distinctions can lead donors to support inappropriate aid initiatives, lead donors to focus on inappropriate tools with which to measure the impact of the aid given and can cause confusion between donor statements and donor practice.

The target for aid: 0.7% of GNP

Whatever intellectual justification there was originally for the establishment of the 0.7% of GNP target based on development needs, the target has now become the level of aid supply, not that of aid required.The 0.7% target is no longer based on an accurate assessment of aid needs. Indeed, its common use as a measure with which to judge individual donor performance gives support to the false notion that when a donor achieves its target, development is somehow enhanced, no matter what other donors do or what happens to the aid in recipient countries. If support for aid is to be more firmly rooted in the needs of recipients, serious thought must be given to reassessing the 0.7% of GNP target.

Justifying the need for aid in the context of market failures

The needs of recipients (initially the needs of recipient economies) have always provided the bedrock development-based motivation for aid.But the prominence now given to the market in the development debate suggests that, on its own, a needs-based reason for providing aid is insufficient. It is now widely asserted that aid should be provided not merely where there is poverty but also where potential recipients are unable to obtain for themselves through non-concessionary channels the goods, services, technical assistance or finance they lack.

Sustainability questions, development aid and emergency assistance

In recent years, donors have shown increasing concern for issues of sustainability. Additionally, there has been a rise in the share of total aid going to emergencies and growing concern about the development prospects of a group of very poor countries. When these are viewed together, they raise questions about some long-standing assumptions. Should the desire to ensure that aid's impact is sustainable mean that non-sustainable aid projects and programmes be side-lined, even if they meet immediate needs of the poor? Donors frequently adopt inconsistent approaches to these issues which tend over time to confuse rather than clarify the purpose, and thus the assessment of the aid provided.

Aid impact and recipient country constraints

It is necessary to make a much sharper distinction between different groups of aid recipients, not least to highlight the important fact that for a particular cluster of especially poor and disadvantaged economies ("paralysed economies") the chances that aid provided in traditional forms, in traditional amounts, and within traditional timeframes will make a significant development impact are slim. If aid is to have a chance of enhancing development, it is equally important to identify the major constraints impeding development and to package aid in forms that address these problems. This means, minimally, distinguishing among those recipients whose paralysis is rooted more in problems of security and conflict; those whose paralysis is rooted in a history of poor economic management and misuse of resources, including corrupt practices; and those whose paralysis lies more in a cluster of political, legal, institutional and administrative problems and weaknesses that contribute to the phenomenon known in some quarters as "non-developmental" and inflexible states. The paper discusses the linked issue of aid dependency: the notion that aid itself might be playing a particularly influential role in continuing, exacerbating or even furthering the existence of structures and institutions within the recipient country which are detrimental to development.

It goes on to discuss the complex issue of the extent to which aid ought to be judged, based on its impact. While there is a need to pay (probably far greater) attention to impact questions, it is argued that it cannot be made a requirement for providing aid that it succeeds in achieving its objectives, because one of the reasons for giving aid is that the environment in which aided development takes place is far from optimal. Thus the fact that there

is often a large gap between intention and impact should not be used to argue that aid (based on need) should not be provided or that steps should not be taken to try to reduce that gap.

Aid and globalization

Globalization has become an area of increased interest and study. Yet the ways in which globalization might influence the aid relationship do not appear to have been addressed and analysed very deeply. The paper argues that the new forces of globalization pose questions for aid in relation to fundamental issues of the aid relationship: why aid is given, how much is given and in what form it is given.

Globalization raises questions about possible new roles for aid by helping aid recipients counter potential major adverse development effects which seem increasingly to be manifestations of the effects of globalization within particular domestic economies. To the extent that integration in the new global economy, market expansion and market deepening fail to narrow inequalities and resolve high levels of unemployment, it needs to be asked whether there might be a new role for aid in helping combat these adverse effects. The paper points to a number of new areas in which aid might help ease these new burdens of globalization.

Additionally, globalization raises questions about aid priorities in terms of both recipient countries and forms of aid. In terms of sectoral priorities, globalization raises the importance of skills and knowledge-based resources. Not only does this increase the importance of sectoral aid for education, but it could well imply that still more concessional resources should be provided in order to assist poorer countries to "leapfrog" their way into—and thus become integrated into—the modern more globally-based economy.

TOWARDS A RESEARCH AGENDA

Based on the discussion of aid's current weaknesses and defects and new ways in which aid might be used, the last chapter outlines ten potential research topics aimed at advancing and strengthening the contemporary case for aid, and a further two topics (concerning new donors and NGOs) where additional work is needed:

- Assessment of support for aid in donor countries
- Principles and motivations for aid

- Needs-based motivation for aid and assessment of aid volumes
- The purpose of aid and issues surrounding the measurement of its impact
- Aid beyond current institutional arrangements
- Types of aid and types of recipients
- Methods of and criteria for aid withdrawal
- New ways of raising aid funds
- Aid, aid impact and recipients
- Aid, international cooperation and globalization
- New donors
- Linkages between official and unofficial aid.

Two features of the research proposals should be noted. First, the proposals made tend to focus most on principles of, and broad approaches to, aid, and on issues in which it is possible to engage in serious research activities (as opposed to speculative comment). They focus least on the issues related to expanding political support for the contemporary aid agenda, even though it is recognized that such support remains critical to the strength and effectiveness of the aid agenda. Second, although the proposals embrace a number of issues of direct concern to recipients (including institutional arrangements and criteria for aid recipients), they tend to follow a traditional bias in locating the debate about aid and aid research largely within the perspective of the donors and donor countries. Thus while the orientation of the paper is on a new framework, the ground covered is itself far from complete.

1.
Aid's Purpose and Flexibility

Foreign aid has been provided to developing countries for over 40 years. Though official development assistance (ODA) funds have been subject continually to an array of non-developmental influences (political, strategic, commercial), their stated purpose has been to enhance or accelerate the process of development (initially, economic development), with the amelioration, and eventual eradication, of absolute poverty as a major objective.[1] For many donors, the notion that those with the means available should channel and allocate some of their human, physical and financial resources to those in dire need has provided a powerful (moral or humanitarian) justification for providing (and gradually increasing) aid.

For its entire history, foreign aid has been buffeted by attacks and criticisms. It has been criticized for opposing reasons. One cluster of criticisms attacks aid because of its failure to do what it was intended to. Indeed, as its impact has always fallen short of its objectives, this has been more than a passing criticism: it has persisted to the present day. Yet aid has also been criticized (by different groups of critics) precisely for doing what it was intended to do! Thus, on the one hand, aid has been under continual but recently growing attack because, it is argued, it inhibits broader, deeper development. On the other hand, it has also been attacked as promoting

"mal-development". Here it is commonly argued that although aid can theoretically help development, and would do so if provided in a different form and/or within a different development framework or context, it does not currently do so.

Additionally, aid has been attacked either because the form in which it has been given, or the mechanisms through which it has been channelled, have led to, or supported, adverse or unintended results, including overt abuse and misuse. As a result, it is argued, aid's impact has not merely been reduced, but it has been nullified or, more extremely, it has set off or fueled a chain of events, worsening the very situation it was supposed to improve. Thus, in some cases, it is argued, the intended beneficiaries have not been reached at all; in other instances, aid has supported or even helped to entrench corrupt practices and institutions, and accelerated the crumbling of the state.

Finally, aid has been under attack because the motives for providing it have been questioned and/or rejected. On the ethical side, it has been argued that there is simply no obligation for rich-country governments to provide funds to help resolve poverty problems abroad.

More influential, however, have been attacks made against aid framed in terms of its role in promoting the donor's security or political interests. The criticisms made here have focused more on the question of which should receive aid and why, rather than on the question of its impact once provided.[2]

- Aid "purists" have repeatedly argued that security and political interests should not influence the choice of recipients, or the relative amounts of aid provided, but that aid should be based exclusively on need. More widespread is the view that although donors have legitimate political and security interests, these should always be subservient to needs-based criteria for providing and allocating aid.
- Those which have argued that security and political interests could or should play a role in determining recipients and the levels of aid flows have tended to be particularly critical of the choices made by donors with differing security and political perspectives which have used aid to promote or support their (differing) goals and objectives. Here, the criticism has been related less to aid per se, its form or its development impact, and more to which received it and its (indirect) political impact.[3]

These clusters of criticisms constitute what could be termed the "old attacks" on aid.[4] What is most remarkable about them is that neither their intellectual strength nor the fluctuating support given to each cluster at different times in the postwar period appear to have had anything but the smallest influence on the volume of aid provided by donors.

AID FLEXIBILITY AND BELIEFS ABOUT ITS BENEFICENCE

For some 20 years (until the early 1970s), none of these old criticisms made any substantive impact upon donors in relation to the absolute volume of aid provided, the objectives of aid, the forms in which aid was given or the relative importance given to different types of recipients. Thereafter, changes began to occur, the most profound originating in the new and differing ways in which the link between aid and development was perceived and interpreted.

One set of changes related to aid's objectives. The simple and direct link between aid and economic growth was refined, notably by becoming more complex. Thus, aid's objectives were increased, initially by splitting more clearly into direct/near-term and indirect/more distant objectives, and thereafter by adding more and more direct/near-term objectives to those already present. At no time have earlier objectives for aid been dropped: more have been added over time. Relatedly, the forms in which aid was provided have changed: economic gap-filling gave way to more direct forms of aid intervention (basic needs), supported by technical assistance. For its part, the Development Assistance Committee (DAC) made headway in a number of areas, most notably in refining the definitions of official aid, in trying to persuade donors to reduce tied aid and in building a growing consensus among the Organization for Economic Cooperation and Development (OECD) donors, especially in relation to formulating aid strategies.

The 1980s was a decade of further change, in which aid became closely linked to structural adjustment programmes. In terms of the form in which aid was given, what was particularly notable about the 1980s was that in two fundamental respects aid witnessed a return to two of the earliest assumptions upon which its expected success was based: that aid will work only if the preconditions for its future effectiveness are in place, and that long lasting welfare improvements will occur only if an economy is able to ensure long-term economic growth. What was different about the 1980s was that, yet again, additional objectives for aid were added—in this

instance, the promotion of environmentally sustainable and gender-sensitive development, and eventually the promotion of democracy. Besides these alterations of aid's objectives and the forms in which aid was provided, changes also occurred in relation to the relative importance of different aid recipients.

From its earliest days, OECD aid was channelled to countries perceived to be within the Western sphere of influence, and Eastern European and Soviet aid was given to those within the Eastern bloc. This "framework for giving" persisted to the end of the cold war, with, for example, Egypt and Israel receiving a disproportionate share of US aid, though the rise (and eventual fall) of Arab aid complicated the more simple East-West framework for giving.[5] However, notable shifts did occur in terms of the economic and development status of recipients. Thus, particular prominence was given to the poorest countries (not least by the efforts of the DAC) and from the 1980s onwards, the composition of recipients became more sharply oriented to the poorest groups of countries, with Sub-Saharan Africa featuring increasingly prominently. Nonetheless, aid has continued to be channelled to recipients classified neither as low-income nor lower-middle-income economies: in 1993, nearly 10% of ODA was channelled to upper-middle and high-income countries. It is important, however, to note that aggregate aid statistics conceal differences between different donors. For instance, until recently, most Scandinavian donors had consistently allocated most of their aid to developing countries. Yet both new flows of official aid to the former Soviet Union and Eastern Europe, as well as increases in emergency assistance to non-traditional recipients, such as the former Yugoslavia, have tended to alter further these patterns of aid flows.

In the absence of persuasive evidence to the contrary, it could be argued that it was the ability of aid to *change* in relation to its objectives, the forms in which it was given and, to a lesser extent, the composition of recipients—in short, important attributes of *flexibility*—which played a decisive role in ensuring not only its perpetuation but its steady absolute expansion for over 40 years.[6] However, it was not merely the attribute of flexibility which was decisive: it was flexibility combined with a strongly held donor view that official aid was capable of making a positive difference to aid recipient countries.[7] It was these twin attributes that together provided the impetus to execute far-reaching adjustments to and changes in the aid relationship, and which worked to try to ensure that the criticisms made of aid were deflated,

deflected and largely neutralized, rather than built upon to expand support for the view of aid's (albeit divided) critics that aid did not and/or could not fulfil its (ever-expanding) development objectives.

In other words, it would appear that not only the birth but also the growth of the aid phenomenon was boosted more by a priori beliefs and assumptions about its merits than by careful analysis of its overall impact. There are three arguments which further support such a conclusion. First, it took almost a quarter of a century of aid-giving before donors began seriously and systematically to appraise potential projects and assess the impact of the aid they provided, and for bilateral donors to establish formal evaluation departments to oversee such activities.[8] Secondly, while the growing number of impact assessments confirm that many discrete aid projects have managed to achieve the narrow objectives for which the aid was provided, there has been a paucity of *evidence* to confirm the view that aid in general is either sufficient or necessary to enhance or accelerate development or reduce poverty.[9] And, finally, to this author's knowledge, the evidence—or lack of evidence—of aid's development impact even at the project level has made no significant difference to the volume of aid provided by an official donor.[10]

A particularly notable feature of flexibility in aid-giving occurred almost unnoticed. Thus, aid was provided on the basis of the needs of the recipient economies, originally viewed in terms of filling gaps, but later in terms of addressing basic needs more directly. But the era of structural adjustment policies heralded a new phenomenon in which aid was now provided only if recipients agreed to implement a package of donor-initiated conditions *prior to* the aid's being given. Indeed, not only was aid the prize given for agreeing to carry out these policies, but in some cases significant amounts of aid were withheld from poor countries which, on needs-based criteria, would be among the first to "qualify" for aid. Thus, whereas one of the purposes of project evaluations has been to use *ex-post* data to improve the impact of future (similar) aid projects, aid conditionality under structural adjustment programmes in particular has tried to improve impact *ex-ante*.

A significant recent example of aid's flexibility concerns the rising phenomenon and importance of official aid being used to fund the activities of non-governmental organizations (NGOs). Partly because of weaknesses in the impact of official aid, partly because of theoretical criticisms of the

nature of official aid, partly because of the work involving emergencies and humanitarian assistance and partly because of claims made by NGOs over the past decade, a rising share of official aid has been given to NGOs to promote their own development agendas. Indeed, by the mid-1990s, some 10–15% of ODA was being channelled to and through NGOs. By then, the total income of NGOs used for development work (from ODA and own-sources) was equivalent to the aggregate amount of official aid provided by all European donors in the mid-1970s.

Official donor flexibility in this context has not only been manifest in relation to changes in the allocation of aid, it has also involved growing overlap in terms of ways in which the objectives of aid are achieved. More particularly, most official donors have now incorporated into their own conventional wisdom the NGO notion that aid impact is likely to be enhanced through greater participation of the primary beneficiaries. Additionally, both NGOs and official donors are now targeting aid to initiatives to strengthen civil society by supporting more marginal groups. Thus whereas in the 1960s and much of the 1970s, NGOs and official donors had their own, largely parallel agendas, and NGOs were often very critical of official aid, there is now a significant common agenda which has grown in recent years. To some extent, the poacher has become game-keeper.[11] Also, as noted above, official donors are now increasingly using the NGO language of partnership to describe their relationship with Southern counterparts.

The partial co-option of NGOs by official aid donors is but one example of the way in which aid's flexibility has manifested itself and criticism of aid has been partly muted. Aid has continually responded to criticism by changing (adding to) its objectives and the form in which it is given in an amoeba-like fashion, which, in some measure, absorbs and thus sanitizes the thrust and impact of at least part of the criticism made. This occurred, for instance, in the mid-1970s, when aid was attacked for not sufficiently helping to meet the basic needs of the poor. In this case, it changed by initiating a whole wave of projects aimed directly at meeting in particular the health, education, water and sanitation needs of the poor by targeting them directly. It occurred, again, in the 1980s and early 1990s, when aid was criticized for not being pro-market. In this instance, aid changed by placing conditions on recipients to open up their markets and remove anti-market impediments to growth, and by initiating a new wave of projects aimed at expanding and deepening markets.

THE FALL IN AID VOLUME

The most visible sign of aid's strength, durability and ability to adapt during the postwar period has been its steady expansion: from the early 1950s to the early 1990s, the aggregate volume of official aid in real terms expanded continuously. In 1989 the volume of aid fell by 0.5% and in 1992 it fell by as much as 3.9%.[12] However, in both these years, the volume of aid from the main donor countries of the OECD continued to expand. But 1993 was an exception, which key subsequent indicators suggest is likely to have been a watershed year. Thus in mid-1994, the OECD produced its annual statistics of trends in aid flows,[13] which revealed not only that overall aid volumes contracted by 5.4% over the previous year, but that the volume of aid provided by the OECD donors fell *for the first time that decade*—by almost 6% in real terms. In 1993, as a share of their gross national products (GNP), DAC members' ODA stood at its lowest level for two decades (OECD 1995: 73).[14] In June 1995, the OECD published its 1994 aid volume figures. These confirmed the trend: in 1994, total flows of ODA fell by a further 1.3% in real terms, with flows from OECD donors falling by 1.8%, and the ODA/GNP ratio falling to 0.29%, the lowest in 21 years.[15] In February 1996, these figures were revised to record a still provisional marginal increase in both overall aid flows and in aid receipts of DAC donors in 1994. However, overall between 1990 and 1994, DAC statistics record a fall in ODA of 5.6%.[16]

This recent aggregate fall in ODA flows from OECD donors is of particular significance for overall aid flows because over the last decade the share of total aid coming from the main OECD donors has continued to rise: in 1985, OECD donors accounted for 87% of total ODA, but by 1993, their share had risen effectively to over 98% of the total. Thus, today, and for the near term at least, trends in the levels of OECD aid volume will accurately reflect overall trends in donor aid funds.

The fall in aggregate aid flows, however, has had an even greater impact on the original (traditional) group of countries receiving aid from OECD and Arab donors than these figures suggest. This is not only because of the fall in the number of significant Arab country donors and the cessation of aid from Eastern Europe and former Soviet Union donors, but also because some former donors have become major recipients of aid from OECD donors, and because many of those countries which received aid from Eastern Europe and former Soviet Union donors are now receiving comparatively large amounts of aid from OECD donors.

In 1993, official aid to former Eastern bloc countries amounted to $6.7 billion, equivalent to 12% of total ODA funds. But this ratio captures only one element of overall aid losses. Aid recipients have in effect experienced what might be termed a "double squeeze". Thus, if one adds to this $6.7 billion the figure of $5 billion, which was the total amount of official aid provided in 1988 by the former Soviet Union and Eastern Europe to developing countries, the effective loss of funds widens to some $11.7 billion.[17] This figure amounts to just over one-fifth of 1993 levels of ODA ($56 billion), a sum larger than the volume of official aid provided by the OECD's largest donor in 1993, Japan.[18]

To the extent that this recent, historically unprecedented, fall in aggregate aid from the OECD group of donors continues, it needs to be viewed as a *symptom of* other influences, trends and possible undercurrents in the aid relationship, not as a cause. But is it a symptom of deep-seated and fundamental influences and changes, or merely a dip in the steady expansion of aid experienced for almost the entire postwar period, thus merely reflecting greater concern with the more traditional criticisms made of aid?

More specifically, is aid going through one particularly large, but temporary period of difficulty whose roots can be traced back to criticisms and attacks on aid which, to some degree, have been visited already, and to which at least partial solutions have been offered? If so, then lessons and approaches from the past will still be relevant. Or, are we witnessing influences and changes which point to a more substantial challenge to some of the core underpinnings of the aid relationship and which thus require new and fundamentally different approaches, touching not only on questions of impact but on why aid should now be provided, in what forms and with what objectives? If so, then lessons and approaches from the past and current practices which are strongly influenced by and evolved from the past will not only be far less relevant, they are likely to be eclipsed by other (more important) factors. If it is the latter, then we may well be witnessing the first full-blown *crisis* in aid to developing countries that has occurred in the postwar period; if it is the former, then we are witnessing something more akin to *aid fatigue*. Though what is occurring could—of course—be a mixture of the two.

2.
Attacks and Influences on Aid from Both Inside and Outside the Aid-Development Setting

External factors which influence the aid relationship predominantly revolve around reasons why aid is or should be provided, and the importance attached to them. They have a direct influence on the levels of aid bilateral donors in particular provide, and tend not to be influenced much by the discussion of the development process and the contribution aid is meant to make to that process. Besides historical reasons,[19] three clusters of external influences have played a major part in the decisions of donors to provide aid:

- The strategic and political interests of the donors.
- The economic, including commercial, interests of the donor nation.
- The notion that when the needs of the potential recipients are placed against the ability of donors to help, donors feel they ought to provide direct and immediate help.

There are a variety of ways in which donors decide to respond to these different motivations; we are concerned here with the aid response. The new external attacks on aid have focused predominantly on the political, strategic and needs-response motivations for providing it and it is thus these two criticisms which will be considered here.[20]

STRATEGIC AND POLITICAL INTERESTS

For some donors, strategic and political interests (rather than the needs of the recipients) have been major motivations for providing, sustaining and, at times, increasing official aid. What is new is the view which has been propounded (especially in the United States) that since the cold war has ended, this "major motivation for rich countries to engage in poor country development has weakened".[21] The implication commonly drawn from this sort of assertion is not only that this is a key factor explaining recent falls in aid volume, but that it is a "watershed" factor: because the cold war has ended, aid volumes will never regain their former levels.

Superficially, the argument appears attractive: aid was provided to recipients, often in large amounts, with the purpose of cementing or reinforcing, respectively, Eastern and Western spheres of influence. However, it is essential to distinguish between different types of political and strategic interests. Aid was provided (in part) to further donors' political and strategic interests: what has changed is not the underlying motivation, but rather (in large measure but not entirely) one particularly visible and tangible manifestation of these interests.

There are at least three grounds for challenging the simplistic view that the political and strategic motivation for donors to provide aid no longer exists. Indeed, in some respects, it has become even more important. First, as indicated, during the cold war period itself, political and strategic issues far more complex than those characterized by the East-West divide influenced the manner in which donors behaved in relation to both the choice of recipients to support and the means of supporting them. For example, some OECD donors directly provided aid funds to the Chile of Pinochet, the Haiti of the Duvalier and the Zaire of Mobutu. Others did not. This reflected different (Western) donor views of both the value to themselves of these, and other, countries/regimes, and of the varying importance of human rights abuses to decisions about the legitimacy of receiving aid funds.

Second, strategic and political interests continue to be influential in terms of aid allocations in the post–cold war period. In particular, the initial wave of aid going to the former Soviet Union and Eastern Europe was influenced crucially by perceived strategic and political interests of particular donors, while the maintenance of large amounts of US and Japanese aid, going, respectively, to the Middle East and Asian countries, continues

to reflect the United States and Japanese perceptions of their own interests.[22] In addition, there remain at least three distinct and influential spheres of influence distinguishable from those of Western donors: the (dying?) remnant of the cold war period, China, Cuba and the Republic of Korea, and emerging Islamic states.

Third, donor governments have become particularly concerned with the political and strategic implications of a series of international/global trends, which in part are related to the growth and development status of poor countries, and which can be addressed, in part, by donor contributions. These include environmental issues, the growth of "economic migrants", especially from contiguous areas, international drug production and trade, and health issues, such as AIDS.

Thus, not only is it relatively easy to challenge the view that political and strategic motivations for aid have disappeared, it is possible to paint a scenario whereby as regional blocks grow and become more important, we will witness even sharper differences among donors across these blocks. Within Europe in particular, differences between bilateral donors and difficulties of building a consensus on European Community aid reflect in part (some would argue in large part) differences in donor perceptions of the political and strategic interests, even within a framework of closer collaboration.

What is also new is not just that strategic and political interests are changing, but that they are changing in a more unpredictable fashion than during the cold war. Indeed, as contemporary Europe appears to be far more potentially unstable today than it ever was during the cold war era, and if aid levels are influenced by these concerns, then aggregate aid levels ought to be rising, not falling. Yet although donors have certainly channelled large amounts of aid to the former Soviet Union and Eastern Europe, the greatest complaint appears to be that the funds provided have fallen well short of those required. What merits further analysis is why a growing and widening agenda of important strategic issues within and across main donor countries has not led to greater flows of aid: perhaps the medium- to longer-term strategic and political interests of major OECD donors have been swamped by the combined influence of more immediate strategic and political interests and wider concerns about public finance.[23]

There would appear, however, to be more substance to the view that contemporary global events (including, for example, the channeling of new

official aid to the former Soviet Union and Eastern Europe and the continuation of high levels of aid to the Middle East) are leading to the relative downgrading of the strategic and political priority formerly given by donors to at least some traditional aid recipients. It is not that political and strategic interests of developing countries were never a factor in aid-giving, or that they were and are not any longer, but simply that they are now perceived as less important. Support for these sorts of conclusions comes from two recent developments.

First, within the context of an overall decline in ODA to developing countries, there is evidence of a rise in aid to upper-middle-income and higher-income country recipients. These are the developing countries most likely to interact (whether as opportunity or threat) with OECD donor economies. Indeed, there has been a near doubling of ODA to these countries in the last four years (for which data are available).[24] Secondly, though the post–cold war era has witnessed a marked rise in political instability within particular developing countries and in particular localities (especially in Africa), this does not seem to have led to any marked desire by donors to expand development assistance, though it has led (in the short term) to a rise in emergency assistance.[25] The overall outcome is that these countries (many are among the poorest) have been twice disadvantaged by aid diversion: suffering both from less aid overall and less being channelled into development projects and programmes. Between 1990 and 1994, ODA to Sub-Saharan Africa fell by 6% in real terms, while ODA to Africa's low-income countries fell in 1993 and again in 1994.[26]

At the global level, the aid–strategic interests–political interests linkages often appear to work perversely. There are grounds for arguing that there is a growing *intellectual* agreement (consensus) that if some problems (environment and migration) are to be resolved, they will require vigorous and concerted action to take place at the international level, and that global initiatives are often needed to enhance, complement and reinforce initiatives taken at the national level (AIDS, population control, international migration and many others). But intellectual agreement on the *strategic* importance of global approaches to these issues and the view that more aid funds will help to address these problems continually confront a lack of *political* will among leading donor countries to channel expanded aid funds into initiatives that attempt to research and address these issues. The reasons, complex though they are, revolve around the following:

- The perception that aid funds are in short supply and that in this context, bilateral donors feel a need to preserve their ability to control the use of their aid funds, leading them to resist raising the share of aid funds they allocate to new global initiatives. Here, the mix of short-term national, strategic and political interests and public finance problems tend to override more long-term national and wider international and global interests.
- In part, this reaction is influenced by a strong sense among leading bilateral donors that the current array of multilateral agencies is incapable of addressing comprehensively the global issues which need to be tackled. A mix of reasons are given: there are too many agencies, many of which are not effective; they are beholden (in different ways) to (particular) non-global constituencies; and the specialized agencies (as their name suggests) focus too narrowly on particular subissues, and, in practice, many have become operational in a manner which does not distinguish them from bilateral donors and NGOs.[27]

It is not so much the different arguments that inhibit movement from the current impasse which are of concern to this paper. The main point to be stressed here is that, currently, the influence of a number of narrow, short-term concerns is inhibiting the advancement of the interlinked agenda of working to resolve development issues internationally, and supporting institutional changes which will provide an international framework which donor governments would support with the necessary funds.

At least three conclusions can be drawn from this discussion. The first is that strategic and political interests continue to play an influential role in determining the overall level of aid funds and their respective allocation to different recipients. Second, the combined effects of the ending of the cold war and the changing patterns of global interrelationships have led to down-grading the need to help poorer, more marginalized developing countries on the basis of their strategic and geopolitical interests. But, third, although there is growing acceptance of the need to promote a distinct global development agenda, within which there would be a distinct role for "global aid", the short-term and narrow interests in donor countries are putting a brake on achieving tangible progress on this front. In some respects, these changes mark continuity with the cold war era of aid-giving; in other respects, they herald more far-reaching changes not so much in the principles underlying why donors provide aid, but in the form in which aid

is given (or channelled). Taken together, they point to the need to embark on initiatives which aim to articulate and build upon and strengthen the strategic and political motivation for providing aid, and which aim to narrow the gap between medium- and long-term interests of traditional aid donors and short-term influences which constrain donor action.

RESPONDING TO NEED

If strategic and political interests have provided (and still provide) one set of motives for official donors to give aid to developing countries, a second major influence has long been the notion that richer nations with the means to do so should assist poorer nations.[28] Indeed, as noted in Chapter 1, outside the issues of strategic and political motives, most official Western donors have tended to base their aid budgets more on continually highlighting their need to help those to whom they choose to channel aid resources and less on the evidence of the impact of funds previously allocated. In other words, needs-based arguments for providing particular levels of aid funds have also tended to be influenced most decisively by factors outside the aid-development relationship: the motivation of helping has been more influential than analysis of the outcome and impact of the aid provided.

This needs-based motivation for helping has continually been challenged in a number of different ways—little related to assessments of aid's impact. Thus, it has been argued that: there is, in fact, no obligation at all to help; governments do not have moral obligations beyond their borders; needs at home are unmet and should have priority; and, because of its nature, aid is the incorrect conduit through which help should be given.[29] It is not the purpose of this paper to focus on these "old" attacks against aid, important though some of them still are. What concerns us here are new or different factors influencing the needs- and help-based motivation for providing aid. There are at least two that can be discerned, the first of which could be seen, in part, as a symptom of the second.

First, the needs- and help-based motivation for governments to provide aid was based on a common assumption that governments provided aid because of widespread support for aid among the electorate in donor countries. Evidence of such support often came from surveys which repeatedly showed voter approval for government aid; it appeared to be confirmed, more tangibly, by the steady increase in voluntary contributions made to NGOs, which often mushroomed when media attention was focused on

crises or emergencies. However, in recent years, the fall in aid volume across so many donor countries does not seem to have led to any significant and influential outcry or backlash among the electorate.[30] More recently, private donations to NGOs have fallen markedly in aggregate and in a number of donor countries (the United Kingdom, Sweden, Germany,).[31] One explanation probably lies in the fact that electoral support for aid was built largely on ignorance: ignorance about the quantity of funds provided (always assumed to be far higher than it was) and ignorance about how the funds were used.[32]

However, it is also likely that the failure of the electorate to react effectively to recent aid cuts has its root cause in wider changes which have occurred and are continuing to occur *within donor countries* focused on a process of fundamental rethinking about the nature of the state and society, the nature of responsibility for assisting those who do not have the means to help themselves and how best to prioritize the use of state funds.[33] Tangible manifestation of this would include rising unemployment, the demise of permanent employment and the changing nature of the link between work and employment, as well as far-reaching changes in the public provision and cost of health care and social security.

- There is a discernible shift away from blanket thinking that the existence of poverty demands state intervention, particularly permanent state intervention.
- The state is retreating not only from direct engagement in major parts of the economy but also from blanket cradle-to-grave social service provision for all. To cut levels of expenditure it is no longer able to sustain, the state is reducing general access to free social service provision and often making funds go further by lowering the quality of services. Richer individuals and families are "opting out", encouraged in part by lower rates of personal taxation. But this contributes further to the reduction of access to, and quality of, state-run services.[34]
- Solutions are seen increasingly to be in the hands of the poor themselves who, if they wish to improve their living standards, are encouraged to take personal action, for instance through education and further individual training.[35]
- In a number of donor countries, there has been a discernible increase in the number of people living in poverty and in their visibility, especially in city centres.

Initially, it may seem that these are internal or domestic issues which are far removed from the external world of aid and development. However, it seems likely that they have influenced and are continuing to influence aid in two ways. Directly, they have provided the immediate (domestically based) motive for donor governments to cut aid budgets, providing the intellectual justification among both governments and voters for so doing. Thus, action being taken by governments to manage current strains in domestic economies in general and public finances in particular by making historically unprecedented cuts in domestic expenditure provide few exceptions. Indeed, not only have aid funds suffered, but across-the-board public expenditure cuts have been a major factor in limiting the expanded use of aid for strategic purposes. In this case, too, aid would appear to have been doubly disadvantaged.

More indirectly, the ongoing shake-up of priorities and values within donor countries is influencing the moral-based motivations for providing aid, both in terms of why help should be provided and in the long-held view that aid was the means to help.[36] Thus, it is no longer seen as so "self-evident" that donors have a responsibility to respond to the needs of the poor abroad. In particular, it is argued that if cuts are made to the needy at home, cuts should be made to the needy abroad, and that one needs to be cautious about assuming that all poor are deserving.

Additionally, changing attitudes towards the respective roles of the state and the private sector are also leading to questioning of the automatic link made between *helping and providing aid.* Thus to the extent that economic development at home is viewed increasingly as best not so much when the state intervenes directly but when it provides the framework and incentives for the market to work more efficiently, it is asked why such increasingly-shared views should not apply with equal force abroad, especially when the forces of globalization are fast removing the rigid distinctions formerly made between industrial and developing economies.

In other words, as the provision of additional resources is no longer seen as such a priority in terms of the means to enhance development and provide jobs at home, the downgrading of its priority as a form of helping others abroad is likely to gain an increasing number of adherents.[37] It is of course not known whether these sorts of views will persist and continue to be influential, but to the extent they do, their centrality to the debate about providing aid resources should not be underestimated.[38] At present, there is little to indicate that they are going to be temporary in nature.

Two linked conclusions would appear to follow. The first is that recent cuts in aid represent something far more substantive than merely the crowding out of aid budgets because of the relative rise in importance of non-aid and domestic issues. If aid is in crisis, it is not alone. Within and across many donor countries, there are crises in all levels of education, in health and in pensions. The second is that if aid is to regain its former status as an important and influential part of international relations, this is unlikely to occur by trying to instill new life into old ideas that command little support. It may thus be necessary to focus more systematically on providing a new motivation for aid which holds out a greater possibility of commanding support within donor governments and across donor countries.

THE MANY CASES FOR AID

Objectives for aid have changed in line with a differing understanding or interpretation of the development process: development has been subject to fads and fashions, and, unsurprisingly, aid has often tended to follow and be influenced by these. Thus, aid has been targeted at filling perceived gaps (saving, investment, foreign exchange) or at accelerating what are currently perceived as the main motors of development (the market). But in addition, aid has been focused on removing or relieving constraints and impediments to development (gender deficiencies, institutional weaknesses or democratic failures). A common characteristic has been for donors to add new objectives to old ones—but rarely, if ever, to remove objectives.

The cumulative result of this add-on process has been that, today, most bilateral donors provide aid aimed at achieving or advancing a whole series of different objectives.[39] Most multilateral agencies which utilize aid funds would subscribe to these objectives, even if the more specialized agencies tend to have a narrower cluster of objectives upon which they focus. Thus, most donors provide aid aimed at achieving or encouraging the following objectives: economic growth, development and poverty alleviation which are environmentally sustainable and consistent with overarching environmental goals, which are gender sensitive and in harmony with broad gender objectives and which aim to achieve broad objectives of social development—all in a manner which promotes good governance, enhances and strengthens civil society, promotes human rights and democracy and uses methods which are participatory.

There is little, if anything, objectionable in *any* of these objectives and at first sight and in many ways, their range and number could be praised for reflecting commendably on donor recognition that development is a complex process. But there are also drawbacks in having such a range and quantity of objectives. Indeed, the more objectives (or priorities) one has, the less important they each become—if everything is an objective or a priority then nothing is.

A second problem arises when the multiplicity of aid objectives is married with a growing desire by donors to link the provision of aid more and more tightly to aid performance. Increasingly, donors have been concerned with ensuring that the aid they provide is effective. Again, in broad terms, this is surely commendable. However, in the 1970s and 1980s, when donors had far fewer objectives, it was acknowledged by both donors and academic studies focusing on the issue that it was by no means easy to measure effectiveness beyond the discrete project, nor to pinpoint with any accuracy general conditions upon which aid was likely to be more or less effective.[40]

A linked problem is that there is growing evidence not just that aid impact has worsened in recent years, but that a major reason for declining performance has been the multiplicity of objectives.[41] In defence of aid's multiple objectives, it could be argued that, in practice, donors distinguish among different objectives and have a clear hierarchy of objectives: some are viewed as having greater importance than others. Indeed, of all the different objectives they have for the aid they provide, a majority of bilateral and multilateral donors would probably maintain that one of the main, if not *the* main, contemporary objectives is poverty reduction and elimination.[42] Today, few donors (if any) would be likely to object to assessments of their development aid programme in terms of its orientation towards poverty alleviation.[43] Indeed, it has become increasingly common for both bilateral and multilateral donors to review, assess and judge their whole aid programme through the "poverty prism".

Waves of evidence suggest that successful development—that which is likely to have the most profound and lasting effects—is likely to have the greatest chance of being achieved if it is rooted in the lives of the people, blended in and built upon their needs and priorities, and undertaken with the participation of the beneficiaries. In part, this is nothing new: many decades ago the shift from emergency aid to development aid was based on the now widely accepted but strikingly simple (obvious) notion that while

food is necessary for survival, more lasting good is done if you can provide a farmer with the means to grow her or his own food permanently than if you devote resources to merely filling bellies.[44] What *is* relatively new, however, is the comparatively recent and now quite widespread acknowledgement by official donor agencies that, wherever possible, choices about aid's insertion into a recipient context and its disbursement should be undertaken, as far as possible, with the direct and active participation of the beneficiaries.[45] Indeed, as noted above for some donors, participation has even been raised to the status of becoming an objective for aid.

Thus a crucial question which donors need to address *continually* is whether the purpose of aid is to contribute to the development process directly or whether it is to strengthen the ability and capacity of the recipients to achieve these objectives themselves. Donors are likely to answer that they try to do both of these things, though perhaps not with all the aid provided.[46] But in practice, not even this is clear. The importance of highlighting the distinction is not that donors are unaware of it but that their practical approach to aid would often appear to be contradictory. Thus, on the one hand, donors are now increasingly arguing that aid should be provided only if its intended effect has a chance of being sustainable in the medium to long term, maintaining, too, that much (perhaps most) of aid's lasting impact is likely to be influenced crucially by the extent to which the recipients are involved directly in decisions about aid priorities, working out its form and monitoring its use.[47] Yet, on the other hand, donors appear to be placing *increased* emphasis on assessing the impact and quality of their aid in reference to the development outcome achieved. The result is that, *in practice*, donor activities appear to be weighted heavily against working out how the aid they provide might be better packaged in forms which focus on strengthening and enhancing the capacity of recipients to involve themselves more directly in the development process and to achieve their development objectives for themselves.[48]

However, only in some limited ways has this (donor-accepted) view of aid's purpose been fed back into, and influenced, the fundamentals of the aid relationship. The result is that a growing gulf, if not a contradiction, is emerging in relation to understanding the core purpose of aid, and thus to appraising the most appropriate forms in which it might be given and to assessing its impact. The more this gulf opens up, the more the case for aid is likely to be weakened.

One way to illustrate this growing gap is to focus on the essential difference between the motive for giving aid and the purpose of the aid provided. Much confusion can arise from a failure to distinguish more clearly between the two and, in particular, can be compounded by the failure to think through the different implications of having more than one purpose for aid. Thus, the development/moral motive for providing aid has always been the felt need to respond to the problems of poverty and underdevelopment. But what is the overall purpose or aim of aid provided? Take the poverty objective as an example. Is the purpose of aid solely and exclusively aimed at helping to solve the problems of poverty and to contribute directly to its cessation? If so, aid will be judged in relation to its achievement of these particular objectives. Or is the purpose of aid to provide the recipients of the aid with the means (or more of the means) by which they themselves are better able to solve the problems of poverty? If the latter holds, then aid will be judged less against development performance criteria and more in relation to its contribution to enhancing the abilities and capabilities of recipients themselves to set in motion a sustainable strategy to reduce poverty. For present purposes, it does not matter whether the recipients are individuals or groups of poor people or recipient governments—the same arguments apply.

When little or no distinction is made between the motive for giving aid and the purpose of the aid provided, or when these differences become blurred, in practice, aid tends to be viewed predominantly more in terms of helping to achieve specific development objectives, with high priority given to poverty alleviation indicators. Unsurprisingly, it is also assessed against these objectives. Yet when the purpose of aid is separated more sharply from the motive for providing it, it becomes possible to focus more clearly on purposes beyond those provided by monitoring development indicators. Most particularly, it enables one to focus on the use of aid and the form in which it is provided in relation to its ability to enhance and improve the capacity of the recipients themselves, both to involve themselves more directly in the development process and to bring about development for themselves. If aid is provided for this purpose, then this is likely to influence not only ways in which it is assessed but the forms in which it is provided.

Another linked drawback needs to be highlighted. It is entirely appropriate, indeed commendable, for donors to wish to enhance the impact of the discrete aid projects or more general aid interventions that they fund:

if nothing else, they are accountable to parliament or their boards to ensure that taxpayers' money has been used as efficiently and effectively as possible. Yet the very process of focusing on ways to improve development impact not only strengthens the incomplete notion that the purpose of aid is exclusively to produce tangible development improvements, it also reinforces the *false* view that *aid* makes the crucial difference and is the catalyst of development.

Aid's false targets

Aid is provided for development because it is needed. If it is needed it must be possible to ascertain, at least roughly, how much is required. It is then just a short jump to try to assess quantitatively how much is needed. This is precisely what happened.

Though the details of how the original calculations were made are still debated,[49] by 1960, the United Nations General Assembly had adopted a ratio of 1% of donors' national income as the target for the total flow of financial resources which, it was then judged, were needed by developing countries. In 1969, the DAC reaffirmed this needs-based target, adding a new target of 0.7% of GNP for ODA alone (White and Woestman 1994: 531). Quite quickly, individual (bilateral) donors began to focus on the 0.7% figure as a target for their own official aid commitments: some accepted the target, some (for example, Switzerland, initially) did not, while others accepted it in principle but without committing themselves to a specific time by which they would reach the target. In retrospect, it now appears odd how quickly individual donors lost sight of the aggregate ODA figure: the dominant concern, especially of those close to the target, was for them to achieve the 0.7% level individually. To this day, the 0.7% figure has persisted, and no bilateral donor has formally abandoned some sort of commitment to it. What has been predominantly at issue is the time frame for achieving the target.

There are, however, a number of far-reaching problems with this target and with the target approach more generally. In the first place, whatever the original basis of these early figures given developing country needs, these links have long since disappeared. The 0.7% target has in effect become a target of *aid supply and not aid requirement.*

Second, there is little evidence in the past, and less today, to suggest that the 0.7% target contributed in a major way to quantitative aid expansion.

Some donors passed the target and continued increasing their aid; some donors never reached it and never looked as though they would; some donors whose aid volume always fell below the target increased their ODA/GNP ratio but then let it fall away; and, most recently, a number of those which exceeded an ODA/GNP target of 1% are seeing that (self-imposed) target slipping back.[50]

Third, and most important, continuing to give public prominence to the 0.7% ODA/GNP target adds fuel to the false notion that reaching the 0.7% ODA/GNP target (or the 1% target of total financial flows to GNP) will resolve the problems of development: either development will be achieved at once, or the process of development will have been boosted sufficiently for the problems of world poverty to be solved.

In defence of the target, it is argued that because the current aggregate ODA/GNP ratio (0.29% for 1994) falls so far short of the 0.7% target, it at least provides a tangible representation of the immense (and now growing) gap between aid needs and what donors are currently providing. This gap can be understood in these terms, and thus the target can be useful both for political purposes and in campaigning for more aid.

Although there may well be truth in these assertions, what needs to be asked increasingly today is whether—whatever grounds there were in the past for advocating support for aid on these intellectually dubious grounds—as traditional support for aid wanes or becomes less important to aid choices made by donors, the arguments made for donors to provide aid ought to be based on more intellectually robust grounds. Indeed, especially in countries where support for aid is weakening, and assuming that it is likely to continue to weaken, if arguments for aid continue to be based on flimsy to false target notions, then, perversely, efforts to bolster them will certainly not strengthen the case for providing aid.

Aid's promotion of markets and donor withdrawal

If there is one factor which has had the most profound effect on the aid-development relationship in the post–cold war era, it is surely the importance now given to the market in the process of development. Interestingly, however, given the anti-aid views of aid's pro-market critics, this has not led to the end of official aid, as the more virulent pro-market critics of aid would have wished.[51] Instead, aid's role has been seen, variously, in terms of helping to promote the expansion and deepening of the market, helping to

address critical needs in cases of market failure and, more indirectly, supporting the strengthening of a well-functioning state, the legal system, a democratic political system and an open, transparent and information-rich society within which market-based development can be nourished and flourish.[52] In the words of a recent OECD aid position paper, aid should be used "to promote interventions geared to helping markets work more efficiently or to correct market failures. Donors should avoid interventions which create or deepen market distortions".[53] Such responses to the "new order" provide further evidence of aid's ability to survive by means of its considerable flexibility.

This new and emerging role for aid has added fuel to contemporary debate about the nature, role and purpose of the state in development, particularly the extent to which it should be actively engaged in promoting development vis-à-vis playing a more passive role in providing the context for other (active) economic actors to operate and expand their activities. Without wishing to underplay the importance of this debate, what concerns us here are issues which are more directly tied to strengthening (or weakening) the case for aid.

Thus, one strong conclusion to be drawn from the new market-based perspective is that *need on its own* is no longer a sufficient condition for donors to provide aid: it should be an additional requirement for potential recipients of aid to be unable to obtain for themselves, by means of the market, what aid donors provide: finance, foreign exchange, budgetary support, goods and services and technical assistance. More specifically, the provision of aid should be dependent upon either the inability of recipients to obtain the goods, services or finance required via the market, or where obtaining (purchasing) them through the market creates such adverse effects on the economy, on the lives of its citizens, or both, that they are too onerous to bear.[54]

Yet when these principles are applied to the contemporary world, various contradictions are apparent. First, aid is still readily given to an important cluster of recipients capable of paying, via the market, for the different types of aid provided.[55] Indeed, as noted above, there has been an increase in the proportionate amount of aid going to upper-middle-income country and high-income country economies. Perhaps most oddly (from this viewpoint), aid is not uncommonly given to recipients (including Egypt, India and South Africa) who themselves provide development aid to third coun-

tries. In practice, there is no real "cut-off" point of eligibility; thus while aid is certainly given to those who need it, when judged against market-based criteria, it is also given to a large group of recipients who do not need it. Bilateral donors have generally been reluctant to commit themselves to conforming to externally drawn-up cut-off points, or, more generally to have imposed on them systems of aid withdrawal. Recently, the DAC commissioned papers on new criteria for graduation and adopted them. Yet, since donors only agreed to apply them judgementally and on a case-by-case basis, it is not clear that the agreement will lead to significant changes in practice. Though many donors support the notion that aid should be restricted to poorer countries, the two largest donors, the United States and Japan, are among those who would not wish to have their own freedom restricted concerning to whom they should or should not give aid.[56]

The logic of the new market thrust of aid provides a further challenge to donors in terms of expectations of its impact and tools of assessment. Thus aid is increasingly being justified in terms of being provided most where markets are non-existent, highly inefficient, distorted or only partially developed. That is, aid will be needed most in precisely those contexts and circumstances where it is least likely to be effective, and in circumstances least conducive to its being utilized efficiently. This presents a particularly acute dilemma for donors who wish to show parliamentarians, voters and critics the merits of a development aid programme: those contexts in which aid is most likely to be shown to be having a beneficial effect on development will tend to be those places where it is least needed.

Aid is likely to be needed in precisely those contexts and circumstances where it is going to be particularly difficult, in some cases impossible, to assess its impact using the tools and techniques of conventional economic analysis.[57] It would thus appear that there is strain, if not outright contradiction, between donor views and insights into market-based approaches to aid and the manner in which these have been fleshed out in practice.

Long-term and short-term aid

There are two other areas of the aid relationship where practice and theory appear to be pulling in rather different directions. The first concerns the emphasis donors have increasingly given in recent years to issues of sustainability. The second relates to the fact that an increasing share of aid is now focused on short-term emergencies, refugees and distress which, in the

context of contracting aid volumes, is leading to a falling share of aid channelled to development purposes.[58]

For some years, donors have emphasized the need to focus on the notion of sustainability as a criterion for judging all their projects and programmes: "Co-operation for sustainable development is a fundamental concern to the OECD" (OECD, 1995, *Development Partnership in the New Global Context*).[59] In general terms, the emphasis given to sustainability is extremely welcome because it downgrades the "quick-fix" approach to development, and because, in focusing on ways to enhance sustainability, there is a greater likelihood that attention will be focused beyond development indicators to the capacity and capability of recipients to "do" development themselves.

However, in some contexts there is a large (and growing) gap between exhortation and practice. It is simply not realistic to expect all projects and programmes to have the capacity to come anywhere near to meeting these important sustainability objectives, and especially for financial sustainability to be achieved in a reasonably short (three-, five- or seven-year) period. In particular, it cannot be expected that distinct and discrete aid projects providing the very poor with basic necessities (water, health, sanitation, medicines, school books and so on) will be able to be financially sustainable without funds that the direct beneficiaries themselves are simply unable to provide. Equally, it cannot be expected either that poor countries with chronic debt obligations, low saving rates, inadequate infrastructure and low levels of literacy will at one and the same time have the resources necessary to finance basic services, which its poor citizens are unable themselves to afford to pay for. In these contexts and circumstances, it is thus not practical in the foreseeable future to expect either the direct project beneficiaries or government budgets to be able to provide the funds for the whole array of projects which have been funded by aid donors.

What should donors do in such circumstances, and what do they tend to do in practice? At one level, donors could argue that the issue of sustainability is so critical to aid practice, that if there is little to no chance of an intervention's achieving sustainability, it should not be funded in the first place. In practice, where people and governments are poor and basic needs are being addressed by aid projects, donors tend to ignore or turn a relatively blind eye to their sustainability requirements.

This presents two dilemmas. The first is that in cases where the prospects for financial sustainability are poor, donors tend to fund projects

for the poor which have little chance of being financially sustainable. This leads to a gap between what donors state is their policy and what they do in practice. The second is that if donors were to openly acknowledge that in some circumstances they will continue to fund projects where there is no real short-term prospect of achieving financial sustainability, they would in effect be accepting and acknowledging a more permanent aid relationship than they have been willing to accept: they would be agreeing, in effect, to fund recurrent costs. It is probably the reluctance to do this which has led to the gap between the theory and practice of sustainability.[60]

One of the assumptions of this paper is that the case for aid is likely to be strengthened if inconsistencies in current aid practice or between aid theory and aid practice are reduced. The sustainability problem discussed here lies not in doubting the desirability of working to achieve long-term sustainability, but rather in the practice of using the same criteria for sustainability for all projects and programmes regardless of the particular context, circumstances or wider environment in which they are located. Is there not a case for grouping aid interventions into at least a continuum of those which have some chance of being sustainable in a given period and those which have little chance, and giving consideration to extending such a continuum beyond projects?

If such an idea appears obvious, or at least fairly easy to accept, then its radical implications for the aid relationship should perhaps be spelled out more explicitly. What is being suggested is that the criteria for judging whether aid should be provided in the first place, the time-frame within which it should be provided and the financial funding implications should be dependent not only on the nature of the intervention (a health, water or education project) but on the *particular (wider) context* in which it is provided.

For example, in one country, a donor may only agree to draw up an education sector programme for enhancing the quality of primary schooling by expanding the number of textbooks used per school on the condition that donor funds are phased out over a three- to five-year period. But in another country, such criteria might be completely unrealistic and unachievable. In such circumstances, it is suggested that a donor should be willing to acknowledge becoming involved in a similar programme, but because of the poverty status of the intended beneficiaries and the macroeconomic fragility of the recipient, be willing to provide funds on a semi-permanent

basis, that is, without any immediate expectation of achieving financial sustainability. What is being suggested here is that the distinction between what have been referred to as "welfare" and "development" projects ought to be altered by shifting attention beyond the nature of the intervention and focusing on the nature of the recipient.

This discussion on sustainability can be related directly to a linked set of problems arising from the distinction commonly made between "development" aid and "disaster and emergency assistance". Traditionally, emergency assistance and disaster relief have been perceived as temporary, provided with the hope and expectation that if countries had to be provided with such assistance, they would quickly move back to the more normal form of development assistance. The weakness, indeed, unsatisfactory nature of this distinction is currently now seen in three ways:

- First, a large (some would argue a growing) number of countries appear to be in a state of "permanent emergency", requiring such "transitional" assistance for long periods of time.
- Second, both in contexts of "permanent emergency" and where there is greater vulnerability to emergency, it is increasingly recognized that it is no longer sufficient to plan development initiatives ignoring the possibility that they may be profoundly disrupted or even have to be abandoned. Thus the assumed chain of causality—from development to emergency and back to development again—is challenged.
- Third, within the new market-based view of aid and aid needs, it would be even more important for donors to assess whether they should be providing aid just because emergencies strike. Donors need to assess the capacity and capability of the potential recipient to obtain the necessary resources themselves, and, if so, to reassess their response.

Taken together, these points suggest that the traditional distinction made between different forms of aid—emergency assistance and development aid—are becoming less important in determining what to do, how to help, what time-frame within which to assess external assistance needs and what role aid should play than a distinction based on different clusters of recipients, which is more able to capture their relative potential for achieving development, the level and degree of constraints they face and time-frame for external assistance—and thus the particular role which aid might play.

It would thus appear that the discussion on sustainability and new thinking on the link between emergency and development aid are both pointing

in the same direction. This is to suggest making a sharper distinction between contexts, circumstances and thus countries, and to focus less on forms of aid and working out how to make these different forms more effective in the abstract. It points to the need to focus more on different types of recipients and on the different types of constraints which impede development, and the role that aid might play in helping to ease these constraints.

Tailoring to recipients

One of the assumptions of this paper has been that the case for development aid ought to be based firmly on helping to address needs of the recipients. It is now necessary to provide some qualifications to this statement by focusing more sharply on the context in which aid is inserted at the recipient end. It has been argued that for aid to make a difference there needs to be enough of it: drips of water on the desert sand will evaporate or sink into the sand without trace; for a river to flow, larger amounts are needed. Equally, however, the case for providing aid is weakened to the extent that it is not used to help resolve the development problems for which it is being given. There are various ways in which "misuse" can occur: the main problems of the recipient may not have been adequately identified (and thus aid is provided in the wrong form), aid may have been provided for an insufficient time period or aid may have been diverted from the purpose for which it is intended.

Recipient country classification. For some years, development scholars, international groupings (the South Commission) and some donors (UNDP) have themselves abandoned and urged others to abandon the terms "developing country" or "third world". The "aid business" has made some response to these debates, such as focusing on aid targets for the least-developed countries, but it will be argued in this section that there is scope for further, and in many ways more profound, changes to be made in order to strengthen the case for aid.

Different agencies and groupings refer *inter alia* to: lower-income, lower middle-income, upper middle-income and higher-income countries; less-developed and least-developed countries; the newly industrializing countries (the NICs) and the new NICs. For its part, the UNDP classifies countries in terms of its human development index, grouping them into high, medium and low human development. A particular weakness of all these different names of clusters of countries for the current

discussion of aid is that they do not differentiate between different types of (aid recipient) countries and so do not provide any guide to the different types of aid needed in particular country contexts. To lump all countries together does not give an indication of the range of different countries thus classified, nor their potential for future development nor the nature and degree of constraints inhibiting development, and the duration of those constraints.

One recent attempt to begin to capture at least some of these differences has been the report of the Norwegian Commission on North-South and aid policies.[61] The Commission recommended that countries of the South be subdivided into what it termed (unofficial translation) low-welfare and medium-welfare countries. (*Inter alia*, this provided a rare if not unique instance of an influential donor body accepting that "development" aid could be used for "welfare" purposes.) Of perhaps greater interest to the current discussion is the distinction made recently by *The Economist* between what it termed *paralysed* and *progressing* economies.[62] This particular terminology and distinction begins to capture not merely static characteristics of particular clusters of countries, but if not the nature, then the scale of the problems inhibiting development: clearly, aid to paralysed (poor and needy) economies will be (or ought to be) very different from aid to progressing (poor and needy) economies.

A further clustering of different types of "paralysed" economies would provide an even greater insight into the different types of constraints impeding development and thus be a beginning for analysis of what types of aid would be most appropriate. For instance, one might subdivide "paralysed" economies into those whose paralysis is rooted more in problems of security and conflict, those whose paralysis is rooted in a history of poor economic management and misuse of resources, and those whose paralysis lies more in a cluster of political, legal, institutional and administrative problems and weaknesses that contribute to the phenomenon known in some quarters as "non-developmental" and inflexible states—with refinements to capture different combinations of these constraints.[63]

Clearly, if political insecurity and the lack of civil order are the main problems, there can be little hope that, say, balance of payments support will have a major impact in setting the aid recipient on the path to sustained development. Likewise, if the aid recipient's administration is incompetent, corrupt and little interested in development, there is little hope that finely-

tuned, sector-specific aid channelled through state structures will make a major difference. It is not necessary to discuss these definitional points any further at this stage to make the seemingly obvious point that unless the nature of the problem is identified, there can be little expectation that aid will be utilized effectively. Whatever the particular constraints are, a common link between all types of "paralysed" (aid recipient) economies is surely the inauspicious context in which aid is inserted, and the implications of this for strengthening the case for aid.

Corruption. Clearly, there is little point in providing aid if there is overt and explicit diversion of aid funds through corrupt practices. There are a number of different ways that corruption can reduce aid's impact. Most directly, at the project level it can: inflate project costs, not uncommonly by 25% or more; skew investment towards projects with a high foreign exchange content; and increase maintenance costs. More widely, it can lead to the following: over- and underinvoicing, leading to foreign exchange losses; non-payment of tariffs and other government revenues; inappropriate and thus wasteful purchasing by government authorities; the erosion of legal recourse to the judiciary to resolve disputes; increased capital flight; and permeation of these sorts of practices across a wide range of economic, financial and administrative transactions. Corrupt practices can also adversely affect privatization initiatives (selling to less competent bidders, reducing total financing available).

However, it is necessary to view aid diversion or misallocation well beyond individual and discrete examples. Corruption can have a cumulative systemic effect which builds and develops over time. Indeed, research suggests that in a low-income economy with a high level of corruption the overall effects of corruption and corrupt practices could *quite easily and relatively quickly (five to six years)* reduce the impact of the aid to such an extent as to render its development justification untenable.[64] Related research points to the need to view the systemic problems of corruption more holistically, well beyond the "blaming" of particular individuals or groups of people within particular countries.[65]

It thus appears that the problems of corruption (especially when viewed narrowly) are but one manifestation of a wider, deeper and usually quite complex set of issues limiting the impact of aid funds. As noted above, one type of "paralysis" has its origins in the nature of the state, state institutions and the administrative capacity of the recipient; these help to form and

determine the commitment and ability of the recipient to execute policies which are "developmental". Since its inception, aid has been criticized because, it has been argued, the provision of "surplus" external resources obscures the nature of economic choices that societies need to make and discourages states from embarking on and continuing sustainable macroeconomic policies. Attempts by individual donors to reduce such adverse effects are weakened by the combined effects of aid's "fungibility" and the proliferation of donors, which severely reduce the overall ability of the donor "community" to act in unison.[66]

Aid dependency. Though there remains a lack of consensus over what is meant by aid dependency, it can generally be understood as that process by which the continued provision of aid appears to be making no significant contribution to the achievement of self-sustaining development. The concept can be further refined by subdividing patterns of aid dependency into three broad groups. Thus, mild aid dependency would be defined as the process by which the continued provision of aid makes no significant impact on reducing the factors impeding the achievement of self-sustaining development. Chronic aid dependency would be defined as the process by which the provision of aid creates new and reinforces existing impediments to the achievement of self-sustaining development, thereby reducing or, at the extreme, nullifying the positive outcomes anticipated. And, diminishing aid dependency would be defined as the process by which the provision of aid contributes to the reduction of factors impeding the achievement of self-sustaining development.

It is largely chronic aid dependency which is being discussed as a "new" problem. The evolution of the complex interrelationship between donors and recipients has occurred not merely as a result of the growth of aid and its existence in different discrete forms, but has been influenced by the urgings and decisions of the donors, largely prompted by donor concerns to monitor aid more closely and to try to enhance its impact. On the face of it, these objectives have been highly commendable. For too long, aid was provided on the assumption that it would achieve its objectives. But once donors took the decision to undertake comprehensive monitoring of project performance, to commission in-depth evaluations of impact and to respond to weaknesses exposed, it is inevitable that the institutional relationship between donors and recipients would become far more complex. Indeed, the larger the individual aid programmes of particular donors and

the more extensive the different relationships between donors and recipients the greater is the potential for the institutional infrastructure between donors and recipients to play a role of its own—which, cumulatively, could influence adversely both the impact of the aid provided and, more widely, the ability and potential of the economy to proceed as rapidly as possible on the path to self-sustaining development. Additionally, this is more likely to occur in countries which receive more rather than less aid, but it is these countries which are least likely to be able to absorb such "costs". It is in this sense that the aid relationship itself is being seen as potentially playing a role in exacerbating an aid recipient economy's dependence upon aid. Advancing the discussion of different forms of aid dependency is considerably hampered by the lack of studies which have been carried out to analyse aid dependency per se in any comprehensive manner.[67]

Clearly, addressing problems of aid dependency will depend upon the causes identified. The problems of lack of analysis, particularly at the country level, mean that it is very difficult to know precisely which policies should be pursued. For example, there are at least three ways in which aid might harm a recipient economy. First, the beneficial financial and economic outcome expected (a rise in the level of domestic savings, an increase in the capacity to earn foreign exchange) might be swamped by other, perverse outcomes (a reduction in the national effort to mobilize domestic resources, prevailing non-competitive markets further distorted rather than expanded or deepened). Second, the very process of providing aid might set in motion a series of wider outcomes which impede self-sustaining development (personal gains from corrupt practices funded by aid reducing the commitment of politicians and civil servants to enact optimal policies to enhance self-sustaining development). Third, competition and rivalry between donors, aid policies aimed more at obtaining gains for donors than meeting needs of recipients, and the forcing of recipients to pursue policies that turn out to have been detrimental to self-sustaining growth and development may individually or cumulatively result in outcomes which maintain or exacerbate prevailing constraints to self-sustaining development, or create new ones. However, neither the fact of continuing or growing aid dependency, nor the feeling or even the knowledge that the aid relationship may have contributed to the failure of aid to achieve its purpose and objectives on their own provides sufficient data and information to determine precisely what actions donors should take.

AID AND GLOBALIZATION

The unifying theme of this section is encompassed by the term "globalization": the process by which the economies of the world and economic agents, both locally and within emerging regional and national groupings, are being influenced by and influencing changes in the nature, intensity and pace of change in financial flows, production and technology, international trade, migration and employment.[68] Perhaps the most striking thing about the globalization debate is that although a growing number of development specialists have been writing for some time on the effects that globalization is having and is likely to have in the future, literature reviews suggest that very little work has been done on the implications of globalization on the role of aid and the case for aid.[69] The paucity of research undertaken in this area means that the discussion presented here will tend to consist more in asking questions than in reviewing and highlighting new and evolving ideas from within this subject area.

Aid in the framework of wider international development cooperation

However successful aid might be in enhancing development, not only is it never likely to be the driving force of development, but its impact will always be circumscribed by the broader context in which it is placed. In particular, other international economic and financial influences will act either to support or frustrate the work and objectives of aid. Most immediately, the forces of globalization do not change these influences so much as reinforce their importance: if it was ever possible to argue that aid and its impact could be isolated from international forces beyond the aid relationship, such arguments are rapidly losing their force.

Some consequences for bilateral donors. There are two immediate consequences for aid donors. First, there is an even greater need for donors to ensure that there is consistency between the aims and objectives they have for the aid funds they provide, and the economic and financial policies and activities they pursue outside the aid relationship.[70] On the one hand, these concern consistency between a donor's aid policies and objectives, and those aspects of its trade, investment, finance, technology and labour (migration) policies which directly affect the countries to whom aid is provided. But the process of globalization points to the increasing need for donors to ensure, with even greater urgency, that the broader environment of rule- and regulation-setting, evolving both internationally and subregionally, are also equally as consistent with

their aid policies. Thus, second, donors need to ensure consistency between aid and (different levels of) broader international economic and financial relations. Additionally, pursuing their aid objectives within this context ought to stimulate them to work at increasing the degree of transparency prevailing within and between aid and other international policies.

Various implications would appear to follow from this. There has always been support for the view that donors should have a separate aid ministry or agency so that aid funds are not "tainted" by non-developmental influences, even if such a view has always been attacked for promoting the notion of "third worldism".[71] The decision over the past few years by some donors (Denmark, Norway and Sweden) and discussion by others (the United States) to integrate more closely their aid agencies with their foreign ministries has thus understandably led some defenders of aid to express concern that such moves will encourage even further tainting of the development thrust of aid by commercial and short-term political interests.

The thrust of the globalization argument made here is not to seek to encourage the use of development aid for non-development purposes, but to argue that attempts to "ring-barrier" and isolate aid from wider international forces are likely to be increasingly detrimental to achieving aid's developmental purposes. The implication is surely that recent moves by some donors to further integrate aid and widen donor policies should be seen as a *firmer* basis for debating and discussing not the absorption of aid concerns into short-term donor national interests, but the expansion and influence of aid-focused policies more widely within donor countries. The worlds of development aid and strategic and political influence will have to be increasingly brought together if aid is not to become marginalized and largely irrelevant.[72]

But this does not mean that as aid is pushed more centrally into the political arena it will necessarily become less able to address and influence development performance, even if in certain areas there would appear to be evidence of this happening.[73] The thrust towards globalization suggests that politics should be engaged rather than side-stepped, not in order to allow short-term and narrow political interests to dominate, but in order to engage in debate and discussion aimed at widening donor support for a greater harmony between development and donor interests.[74] What is therefore particularly noteworthy is that in Denmark, Norway and Sweden, the decisions to link aid and foreign affairs agendas more closely together does not appear to have had the adverse effects that many "traditional" aid

supporters might have feared. Switzerland appears to have gone perhaps furthest down this particular path in requiring all its domestic ministries and departments to ensure that domestic policies pursued are consistent with its international, including aid, policies.

Important though these developments and trends are, as the forces of globalization take even firmer root, ensuring merely that current international rules and regulations do not impede the growth and development of poorer, more needy nations is likely to be, and be seen as, an inadequate endpoint objective for donors. What is increasingly likely to be seen as required is something more than merely ensuring that poorer, more marginal countries are not discriminated against as international rules, regulations and institutions change in response to structural changes. It means that the needs of these countries need to be adequately represented and taken account of in international forums which debate and decide such changes. By implication, it would appear that donors have a (moral) role, not merely to speak and lobby on their behalf, but (returning to the discussion above about differences in motive and purpose) to work actively to help poorer countries to increase their ability to have the necessary voice to be able to become more equal actors on a global stage which is daily influencing the lives of all more and more profoundly. As, today, most official donor nations do not perceive it as part of their tangible aid policies to engage so proactively, there is clearly an evolving agenda for debate, discussion and action.[75]

The relative importance of bilateral and multilateral aid. Thus far, the discussion has been of more immediate relevance to bilateral as opposed to multilateral donors. However, the issue of globalization does raise, if not new questions, then old questions in a different way about the relative strengths and weaknesses of bilateral over multilateral forms of international cooperation.[76] Most strikingly, it raises anew the debate about the politicization of aid. For example, an old argument favouring multilateral aid over bilateral aid was that multilateral agencies are less susceptible to the narrow strategic and political interests of individual donor countries which, no one would deny, have political and strategic agendas, as well as development and aid-based objectives they wish to pursue. What is more, some recent evidence suggests that this argument for multilateral aid is becoming stronger. Thus, at least some bilateral donors (such as Germany and the United Kingdom) are positioning themselves to tip the old balance more in favour of bilateral aid, while, as noted, others (Norway and Sweden) have recently undergone

quite far-reaching institutional changes aimed at bringing the political and technical arms of their embassies far closer together.

Where does this leave the debate between the merits of bilateral and multilateral aid, and, in particular, are there any *new* points to be made? Although there is a large research agenda to pursue here (see Chapter 3 for some specific proposals) a number of, perhaps minor, points can be made.

- First, the overriding priority should not be to focus competitively on the relative merits of different forms of aid, bilateral *versus* multilateral. The priority ought to be to build the common agenda, highlighting not only comparative strengths but complementarities.
- Second, this means that both bilateral and multilateral agencies need to reflect not only on their joint and individual *ideal* strengths, but on their *actual* weaknesses, focusing in particular on why their combined aid efforts have had such a limited impact in particular countries and groups of countries. A major issue here is that of aid coordination and a closer analysis of why there has been such a large and persistent gap between donors' articulation of the need for greater donor coordination and the evident lack of coordination and donor cooperation in practice, and the considerable costs of duplication, inefficiencies and so on.
- Third, a serious look must be taken at the weaknesses of aid being delivered by so many agencies and of aid commonly being viewed and assessed within such a narrow aid-development framework. Among the large questions to be considered here would be the fact that while multilateral donors, bilateral donors and NGOs claim to have different absolute or relative advantages and strengths, in many instances they appear to do very similar things.
- Fourth, if donor agencies believe what they say about the purpose of aid being to enhance the ability of recipients to promote and enhance development themselves, they will seek to balance their own initiatives to improve the development impact of their aid programmes with initiatives to enhance the status of recipients and be more open to working with agendas which are not their own.[77]

Globalization and aid priorities

The process of globalization does not challenge the aid relationship merely by intensifying traditional influences: there are at least three new ways in which the process challenges the aid relationship.

- Economic performance, including both the absolute and relative strength of national economies, will be determined increasingly by the ability of those economies to change, to be flexible and to respond and adjust domestically to change.
- It is skills, a growing "knowledge-based" economy and new learning processes which are fast becoming the hallmarks of those economies, determining their ability to expand and develop in the globalized economy. These attributes are unlikely to be developed to the extent required and at the pace required by relying merely on market forces.[78]
- The forces of globalization, especially when complemented by the development of discrete regional blocks, increase the need to have in place sufficient and strong international, or supranational institutions capable of providing an effective framework to ensure international support for and confidence in the new global economy.

First, consider the linked notions that future development will be marked in particular by economies that have attributes of flexibility and that a critically important asset of dynamic flexible economies centres on the acquisition, development, depth and adaptability of their skill structures.[79] Historically, aid was provided in the belief that development could in some way be *hastened* by providing additional resources that a poor country did not have. The notion here was that, without aid, economic stagnation would be more likely to continue. What the globalization process does is to add a greater sense of urgency to this basic idea. Thus the argument would now go more like this: unless economies are able to grow and adapt, not only will their broader development be achieved more slowly, but their development prospects are increasingly likely to regress. Thus aid is to be perceived not merely in terms of gap-filling to assist progress, but in terms of helping to halt decline. Clearly, this way of viewing aid within the context of globalization reinforces and deepens any moral justification there was for providing aid in the first place. What are the implications for aid?

Aid and the paralysed economies. Returning to the distinction made above between "progressing" and "paralysed" economies, and to the notion that aid should be provided where, for differing reasons, markets are unable to function properly, it would appear that in the context of globalization, aid donors ought to focus increasingly on helping poor and paralysed recipient economies to equip themselves with those attributes necessary for them to

become part of the process of globalization.[80] What is more, given the severity of current problems across a number of these paralysed economies—including Afghanistan, Angola, Haiti, Liberia, Mozambique, Rwanda, Somalia, Sudan and Zaire—it is likely that the resources required to help recipients to shift from total paralysis to progress will need to be far more substantial and will need to be applied for a considerable length of time.

The severity of the problems to be addressed points to the need to rethink the "time horizon" of international assistance normally thought to be required: 10, 20 or 25 years might be a more realistic time-frame for trying to help solve the deep-seated problems of these countries. Additionally, it is also likely that the resources required for attempting to seriously address the problems of paralysis will far exceed the quantity of aid funds currently being injected into these economies. Given the combined effects of current problems of aid dependence, the need for donors to focus as much on enhancing the ability and capability of recipients to undertake development for themselves and the problems of widespread institutional and governance failures, radically new forms of international relations may be needed in order to overcome prevailing development problems and reduce the risks inherent in merely expanding current aid programmes. Clearly, more work is needed in this important area.

Aid, education and skills. The second new aid issue arising from globalization trends derives from the overriding importance of skills and knowledge-based resources in the new global economy. The first implication is surely that to the extent that aid donors continue to focus on a sectoral approach to their aid portfolio, they need to raise the status they have traditionally given to education and training. For the poorer countries in particular, it is not merely a matter of boosting educational capacity in order to catch up with others; what may be required of a poor country is not the (old) idea of second-guessing future market trends, but more the ability to leap-frog its way into the modern global economy, implying expansion on an order of magnitude not previously conceived.[81] This is certain to require a reordering of priorities, but it may also require a substantial call on new resources. As a recent World Bank analysis indicates, non-market intervention is particularly important in countries characterized by market imperfections.[82]

In terms of skills and skill training, globalization implies something *very different from more of the same.* As Lall argues, people need to be "taught to

learn": they need to be informed and persuaded that traditional ways of training, production and management cannot cope with modern technologies inherent in the new global economy.[83] Likewise, the new forms of learning implied in the process of globalization are likely to challenge the conventional view that education (and thus aid to education) should be focused on expanding universal primary education as the basic goal. Current research in the field suggests, quite forcefully, that such an approach is likely to be wholly inadequate.[84]

Aid and the new global order. The third new way that the process of globalization challenges the aid relationship arises from the rising importance of a new global agenda. Thus, globalization increases the need to have in place sufficient and strong international, or supranational institutions capable of providing an effective framework to ensure international support for and confidence in the new global economy. What is more, as noted above, the ability of poor countries to gain from the process of globalization will be increasingly dependent on their voice's influencing what is already becoming an intensive debate on the evolving global framework.

These developments surely have some profound implications for aid. Overall, they raise the significance of aid well beyond the confines of discrete interventions of individual donors in individual recipient countries, urging the expansion and extension of forms of aid well beyond the traditional donor-recipient relationship and the forms in which international aid has in part been developing (for instance through the global environmental facility). More concretely, they raise the question of different ways in which this particular role for aid might be institutionalized and the extent to which it should be viewed as linked or distinct from aid as we have known it. A series of initial questions to address would include the following: how are the (new?) funds to be raised (linked to or separate from traditional aid funds); how should these new aid needs be assessed; how might these aid funds be best utilized (whether through new or existing institutions) and monitored; and what would be the practical implications for the respective roles of traditional aid donors, recipients and other international actors in monitoring, allocating and administering these funds.

There is clearly a large potential research agenda required to address the many and complex issues raised in each of these new aid-linked areas, made prominent by the process of globalization.

Aid and the development paradigm

Thus far, the discussion of the aid-development relationship has not raised questions about the development paradigm into which the aid is inserted and the type of development that aid is intended to promote and hasten. Since its inception, aid has been attacked by both Marxist and dependency theorists because, it has been argued, the nature of the development process which aid is supporting and furthering is fundamentally flawed. As noted earlier, it is not the purpose of this paper to revisit these criticisms. The purpose of this section is to examine a number of new and emerging structural changes occurring and influencing the development process and to raise a series of questions arising from these changes as they relate to debates about the role and purpose of aid.

The process of globalization is adding support to the structuralist view that the process of growth in aid-recipient countries needs to be seen as part of a process of incorporating the more marginal economies of the world into a form of world economic expansion based on market expansion and deepening, with state structures and policies lubricating this process.[85] One important consequence of this trend is that one can see more clearly than ever before a link between the process of development which aid is supporting in the poor countries and the "end-point" of such development, as manifested in the form and type of development being achieved in the mature industrialized economies of the world, especially within the OECD group of donor countries. But is this form of expansion detrimental to poor countries and the poor within them as this group of critics have always maintained?

This is clearly not the place to answer such a question in any depth: indeed, as will be suggested below, there is still plenty of research required to throw further light on this crucial issue. However, there are two marked, and probably linked, manifestations of the results of contemporary global expansion within and across the more mature OECD economies which ought to be a cause of reflection for aid donors. Thus increasingly since the early 1980s, all the leading OECD economies have been marked by signs of rising levels of "permanent" unemployment, and a number by signs of increasing inequalities between groups of citizens in terms of income, and in some cases, wealth distribution.

Thus, modern industrialized economies appear increasingly incapable of providing all citizens willing and able to work with productive jobs: overall unemployment is now three and four times as high as was deemed totally

unacceptable 20 years ago. Of equal or perhaps greater concern in some of the poorer and more peripheral OECD countries, such as Finland and Spain, unemployment levels have been persistently between 15% and 25%, while in Japan, inroads are being made into the concept of lifetime employment, especially important for the larger companies.[86] There has not only been a rise in unemployment rates, there have also been important structural changes in the form that employment is taking. In particular, there has been a marked rise in part-time and temporary work, most of which is not voluntary, and in the rise of long-term unemployment. Thus, in the United Kingdom, by the early 1990s, almost 40% of jobs did not involve regular full-time wage employment, while in Germany, the number of temporary work agencies doubled from 1982 to 1987. And in the United States, the share of those who had been out of a job for more than a year more than doubled, from 5.6% in 1990 to 12.2% by 1995.[87]

It is quite widely assumed in the industrialized countries that unemployment is the principle reason why poverty persists and is increasing. But this is an oversimplification. In both the United Kingdom and the United States, the main cause of poverty is not so much a lack of work but low pay: those working in the United Kingdom but earning low wages accounted for a full 40% of those in poverty at the end of the 1980s. Similarly, in the United States, more than half of all Americans whose incomes fell below the official poverty line lived in households in which at least one person worked, and among full-time workers the numbers in poverty rose by 43% between 1977 and 1987.[88]

Thus, overall, there are now clear signs that as currently evolving, the economies and societies of many donor countries, especially those more influenced by freer markets, are witnessing growing inequalities and rising levels of poverty. Those with the capabilities and the assets to gain from economic opportunities are able to exploit them, but those without tend to disproportionately, and in some cases (the United Kingdom and the United States being the most prominent examples) absolutely, lose out.

But to what extent are these trends likely to occur more broadly? According to the latest *World Development Report*, the evidence is mixed: in East Asia income distribution has become more equal as trade has expanded, but in some Latin American countries there has been an increase in both wage and income inequalities (p. 56). Overall, however, the *Report* comments that "there is substantial risk that inequalities between rich and

poor will grow over the coming decades while poverty deepens", adding that within countries unless action is taken, poor groups in particular will not benefit from overall growth (pp. 4 and 8).

There are various implications and questions for the development process into which aid funds are inserted to accelerate it. First, and to repeat a point made in relation to education and training, it is widely acknowledged in the industrialized economies that various forms of intervention in the economy are required to counter and redress a range of market inadequacies. This point is of particular relevance to contemporary aid-development discussions because of the prime importance now given to providing aid, when the market is not able to assist in development. This provides perhaps the core contemporary motivation for providing aid at all.

But what about the form in which aid should be given? It is here that the analysis of trends within and across the OECD economies and contrasts with poor countries become so relevant. Most poor countries are characterized by *higher* levels of unemployment and underemployment and *greater* degrees of income and wealth inequalities than exist in contemporary donor economies. What this suggests, most forcibly, is that if aid is to be used to accelerate a development process in these countries which follows the path and patterns of development in the most developed economies of the world, then, "unaided", there is a risk that the process may *accentuate rather than reduce* income and wealth inequalities. Besides the restrictions that social inequalities put on future economic growth,[89] such an analysis suggests that the increasingly influential process of globalization might create an additional role for aid:

- Combating the risk that growth may exacerbate or widen inequalities in poor economies. This may be done, for instance, by supporting initiatives, such as land reform, which encourage greater asset-sharing.
- Supporting direct interventionist measures which aim to address growing problems of unemployment and underemployment, for example, training and retraining programmes to encourage more widespread self-employment.

It is possible to raise a number of more technical and tentative, but potentially far-reaching, questions related to the process of globalization. For instance, if the linked processes of globalization and information technologies are changing the nature of work and if trends in gender relations are changing traditional roles of parenting and work between marriage

partners, then it may be that city planning designs built on (increasingly questioned) assumptions about male-female and work-home roles, about the need for different rooms and types of room at home (rooms now needed for work) and about transport needs may have to be thoroughly rethought. These sets of issues are particularly important for developing countries and for aid, because they challenge the long-held notions that the way for new cities to develop in the South is merely to reproduce city designs in the North.

Thus whereas in the North globalization trends are likely to lead to redesign and new building, given new social mores and practices, it may be possible for the South in some ways to leap-frog this process and build from the start on the basis of new ways of living and working. Clearly, these are but a couple of examples of the types of issues which might need to be raised about a whole range of types of aid. More research is needed in these areas to ascertain with more accuracy the parameters around which the new debates about aid in the process of globalization might realistically be engaged.

Finally, these various manifestations of the globalization process provide an additional reason for donor countries to perceive their relationships with aid recipient countries more holistically. What is more, it is possible in this context to focus again on the concept of "mutual interests", which was at least intellectually influential at the time of the Brandt Report. For example, both industrialized and developing countries are gripped with problems of unemployment, to which potential solutions are likely to benefit North and South alike. Indeed, it has recently been argued that pursuing goals of mutual interest provides a far greater opportunity for accelerating economic improvement in the South than do marginal increases in aid. Thus Singh argues:

> A notable advantage of the employment focus is that international co-operation and coordination is more likely to be forthcoming in this field than, say, in the field of development assistance... The South is much more likely to be helped by higher employment levels and faster rates of growth in the North than by any feasible increase in concessional resource transfers ("The Global Employment Challenge: A Social Summit Priority", *South Letter*, Winter/Spring 1995).

3.
A Proposed Research Agenda

What is needed is not so much the creation of a *completely* new agenda for aid, but rather the establishment of a *firm contemporary* agenda for aid, which not only ably encompasses new issues and addresses current weaknesses and defects but which also takes over and builds upon some of the undoubted strengths of the "old" aid agenda. Within this context, it is suggested that the case for development aid in particular ought to be built on far firmer and more intellectually robust foundations than it is at present. Thus, it is suggested that aid should be based on the following seven propositions.

1. Aid should have clear and internally consistent objectives which can be simply understood and articulated forcefully.
2. Aid should be capable of eliciting widespread support within and across donor countries, and among recipients.
3. The principle reason for donors to provide development aid should be the needs of the recipients: the greater the need and the greater the ability of the donor to provide it, the stronger the case for aid. However, the needs of recipients do not constitute the total case for aid.
4. Thus, the greater the ability of potential recipients to meet their development needs themselves, or to obtain their requirements through non-

concessionary channels (without unduly increasing their future needs), the less strong will be the case for providing aid.

5. Additionally, the case for aid needs to be linked more closely than has often been the case to some minimal expectations of its being able to make an effective contribution to reducing major constraints to future development. This implies that aid should be focused more clearly on easing the particular constraints of particular recipients, and that the purpose of the aid given should include that of enhancing and increasing the ability and capability of recipients to promote their own development. This also implies that the more likely it is that aid will increase the ability of recipients to promote their development, the stronger will be the case for donors to provide aid.

6. Countries providing development aid have legitimate strategic, political and commercial interests which they will wish to pursue. The development aid given should be provided in harmony with, in support of, and consistent with donors' other international policies and practices.

7. In policy debates taking place to redraw the ground rules for future international economic relations resulting from changes in the global economy, donors should ensure that the policies they are party to formulating are drawn up in harmony with and supportive of the near-term aid objectives to which they have committed themselves.

The research proposals made here tend to focus most on principles of, and broad approaches to, aid, and on issues about which it is possible to engage in serious research activities (as opposed to speculative comment), and least on the issues related to expanding political support for the contemporary aid agenda, even though it is recognized that such support remains critical to the strength and effectiveness of the aid agenda.

Likewise, the fluidity of the contemporary aid world and its various institutional building blocks provides a particularly difficult backdrop against which to draw up a firm and useful policy-focused research agenda for contemporary aid. This is because research proposals need to weave a path between, on the one hand, focusing on issues of relevance to contemporary policy debate, and, on the other hand, not focusing so sharply on immediate issues that the points made and conclusions drawn quickly become outdated. For instance, the reform of some of the major international financial institutions and aid agencies is now firmly on the agenda, as

are linked proposals for new supranational social and economic organizations to replace or complement existing organizations. The manner in which changes occur here will have a profound effect not only upon how aid is perceived, but on the strength of support that is likely to be mustered for its continuation and expansion.

MINIMIZING DUPLICATION OF AID RESEARCH ACROSS DIFFERENT INSTITUTIONS

In discussing a new research agenda and well before decisions are made and funds provided for any major research initiative on aid, it is clearly important to ensure that the evolving work agenda being proposed does not unnecessarily duplicate or replicate identical or similar research initiatives that might be carried out by other researchers, universities, research institutes, donors or donor consortia. An initial way of trying to ensure that potential duplication or replication is avoided, or minimized, is to obtain information on the work undertaken or work plans of the main organizations and institutions known either to be undertaking or closely monitoring aid research.[90]

So, once a research agenda has been agreed on, it would seem prudent to circulate the proposed plan to these same organizations and networks both to obtain comment and to ensure that the work proposed is not subsequently duplicated unnecessarily in future research plans.[91]

PROPOSED RESEARCH AGENDA

To deal with the many weaknesses, defects and contradictions in the aid relationship and inconsistencies between aid and other forms of international cooperation, there is a need for further work and research. A new research agenda might cover the following twelve issues or topic areas, the first ten of which come directly from the previous discussion, with the last focusing on some new or developing areas of concern or importance to the overall aid relationship.

- Support for aid in donor countries.
- The principles and motivations for aid.
- Need-based motivation for aid and aid volumes.
- The purpose of aid and issues surrounding the measurement of its impact.
- Aid beyond current institutional arrangements.

- Types of aid and types of recipients.
- Methods of and criteria for aid withdrawal.
- New ways of raising aid funds
- Aid, aid impact and recipients
- Aid, international cooperation and globalization
- New donors
- Linkages between official and unofficial aid.

It is acknowledged that a number of the proposals drawn up encompass common areas of work. It was thought, however, to be more useful, at least for preliminary discussion, to err on the side of trying to list a number of smaller and distinct tasks rather than of drawing up a smaller number of far larger research agendas which would necessarily have to contain a whole series of subparts. The weaknesses of the current approach (overlap, potential duplication) should be apparent, but hopefully it will provide a firmer basis on which to discuss different sorts of ways of setting the parameters around which international development cooperation research might be organized, and the extent to which it is thought necessary and important to focus more explicitly beyond aid on broader development questions.

Support for aid in donor countries

Most contemporary discussion about aid readily concurs with the notion that there are problems with aid. What is often not clear are the differences in the cause of these problems and their likely duration. Some argue that aid is in a state of crisis, and some that there is widespread aid fatigue, but there is not even agreement on the meaning of the terms used. In part, this reflects different trends in different countries, but in part it probably also reflects a shallowness of analysis, which fails to distinguish clearly between changes and influences outside the aid-development relationship and those within it. Failure to identify precise causes of the current malaise limits the ability to find appropriate solutions.

Objectives. The overall purpose of the research will be to clarify current confusion by attempting to analyse carefully the reasons for the current malaise in aid, to identify the extent to which this is caused by changes outside the aid-development paradigm and the nature of such anti-aid sentiment, and thus to identify the sorts of issues which will need to be identified if aid volumes are to rise again (see below for discussion of aid volumes).

This should lead to specific proposals for outlining particular remedies to address identified problems and weaknesses.

Methodological questions. The research would probably produce the richest results by focusing on case studies in different donor countries, including large and small donors, those in which there have been sharp falls in aid volumes and those (small number) where aid has not markedly declined, such as Denmark. It would certainly need to look at (compare and contrast) what is happening within North America, Europe (northern and southern) and (possibly) Japan. It would involve a wide trawl of non-aid literature, including the literature and current debate on the changing nature and different forms of crises in terms of funding state programmes within donor countries, embracing changes in regard to approaches to welfare and need, the changing nature of the state and government revenue and expenditure in the selected countries. The purpose is not to develop new ideas on changes within donor countries, but rather to use this material as well as debates within the aid-development literature to attempt to weigh and assess the relative importance of the different factors contributing to what is commonly perceived (narrowly) as a problem (crisis) in aid. It would end by outlining a set of strategies for addressing the problems identified.

The principles and motivations for aid

Although ODA has always been provided for the prime purpose of assisting economic growth and development, it has always been influenced externally by political and strategic interests of donors, as well as internally by commercial interests. The combined effects of the end of the cold war, new sets of problems in poor countries and changes within donors countries have thrown in doubt the veracity and strength of these different reasons for providing aid, and highlighted (again) conflicts between different goals. Particular focus on and (often faulty or incomplete) arguments about the demise of the strategic reason for aid have tended to eclipse what may be more deep-seated doubts about the need-based motivation for donors to provide aid and engage in international development cooperation consistent with the desire to address the needs of the poor.

Objectives. The overall objective would be to outline a clear and strong purpose and motivation for development aid in the contemporary world. Though this is likely to focus mostly on a needs-based motivation for help-

ing, in order to maintain support for aid, indeed to generate the increased support necessary for it to meet those needs, it would appear that it would need to further incorporate (rather than ignore) political and strategic interests. Thus the research would need to address the different ways in which development objectives on the one hand, and political and strategic interests on the other, may be better harmonized.[92]

Methodological issues. A major part of research would involve tracing through and analysing the varying motivations different donors have for giving aid, focusing particularly on the way these have changed in recent years, and using these as the basis for outlining a strong contemporary case for aid. The research would focus on ideas and arguments for and against aid within a broad multidisciplinary context (ethics, political science, development). It would be likely to involve case study material of a number of (different) donor countries to ascertain both the importance of different issues in different countries and the differences between countries.

It would be likely to focus on producing a more complete understanding of how needs-based assumptions of helping can form the basis of different forms of (consistent) international cooperation, including aid. Yet it would also be likely to attempt to incorporate donors' strategic and political interests, most likely by building on notions of mutual interest in the context of globalization trends. It would also need to address the question of whether the time is ripe to propose a more rigid separation of the development purpose for aid and commercial interests within the donor country, and discuss whether this might take place by opening up different sorts of aid windows, of which only one (the larger one) would be a "purer" aid-for-development window. This research would also need to dovetail with the research proposed on aid, aid impact and recipients.

Need-based motivation for aid and aid volumes

Although in the past there may have been a more substantive link between the quantification of the aid needs of recipients and the overall target for aid volume on behalf of the donors, this link has long since disappeared. Additionally, as donors have added more objectives to their aid, the 0.7% target has become even less related to those needs. If the case for aid is to be built more strongly on recipient needs, it could be argued that continuing to base aid targets on the 0.7% figure could weaken the case for aid.

Objectives. The main objectives of the research would be to assess the extent to which the increasingly weak intellectual case for basing aid volumes on the 0.7% target erodes the case for aid, whether a different (needs-based) basis for setting aid volume is worth considering and what the implications for the support for aid would be of both introducing a new/different basis and abandoning the 0.7% target. If deemed necessary, the research would involve discussing the merits of moving towards a new needs-based justification for aid. To the extent possible, and perhaps with individual recipient-based countries, besides outlining how needs-based criteria for assessing aid requirements might be made, the research might attempt to work out the numbers. As with previous research, there would be linkages with the topic of aid, aid impact and recipients (below). The work would not necessarily be based on the assumption that aid levels are currently too high.

Methodological issues. The research would involve a mixture of analysis of current and past trends of support for aid (including the degree of understanding of current targets), discussion of the construction of a more intellectually sound method of assessing aid needs and discussion with aid officials and the "development lobby" on formally abandoning the 0.7% target and replacing it with something new. It is likely that the research would involve aggregate analysis and trends, and be complemented with a sample survey in a number of selected countries, embracing those which have exceeded the 0.7% target, those which are near to it, those which have never aspired to it and those which have regressed.

The purpose of aid and issues surrounding the measurement of its impact

Is the purpose of the aid provided exclusively to contribute to and make a development impact, or is it also provided (mainly or partly) to enable the recipients to be better able to promote development themselves? The evidence from the way donors undertake appraisal and evaluation provides a mixed and confusing picture, though one which tends to veer towards the former. Also, if aid is provided as a "reward" for fulfiling specific conditions for its provision, to what extent should it be assessed in relation to compliance with these objectives vis-à-vis development performance targets? Finally, if aid is provided with the intention of alleviating poverty, is there any way of judging the relative merits of focusing aid on direct poverty alleviating projects vis-à-vis indirect methods of alleviating poverty? All these questions need further clarification.

Objectives. The objectives of the research would be, first, to discuss, analyse and clarify the different purposes of aid and, then, to propose different methods of assessing the extent to which these different purposes of aid are achieved and achievable. It would be likely to point to problems/weaknesses arising from confusion between attempts to achieve different purposes, from the weakening of aid and aid's impact caused by the growing array of different objectives and different types of objectives, and from lack of clarity in relation to direct and indirect means of addressing poverty. The research would need to build upon (and not duplicate) recent and ongoing work in this area—for instance, the work of the European Centre for Development Policy Management (ECDPM). It would focus more on issues and concepts and less on particular problems of particular recipient countries, which would be the subject of the proposed research on aid, aid impact and recipients (below).

Methodological issues. The issues to be addressed would be analysed by undertaking a number of case studies of aid donors and aid recipients. This would probably entail an examination of the criteria donors currently use to assess impact, highlighting the extent to which and methods by which they address the potential tension between working to enhance development directly and working to enhance the ability of recipients themselves to achieve their development objectives. It would also include assessment of the importance donors attach to discrete interventions over and above assessing aid in the wider context.

By extending the analysis beyond particular donors and taking an overview of the issues of coordination,[93] the research could examine the strengths and weaknesses of the common practice of donors, focusing largely on the impact of their own aid projects and programmes over and above methods (strengths and weaknesses) of assessing aid impact more widely. It might also look at the costs and benefits of reducing the number of individual donors for each recipient country sector and extending the notion of "coordination" well beyond that of ensuring consistency between discrete programmes.

Assuming that a variety of different gaps and contradictions emerge from the analysis, the research would attempt not only to recommend changes to narrow gaps and remove contradictions, but it would try to assess the extent to which individual donors would be likely to be receptive or resistant to such changes.

Aid beyond current institutional arrangements

Institutionally, the dominant form of aid relationship consists of a series of individual bilateral donors who provide aid allocated to a series of recipient countries that are packaged up in a number of discrete aid projects and programmes. The distribution of multilateral aid is commonly based on the same institutional approach. Such an institutional arrangement is most appropriate to a context in which development problems can overwhelmingly be solved by individual country action.[94] Even today, there are a number of development problems which require action beyond the level of the nation-state and poor-country economy. As the process of globalization extends and deepens, the importance of global issues and global solutions will grow. These trends raise the question of whether consideration should be given to new and different forms of institutional arrangements for providing aid, supplementing donor-recipient focus with some sort of international or supranational aid fund.

Objectives. The main objective of the research would be to assess and if appropriate draw up proposals for altering the current way aid is institutionalized through individual donors providing aid to individual recipients. In particular, the research would examine whether there is a strong case for proposing an aid "window" above and beyond the current dominant individual donor-recipient relationship and, if so, how it would function, how it would be funded, how it would allocate funds and the extent to which it would build on and be integrated with other nascent international initiatives which involve some form of aid funds. In undertaking this work, *inter alia*, the research would examine the institution of the DAC and, where appropriate, comment on ways in which its role and function might respond to the institutional changes proposed.

Methodological issues. First, the research would analyse and review weaknesses, drawbacks and gaps in current arrangements where aid is divided and packaged up into different donor initiatives and allocated largely to different specific recipients, including strengths and weaknesses of bilateral and multilateral aid. It would do this both by assessing current aid relationships and by pinpointing the range and depth of development issues which remain relatively untouched by current aid funds. Next, it would examine the range of the issues involved in proposing changes in current arrangements, including examination of the different possibilities for opening up a new supranational window for aid different from the pre-

vailing single donor-recipient paradigm. Different theoretical approaches would be discussed with donors and donor institutions, including the DAC, to assess their practicalities, the current degree of support for such a proposal and the strategies that might be adopted to increase support for such a proposal.

The research might also include discussion of contemporary aid arrangements with a selection of different recipient countries to ascertain the extent to which theoretical and practical gains might accrue to creating some form of aid recipient affiliation, particularly in relation to addressing how supranational aid funds might best be used and allocated.

Types of aid and types of recipients

There has always been a divergence between the development and largely poverty-based criteria for providing aid, and the actual allocation of aid to differing recipients. However, to the extent that aid is increasingly driven and influenced additionally by market-based criteria for its provision, the allocation of aid funds to recipients who are not among the most needy and who are often able to obtain from non-aid funds the resources which aid currently provides from the market, discrepancies will widen, and the needs-based case for aid will be increasingly weakened.

Another set of growing concerns revolves around the increasing prominence given by donors to the issue of sustainability juxtaposed with the growing incapability of a number of recipients to meet sustainability criteria. In part, this is linked to the rise in emergency assistance. In particular, the distinction made between emergency and development aid would appear to be increasingly strained and less relevant to particular realities in some of the poorest aid recipient countries. These issues raise fundamental questions about the appropriateness of continuing to maintain such a rigid distinction between different forms of aid.

Objectives. The first objective of this research topic would be to review and, if deemed beneficial (not least to the case for aid), put forward proposals for tightening the development (need-based) criteria by which recipients would qualify for development aid funds, and discuss (and propose) the sets of indicators considered appropriate for assessing cut-off points for qualifying for different amounts of aid. Additionally, after reviewing the weaknesses and problems of current donor approaches to sustainability and distinctions between emergency and development assistance based largely

on aid forms, a set of alternative criteria based more on the type of recipient would be analysed and, if deemed practical, proposals made for change.

Methodological issues. The research to be undertaken would commence with reviews of aid trends which assess the extent to which needs-based criteria have and still do determine which recipients receive aid. It would then discuss and draw up different indicators which capture the degree to which aid recipients would be capable of replacing aid funds and resources with own-funded substitutes, outlining the sorts of features which would characterize and contrast excessively aid-dependent paralysed economies with more dynamic progressing economies. Probably using case study material, the research would analyse and draw attention to problems and weaknesses of continuing to appraise and assess aid to particularly poor and paralysed economies in terms of traditional notions of emergency and development assistance. It would then outline the possibilities (as well as drawbacks) of replacing these distinctions based on aid forms with distinctions based on the types of recipient economies into which aid is inserted, and, if deemed desirable, draw up criteria and methods for assessing aid needs and aid impact within these sorts of parameters.[95]

It is readily acknowledged that this research is likely to prove particularly difficult and complex. As a result, it may well be appropriate to approach the work in two stages, the first focusing more on providing an overview of the various issues involved, preparing for a second stage which would address the particular issues listed in greater depth.

Methods of and criteria for aid withdrawal

A distinct but related sub-element of the previous research area would focus on ways in which individual donors might withdraw from countries to which they have given aid. The main problem here is that whereas many donors originally perceived their aid involvement as only temporary, a number have found that they have increased the degree and extent of their involvement in particular countries. There are a number of questions to ask. What was the cause of the increase in aid involvement? Is there any evidence to suggest that the provision of aid funds, weaknesses in terms of aid coordination among donors, the forms in which aid was provided, or overemphasis on development impact outcomes to the detriment of enhancing recipient capacities have contributed to the growing problems of aid dependence? If so, is it possible to assess the relative strength and importance of these issues?

As well as examining these questions, the research would also be likely to benefit from analysing particular cases in which donors have been able to reduce their aid not for political and/or strategic reasons, but based on the development achievement of the recipients. Case studies of these experiences would focus on any particular economic or wider development indicators used in coming to the decision to withdraw, and pinpoint recipient reaction to donor withdrawal, either by sourcing from non-aid funds or, perhaps, by altering their own priorities.

It is anticipated that such research would be able to end with recommendations about ways in which and time-frames within which it might be possible to devise a strategy for aid withdrawal. However, it is also possible that the research might conclude more pessimistically that for certain types of recipients (more paralysed economies), the prospects for a near-term future without aid are slim. In such cases, the research might produce a set of proposals for addressing development problems far more holistically than that which still tends to view the contribution of aid in terms of a relatively short-term input of different donors, often working on different discrete projects.[96]

New ways of raising aid funds

There are two ways in which the volume of aid funds might be increased: the first by working to expand current aid budgets, the second by the introduction of new types of revenue-raising facilities. Already, UNDP has initiated a substantial work programme analysing new and innovative forms of financing. Given the level of activity already being undertaken in this area, there is little practical point at this stage in making any additional proposals for other work to commence in this area.

Aid, aid impact and recipients

Aid is provided on the assumption that it makes a positive contribution to development.[97] But a growing feature of the past 30 years has been differing performance for different groups of countries. Some countries have experienced rapid development, some countries have failed to develop as fast as others, others have stagnated and still others appear to have suffered development regression. A persistent question raised by this varying performance is the extent to which aid has contributed to development and the factors which have impeded or assisted aid's contribution to development.

Yet there are a series of new, or relatively new, questions which are being asked about the aid relationship.

One is whether sufficient attention has been focused on the different types of constraints which impede development and thus whether the form in which aid has been given (as well its duration) have been sufficiently closely linked to addressing these different sets of constraints. Particular attention has been focused on a set of institutional constraints whose impact on development and aid effectiveness has been particularly profound. Another set of questions has revolved around the proposition that the aid relationship might itself have had a quite profound perverse impact in contributing to, or even setting in motion, a series of events which have themselves worked to impede development prospects. These questions themselves link to analyses on the nature of the development (and non-development) state and on the nature, extent and cumulative effect of corruption (especially "secondary" corruption) on development and the aid relationship in particular.

Objectives and methodology. The main objective of research is to discuss and analyse the aid relationship from the viewpoint of aid's impact in the recipient country with a view, first, to trying to isolate (if possible a hierarchy of the importance of) different factors which impede development and to place these factors alongside the role that aid has played in these recipient countries. One aspect of this research would be to analyse aid dependence and try to isolate the extent to which action by individual donors and interaction between donors and the recipient have contributed to the creation and perpetuation of such dependence. The research would predominantly involve case studies, but these case studies would differ from many donor-initiated country studies because they would view aid in the context of overall development constraints and potential and not from the narrow perspective or prism of individual donor's aid programmes.

It is likely that the research would focus on different types of economies: both those in which development has been less problematic and those in which development has been severely constrained. Additionally, the research would attempt to examine different sorts of "paralysed" aid recipient economies: those whose paralysis is rooted more in problems of security and conflict, those whose paralysis is rooted in a history of poor economic management and misuse of resources and those whose paralysis lies more in the cluster of political, legal, institutional and administrative problems and weaknesses that contribute to "non-developmental" and inflexi-

ble states. Flowing from this analysis, the research would discuss the policy implications of the evidence assessed for the manner in which aid would contribute best to different country contexts. It would go on to discuss how these conclusions "fit" with the current form in which aid is provided, monitored and assessed.

A subset of research initiatives could focus more explicitly on the issue of corruption. The main, and simple, purpose of this research is the most obvious one: to contribute to a process whereby the adverse effects of corruption on aid impact are significantly reduced.

There are two ways in which the problems of aid and corruption might form a specific area for research. The first would be more of a "quick and dirty" approach. This would involve undertaking a broad survey of work which has been done and is ongoing, synthesize this and produce a series of policy-based conclusions and place these in the public forum for debate and discussion among donors (including international agencies) and recipients. One reason why this sort of initiative is proposed is that there would appear to be a, perhaps understandable, reluctance on behalf of both bilateral donors and recipients to give prominence to the issue as it tends to put them both in a poor light. In other words, there is a need to bring these sorts of issues more clearly and sharply into the public forum, which an academically rigorous initiative would help to achieve.

A second approach would be to undertake a number of case studies of particular countries, including sub-case studies of particular donor-recipient relations. This is probably more feasible than it may have been four or five years ago because a small, but significant, number of both donors and recipients have shown willingness to address the problems of corruption and aid, knowing that action to address the problems will carry far more weight if based on careful study and analysis.

As with other research proposals, it would be important to ensure that the research work proposed complements and builds on work already done or under way rather than duplicating it. This will mean liaising with the World Bank, the Centre for the Study of African Economies at Oxford University (United Kingdom), and Transparency International.

Aid, international cooperation and globalization

There has always been a need to try to ensure consistency between the development objectives of aid and the wider international forces and poli-

cies which donor countries pursue: for very poor countries especially, the potential good that aid can do might be swamped by aid repayment commitments, while for growing open economies, trade restrictions can be equally debilitating. Thus, to further the broad objectives of the development impact of aid, it has always been necessary to expose and reduce any inconsistencies between donors' aid objectives and various other (more self-interested) international policies of donor countries.

Some of the research proposals already discussed (such as those focusing on the principles and motivations of aid, support for aid in donor countries, and aid beyond current institutional arrangements) reflect a number of different, though linked, ways in which a new framework for international development cooperation is emerging and ought increasingly to be perceived. Here, the focus is on yet another dimension of the new emerging framework for international development cooperation, namely, the process of globalization, an area which does not yet appear to have been a focus of much concentrated aid research.

Even without analysing the issues in great depth, it is apparent that one immediate effect of the process of globalization is to raise even more sharply the need for aid and broader international policies to be consistent and mutually supportive. What remains uncertain is precisely how the changes brought about by globalization will affect the aid process, though a number of quite fundamental issues would appear to be involved. One concerns aid forms and, in particular, the relative strengths of bilateral versus multilateral aid brought about by the changing interface between aid and politics.

But the process of globalization also raises a number of new questions. One relates to and influences the needs-based arguments for aid, shifting debate away from exclusive concern with whether lack of aid reduces the potential for development to the additional notion that without aid, nations and people will become worse off as a direct result of failure to halt the deepening process of marginalization. In consequence, addressing seriously the problems of paralysed economies might require radical rethinking of aid in terms of both amounts of aid needed and the time-frame in which it might be reasonable to expect tangible results. Another set of questions raised concerns sectoral priorities, influenced in particular by the growing importance attached to skills and skill training in the evolving and increasingly knowledge-based economies. Finally, the process of globalization raises additional structural questions for aid and new requirements. Should aid

have a new role in helping to counter adverse trends in relation to inequalities and the apparent failure of even many more mature economies to provide remunerative employment?

Objectives. This brief discussion of the issues and problem areas indicates the importance of this general area but also still considerable ignorance about what precisely the major issues are and their relative and absolute importance. Thus, the overall objective of research in this area is, first, to be better able to understand the importance of the globalization process of international development cooperation and aid. The second objective is to draw out a set of more specific policy conclusions and recommendations. Within this overall two-tiered framework, there are more focused questions which need to be addressed. How does the process of globalization alter (weaken or strengthen) current approaches to development promotion through aid and wider international policies? Does it, for instance, alter priorities or ways of assisting poor or paralysed economies, and what are the implications for aid? In what way does the process of globalization alter donor priorities in terms of sectoral assistance, and what are the implications? In what ways do the consequences of economic growth and development paths emerging within a more all-encompassing process of globalization suggest that aid might be used to address these new types of problems?

Methodological issues. Inevitably, and in common with other work taking place in the area of globalization, a proportion of the work conducted here is likely to be speculative and tentative. As a result, one way of approaching the issues might be by playing through different scenarios—providing that some assessment is made of the likelihood of different trends materializing in practice. Research on aid and globalization would involve quite a wide trawl of interlinked literature covering, minimally, the following areas, in order to reflect on and draw out implications for different aspects of aid policy and practice from the international and global level down to the micro- and sectoral levels: international trade (regional and global), production, technology, growth and inequality, and training and skills issues.

New donors

The course of international relations over the next 25 years will include some quite far-reaching changes in terms of the relative power and importance of different economies. Already, Mexico is a member of OECD, while

Argentina, Brazil and the Republic of Korea are members of OECD's Development Centre, and a growing number of other former developing countries will join their ranks in the next decades. For aid and international development cooperation, this means that a growing number of countries are moving from becoming recipients to becoming likely or actual donors. In this connection, this paper has suggested that the case for aid would be markedly strengthened if the qualifications for receipt of development aid were lowered, a move which would reinforce the profundity of the changes anticipated between donors and recipients. Finally, there is China, which is likely to become a major aid donor in the next decade.

These potential and actual developments raise a set of important questions for aid and international development cooperation. Will these new potential aid donors provide aid, and if so, how important will they be globally and (perhaps of greater importance) within the context of different emerging regional blocks? What will be their motive for providing aid, and will it be markedly different from the motivation and criteria of the current DAC members? For instance, in what way do they see differences between emergency assistance and development aid? What is the moral/ethical reason for providing aid and how is this different from or linked with perceived future self-interest? To what extent will their aid contribution be influenced by future market access questions? How will these new donors interact with the current group of DAC members: will they join and try to influence aid policies from within, or will even sharper views about aid, its motivation, its purpose and its function emerge?

Research objectives and methods. Very simply, the research objectives here would be to try to provide answers to these interrelated questions in order to build up a more over-arching view of the changing world of donors. Some work has been done on some of these issues by the DAC and also by individual countries and research institutes (such as the German Development Institute in Berlin). Some of these new (potential) donors (Taiwan and Thailand) have begun to establish departments within governments to address some of these questions themselves. Building on this work and utilizing a common framework (open-ended questionnaire), the research would involve a series of country visits to gather data and obtain views from key officials and policy-makers covering the whole range of issues on aid and international development cooperation more generally. Ideally, the research would cover large and smaller potential donors, and include a number of countries which,

at present, are both recipients and donors. There would also be value in assessing the opinions and views of the sample of Asian countries against the perspectives on aid of Japan, currently the largest DAC donor.

Preliminary discussion with the DAC indicates interest in this topic.

Linkages between official and unofficial aid

Increasingly, over the past 15 years, the role of unofficial aid in overall development cooperation has increased, boosted in part by financial support from official aid agencies. Although there has been recent growth in research on the impact and effectiveness of NGO development projects and programmes, there has been little analysis of the overall role of NGOs in development cooperation, the growing and more complex interaction between official and non-official aid donors and the future role, purpose and place of non-official aid.

Within this overall context, there are four specific issues which, from an overall policy perspective, would be useful to examine. The first would be an analysis of current and projected trends in official funding of NGOs to assess the likely pattern of development. There are mixed signals at present. One view is that official funding of NGOs is set to increase markedly (supported in part by decisions within USAID to expand the role and importance of NGOs in official aid, for instance as articulated in the New Partnerships Initiative). Another view is that funding may well have peaked, supported by recent evidence from Canada, Finland, Norway and Sweden, which have either cut back funds to NGOs or have indicated that they will soon do so. Perhaps the underlying issue to unravel is precisely why donors have sought to increase or decrease their funding of NGO activities.

A second issue concerns analysing the extent to which developing interaction between NGOs and official donors represents a growing movement towards a significant common development agenda in terms of development cooperation objectives and the implications of this for development cooperation more generally. The research would focus not merely on the growing common ground but also on the issues which continue to divide leading official donors and leading NGOs, assessing the causes of such disagreement, the potential for resolution and the implications for wider international development cooperation (and for official sources funding) of continuing divisions.

A third research area might focus on the different approaches to poverty of NGOs and official aid agencies, analysing in particular the extent to

which the nature of the intervention differs, the way information and insights are exchanged between official and non-official donors and leading to consideration of the extent to which, and more precisely how, mutual learning could be enhanced.

A fourth area of research might focus on the respective roles of official and non-official agencies in nurturing and deepening commitment within donor countries to the emerging new international development cooperation agenda. Issues to address would include the following: the extent to which the two groups work together or against each other, the overall impact of their work for creating and sustaining support for international development cooperation and the extent to which this support actually makes a difference to the aid and wider development policies enacted within donor countries. The research would not merely provide answers to these questions; it would focus on the factors influencing the level and degree of influence exerted.

Methodologies. The research would involve a combination of discussion, formal interviews and analysis of literature, including the large body of grey literature on these issues. Contact points would be both large NGOs and donor agencies, as well as the DAC, but also centres of the growing number of NGO networks, and the NGO research community. Some of the research would likely involve a less in-depth approach aimed at covering a wider range of issues; others questions are likely to be answered more substantially by carrying out a small number of more in-depth case-studies.

CONCLUDING COMMENT

The overall thrust and orientation of the research proposals presented (in summary form) in the last section has been to focus on what in a number of respects constitutes either new areas of research or new ways of approaching more traditional research areas on international development cooperation issues with a particular focus on aid issues. It needs to be stressed that the purpose of undertaking this exercise has been to contribute to the strengthening of the contemporary case for aid. But this does not imply, and is in no way meant to imply, that the research proposals presented here constitute an aid research agenda which supersedes or makes redundant other aid and international development cooperation research initiatives which are taking place or are under active discussion. In many respects, the proposals made here ought to complement much of this work.

Appendix

The New Aid Recipients

Following the demise of the Soviet Union and its satellites and its aftermath in 1989, the categorization of countries into donors and recipients which had prevailed largely unaltered for over 30 years witnessed some substantive changes. Following rising inflows of official aid to countries of the former Eastern bloc, in 1993 the Development Assistance Committee revised some of its key definitions and qualifications for countries said to be eligible for aid.

Today, as in the past, to qualify as official development assistance, funds provided by OECD donors have to fulfil certain criteria. They need to be grants or loans:

- which are undertaken by the official sector;
- which are transferred with the promotion of economic development and welfare as the main objective, thus excluding grants, loans or credits for military purposes. By convention, technical cooperation is counted in ODA flows, while transfer payments to private individuals for pensions, insurance or reparation pay-outs are not;
- and which are transferred on concessional terms—if a loan, then at least 25% needs to include a grant element.

Prior to 1989, all funds qualifying as ODA were channelled to developing countries. But after 1989, donors began to channel funds which other-

wise would qualify as aid funds to countries which did not fall within the traditional view of what constituted a developing country. As a result of these changes, the DAC made two important decisions. First, it provided a breakdown of countries into two divisions: those that qualified as aid recipient countries, listed as countries and territories in Part I of the DAC list of aid recipients, and those termed "countries and territories in transition", listed as countries and territories in Part II of the DAC list of aid recipients. Second, it decided that official aid going to those countries in Part I would qualify as ODA, while those official funds going as aid to countries in Part II and conforming to the three broad principles outlined above would still be termed official aid but would not qualify as ODA. Additionally, the new designation of countries in Part I and II allows for particular countries to progress to more advanced status.

A basic problem is that the classification of countries into Part I and Part II is not entirely based on average income levels, though, by and large, the poorest countries, such as the Asian republics, qualify for ODA rather than for "official aid". However, many countries, including the Russian Federation with a 1992 *per capita* income of $2,510 are listed in Part II, when some 50 countries with higher *per capita* incomes are listed in Part I. Indeed, Part I countries include major donors, such as Saudi Arabia, and even members of OECD, such as Greece. Clearly the list owes as much to history as it does to rigid current criteria of eligibility in terms of social and economic status.

The full (current list) is reproduced in the table. Its main features are as follows:

Part I—States to which funds channelled are called ODA
Former Eastern bloc countries currently qualifying as recipients of official development assistance are these:
Low-income countries: Tajikistan.
Lower-middle-income countries: Albania, Armenia, Azerbaijan, Georgia, Kazakstan, Kyrgyzstan, Turkmenistan, Uzbekistan and the states of the former Yugoslavia.

Part II—States to which funds channelled are called official aid
Former Eastern bloc countries currently not qualifying as recipients of official development assistance are these: Belarus, Bulgaria, Czech Republic,

Estonia, Hungary, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Slovak Republic and Ukraine.

A central question is the extent to which official aid channelled especially to these Part II countries has caused or influenced the overall decline in aid to those in Part I. The first point to note is that the amounts of aid disbursed are substantial. Thus OECD data show that in 1993, official aid to Part II countries totalled $6.7 billion. This amounted to 12% of total ODA. Though the total dropped slightly from 1992 to 1993, as a proportion of total ODA, the official aid channelled to these Part II countries rose, albeit only marginally.

Four related factors should be noted.

- First, the figures of funds channelled to Part II countries exclude the money which Germany has provided to the former East Germany and the strains which this has put on German aid flows.
- Second, the figures quoted are for aid *disbursements*. Not only are aid *commitments* far higher (over 10% higher than net disbursements in relation to ODA), but it is well known that donors have had particular difficulties in disbursing aid committed to a number of key Part II countries.
- Third, developing countries have suffered a double blow from these recent changes. Not only are aid donors now providing an additional 12% of funds to these Part II countries which might well otherwise have been channelled to Part I aid recipients, but many of those Part II countries, as well as the former Eastern Germany, now receiving aid were until recently donors. If one adds 1993 flows of official aid to Part II countries of $6.7 billion to the $5 billion of ODA which was provided in 1998 by Central and Eastern European donors, the gap widens to some $11.7 billion. This represents a potential loss of funds equivalent to just over one-fifth of 1993 levels of ODA ($56 billion), larger than the quantity of aid provided by OECD's largest donor.
- Fourth, as shown most visibly in debate surrounding levels of European aid to developing countries, some of the leading donors to the European Union's aid budget are in the process of cutting their contribution to EU aid. Even if these donors do not cut their overall aid budgets, the direct impact of this switch will be to provide relatively less funds to the poor countries.

Notes

1. Some would argue that this statement is self-evident, if not tautologous because ODA is defined *inter alia* by OECD as funds (grants and concessionary loans) that are provided with the main objective being the promotion of economic development and welfare. For an earlier discussion of (the different) motives of donors in providing aid, see Maizels, A. and Nissanke, M. (1984) "Motivations for Aid to Developing Countries" *World Development*, Vol. 12, No. 9, pp. 879–900.

2. Criticisms of its impact are encompassed in the points made in the previous paragraphs.

3. See Maizels and Nissanke (1984) and, more recently, White, H. and McGillivray, M. (1995) "How Well is Aid Allocated? Descriptive Measures of Aid Allocation: A Survey or Methodology and Results" *Development and Change*, Vol. 26, No. 1, January, pp. 163–183.

4. Clearly, these few paragraphs can scarcely succeed in encapsulating all the different arguments for and against aid. For a more comprehensive review, see Riddell, R. C. (1987) *Foreign Aid Reconsidered.* London and Baltimore: James Currey and Johns Hopkins.

5. In 1975, Arab/OPEC-country aid accounted for 28% of total ODA, but by 1993 it had fallen to less than 2%. ODA from the Council for Mutual Economic Assistance (CMEA) countries never accounted for more than 12% of total ODA, reached in 1971.

6. It might be argued that the presence and work of the DAC was influential in helping to maintain the steady expansion of aid volume, not least because one of the requirements of DAC membership is that members agree to secure an expan-

sion of aggregate volume of resources made available to developing countries. That may have been true in the past. But in recent years, the DAC has not been able to persuade members to maintain aid volumes even at previous levels.

7. In its twenty-fifth anniversary edition, which took a long-term view of aid from the viewpoint of the DAC donors, the chairman's report stated:

Development has been greatly accelerated in a variety of countries in all regions of the world, sustained over at least a generation. This was the optimistic thesis on which large-scale international co-operation for development was launched. The thesis has been confirmed. (OECD (1985) *Twenty-Five Years of Development Co-operation A Review*. Paris.)

8. The World Bank had established its own evaluation procedures somewhat earlier.

9. It will be argued below that attempts to prove aid's effectiveness in such a way would always fail and that the funding of such attempts contributed to false notions of aid's overall beneficence.

10. This is different from arguing that impact evidence has never influenced decisions on aid volume. Most often, however, the evidence has been used to support a prior decision to expand aid. To the contrary, donors have tended not to publicize examples of their own aid failures or poor impact of their own projects to justify or even support the case for aid cuts.

11. It is not being suggested that the near future is likely to see the distinction between official donor approaches to development and those of leading NGOs disappearing. The latter remain extremely critical, especially of the approach of the international financial institutions. However, the gains made in altering the aid agenda of official donors mean that these NGOs are increasingly aware of their (growing) ability to influence this agenda and thus, minimally, to complement criticism with dialogue and discussion. These issues are discussed further in "NGOs and Official Donors", ODI Briefing Paper, July 1995.

12. Small annual changes in aid disbursements of major donors can often be due to the bunching of allocations to multilateral agencies or funds (such as IDA) and to measures taken to reduce spending pipelines due to unspent aid funds committed but not disbursed. Thus, they should be interpreted with caution: until recently, they have not been signs of long-term changes in overall commitments.

13. These were reproduced and slightly amended in the February 1995 publication: OECD (1995) Development Assistance Committee 1994 Report: *Efforts and Policies of the Members of the Development Assistance Committee*. Paris: OECD.

14. As noted by White and Woestman, the ratio of ODA to GNP for OECD

donors did fall during the 1960s. See White, H. and Woestman, L. (1994) "The quality of aid: measuring trends in donor performance" *Development and Change*, Volume 25, No. 3, July, pp. 527–554.

15. Long-term trend data suggest an even worse position. Thus, in the period 1950–55, the overall ODA/GNP ratio was 0.3% (0.35% for OECD donors), rising to 0.41% for the period 1960–61 (0.52% for OECD donors). See OECD (1985: 93).

16. OECD 1996, *Development Assistance Committee 1995 Report.* OECD: Paris, p. 72.

17. This assumes, of course, that aggregate aid flows from the OECD countries would have been maintained at current and recent levels of aid, and that there would have been no additional funds going to the former Soviet Union and Eastern European countries. Some commentators argue that for some donors (such as Finland and the United States), they would have been reduced.

18. In 1994, Japanese aid totalled $13.4 billion: the 16.3% rise in dollar terms compares with a 9% real rise in local currency terms over the 1993 figures (Japan's Foreign Ministry report as quoted in *Financial Times*, 31 May, 1995).

19. Historical reasons for providing aid have tended to be linked to colonial legacies and the notion that after the severance of political ties, the former ruler retains some sort of obligation to help.

20. However, some discussion of changing views on the commercialization of aid are addressed in part in the discussion of aid and the private sector below.

21. Overseas Development Council (ODC) (1994) *The Transformation of ODC.* Washington DC: ODC.

22. In the recent deep cuts in the United States' aid appropriations, aid to Egypt and Israel has been completely protected.

23. Since the end of the cold war, OECD has provided billions of dollars of aid to the former Soviet Union and Eastern Europe. In 1994, this amounted to $7.2 billion, which with the addition of the $57.8 billion channelled to developing countries, amounted to $65 billion. However, in the three-year period 1991 to 1994, ODA flows in real terms fell by 7.7%, while official aid to qualifying former Soviet Union and Eastern European recipients also fell in real terms by an even greater amount—8.24%. [See OECD press release Financial Flows to Developing Countries in 1994. Paris: OECD, 21 June, 1995.]

24. In 1993, ODA flows to high-income countries came to $2.28 billion, and ODA flows to upper-middle-income countries came to $1.48 billion, giving an aggregate total of $3.76 billion. In contrast, in 1989, ODA flows to high-income

countries came to $1.3 billion, and ODA flows to upper-middle income countries came to $1.07 billion, giving an aggregate total of $2.37 billion. (OECD statistics, various sources).

25. Although not everywhere. Most of southern Africa, for instance, has become far more stable and less of a threat to regional (and thus, indirectly, to global) stability.

26. OECD (1996, table 38).

27. Perversely, some donor governments advocate the creation of new international/global institutions because, it is argued, key current multilateral institutions are so influenced by bilateral donors and donor governments (including themselves) that they are not able to function effectively at the global level.

28. An early donor-wide articulation of this came in the 1969 Pearson report: Pearson, L. B. and others (1969) *Partners in Development: Report of the Commission on International Development.* New York: Praeger.

29. These different arguments are discussed more fully in Riddell (1987).

30. Finland, Sweden and the United Kingdom have recorded either consistently high or even rising public support for aid in the last two years when aid volumes have been stagnant or have declined. See "The Reality of Aid 95: an Independent Review of International Aid 1995". London: ICVA, Eurostep and ActionAid. The cuts in British aid announced in late 1995 and early 1996 led to vehement attacks from the aid lobby and from NGOs, but there is little to no evidence to suggest that the wider public protested the cuts announced.

31. From 1992 to 1994, OECD statistics record that total grants by NGOs (from non-official sources) declined (in current price terms) from $ 6 billion to $5.4 billion.

32. A 1995 survey in the United States found that 75% of respondents thought that the government spent too much on foreign aid. They thought that the actual level of spending on foreign aid was 15% of the US budget, adding that 5% would be about the right level. In fact, the ratio is less than 1%. See Bread for the World Institute (1995) *At The Crossroads: The Future of Foreign Aid.* Silver Spring, MD: Bread for the World Institute. For a review of contemporary debate on the minimal influence of public opinion in determining changes in aid flows see Olsen, G. R. (1995) "Public Opinion, International Civil Society and North-South Policy since the cold war in Stokke, O. (Ed) 1996. *Foreign Aid to the Year 2000: Experiences and Challenges.* London: Frank Cass: Ilford (UK).

33. The argument here is not that the state is in decline but that its role and purpose and the way it interacts with the real economy are being perceived in new and different ways.

34. Lowering taxes has not been a universal phenomenon. In the 1994–95 financial year, the new Finnish Government chose to reduce taxes; the new Swedish Government did not.

35. See, for instance, Mead, L.M. (1992) The New Politics of Poverty. New York: Basic Books.

36. Older criticisms of aid embraced these sorts of arguments. What appears different today is that because of these new government policies, voters, taxpayers and consumers directly confront them in the domestic debates about taxation and expenditure.

37. It should be apparent that a complete discussion of these issues requires one to move out beyond factors and influences external to the aid-development relationship to focus on some issues within the aid-development paradigm. More specifically, views on the role of aid are nurtured by weaknesses and problems within the aid-development relationship, to be addressed more fully in the next section of this chapter. Thus as indicated in the introduction to this chapter, this is an example of a factor influencing the aid debate which crosses the threefold classification presented. The important point to stress is that it needs to be traced back to both external and internal influences if it is to be understood completely and addressed comprehensively.

38. Galbraith is one of those who has argued that they are likely to persist. See Galbraith, J. K. (1992) *The Culture of Contentment.* Boston and London: Houghton Mifflin.

39. In the early 1990s, the United States' Agency for International Development (USAID) had no fewer than 33 different objectives for the aid it is was administering.

40. See Cassen R. and others (1987 and 1994) *Does Aid Work?* Oxford: the Clarendon Press.

41. Thus the World Bank's Wapenhans Report argued that declining portfolio performance of Bank projects over the past 20 years has been due in part to "the need for more complex and challenging undertakings in response to new development priorities" as well as the fact that structural adjustment programmes have often "changed priorities." World Bank (1992) *Effective Implementation: Key to Development Impact Report of the World Bank's Portfolio Management Task Force.* Washington D.C.: The World Bank.

42. In relation to the decade of the 1980s, the current focus on poverty might appear to be something of a novelty. Historically, however, it is nothing new: the poverty focus also received great emphasis in the mid-1970s when the basic-needs

approach and redistribution with growth were popular notions. See Chenery, H. and others (1974) *Redistribution with Growth*. London: Oxford University Press.

43. Most donors, however, would maintain that it is necessary not only to reach the poor directly but to complement direct poverty-alleviating initiatives with indirect approaches, now commonly extending to addressing macroeconomic weaknesses.

44. In the 1950s, a semi-official Swedish committee spoke of the objective of Swedish technical assistance in terms of "help to self-help".

45. It might be argued that participation ought to apply only to certain types of aid initiatives. The World Bank's differing view is this:

Participation is really about facilitating change and, as such, can be relevant in any sector or Bank-funded task—not only in poverty-targeted work and the social sectors. While it is reasonable and desirable to invite continued learning about when and where participation is appropriate, there are sufficient grounds to warrant stepping up efforts to mainstream participatory approaches. Regions will continue taking steps to be more participatory, and will be supported in moving beyond experimentation to learning by doing and sharing best practice. [World Bank (1994) *The World Bank and Participation.* Operations Policy Department. Washington DC: The World Bank, page 34.]

46. Thus, the OECD's compendium on evaluation comments that: It should be the goal of a development programme to help establish and strengthen the foundation on which future activities can grow and spread. There is a need to develop and nurture capabilities so that developing countries can take charge of the pace and direction of their own development. From self-reliance can come the experience needed to sustain development efforts. [OECD (1989) *Sustainability in Development Programmes: A Compendium of Evaluation Experience, Selected Issues in Aid Evaluation 4.* Paris: OECD, p. 17.]

47. Thus the recent DAC statement on shared orientations for development cooperation stated explicitly that:

For development to succeed, the people of the countries concerned must be the "owners" of their development policies and programmes. We remain committed to generating substantial resources for development co-operation to back the efforts of countries and people to help themselves. [OECD (1995) *Development Partnership in the New Global Context*]

48. A recent evaluation report for the Swedish International Development Authority has drawn attention to the wealth of literature now available on institution-building but to the paucity of advice on how aid agencies might imple-

ment policies to strengthen local institutions. [Moore, M., Stewart, S. and Hudock, A. (1995) *Institution Building as a Development Assistance Method: A Review of Literature and Ideas.* SIDA Evaluation Report 1995/1. Stockholm: SIDA.]

While the distinction between the motivation for aid and the purpose of aid is not often discussed, the tensions between different purposes for aid for donors have been the subject of discussion. A good overview of some of the problems and contradictions within and between donors and recipients is contained in a recent Policy Management Brief produced by the European Centre for Development Policy Management "Partnership in the 1990s: How to Make it Work Better". *Inter alia*, this brief comments that:

Donor agencies recognize that recipient ownership is necessary to make aid sustainable and to build local capacity. However, in practice, they are introducing more conditionalities, less flexibility and centralized management into the aid process. All this tends to work against ownership.

If one is committed to recipient ownership and sustainability, support for capacity development becomes a top priority that has to be reflected in the budgets. Shying away from institutional problems (through project implementation units or technical cooperation) makes little sense. Effective partnership will not arise unless the institutional conditions for recipient-led negotiation and management are created in both the public and private sectors. The aid system must be reviewed from a recipient perspective. Local conditions and capacities should become the starting point of development programmes rather than the contextual footnote. It implies:

- Scaling down expectations to what can realistically be achieved.
- Adopting an interactive process approach to designing and implementing development programmes.
- Adapting the nature of donor involvement to local capacities. This implies that the "first-best" technical prescriptions and complex schemes may not be appropriate and that extended time horizons are needed.
- Adapting financial flows to recipient implementation capacities.

Paradoxically, the first priority is not to build new institutions but to dismantle the wide array of ad hoc institutions created to speed up the implementation of aid programmes.

49. Personal communication with Professor Hans Singer.

50. For instance, in the Netherlands, one of the parties in the coalition government has argued recently that Dutch aid should fall back at least to the 0.7% level because there is no convincing evidence to show that Dutch aid is any better than that of other donors.

51. See, for instance, the writings of Peter Bauer and Melvyn Krauss and the aid publications of the Heritage Foundation in the United States.

52. It should, perhaps, be noted that these briefly summarized features of market-based aid compress enormous amounts of research and analysis focused on each of these different issues to which any complete and rounded summary of aid (which this paper does not purport to be) would need to give due recognition. An accessible overview of many of the issues is contained in SIDA (1994) *State, Market and Aid.* Stockholm: SIDA. A short and accessible overview of the myriad of issues raised in relation to the relationship between aid, democracy and governance debate is: Healey, J. M. and Robinson M. (1992) *Democracy, Governance and Economic Policy: Sub-Saharan Africa in Comparative Perspective.* ODI: London.

53. OECD (1994) *DAC Orientations for Development Co-operation in Support of Private Sector Development.* Paris: Development Assistance Committee of OECD, page 14.

54. One example would be increased external debt commitments. As argued, in similar fashion by Hewitt, A. (ed.) 1994. *Crisis or Transition in Foreign Aid.* London: ODI, p. 94.

Aid should therefore be concentrated in future in those countries which have not been able to attract international private financing (especially Africa and the poorer parts of Asia). And its effectiveness should be judged within that context, where it is fulfiling an obligation which commercial actors have refused because of the unacceptable risks involved.

55. For instance, though in aggregate most Swedish aid goes to some of the poorest countries of the world, as a share of total aid given to individual recipient countries, Sweden contributes the most aid to Botswana which, in 1994, because of its long-term economic progress left the group of least-developed countries.

56. I am grateful to Professor Robert Cassen for this point.

57. In contrast, donors believe that "critical evaluation ... (is able) to identify the best and most cost-effective approaches for implementing effective aid" (OECD, 1995, *Development Partnership in the New Global Context*).

58. According to OECD statistics, bilateral aid of DAC donors allocated for emergency and distress increased more than threefold from $1,058 mn in 1990 to $3,219 mn in 1993.

59. According to OECD, a programme is sustainable if it is able to deliver an appropriate level of benefits for an extended period of time after major financial, managerial, and technical assistance from an external donor is withdrawn. [OECD (1989) *Sustainability in Development Programmes: A Compendium of Evaluation Experience, Selected Issues in Aid Evaluation 4.* Paris: OECD.]

However, OECD goes on to argue that sustainability does not always have to require programmes to be totally supported by local resources. It stresses that a sustainable programme should be characterized by having "the ability to mobilize the necessary resources to maintain it" (page 16).

60. In theory at least, OECD documents acknowledge that the principle of financial sustainability does not have to require all individual projects to be self-financing.

It is not necessary for sustainability that the programme be totally supported by local resources. The objective of a sustainable programme is to make a country self-reliant, not necessarily self-sufficient in a selected development activity. The sustainable programme is characterized by the developing country's having the primary responsibility for the activity, the institutional capacity and commitment to carry it forward and the ability to mobilize the necessary resources to maintain it. It is not necessary for this to be accomplished without any assistance from other sources. [OECD, as quoted in E. Lewin (1994) *Evaluation Manual for SIDA. Stockholm, Swedish International Development Authority.*]

61. The Commission produced its report (in Norwegian) in January 1995, translated (roughly) as "Norwegian South Policy for a Changing World".

62. See "Name Calling and its Perils" *The Economist*, 6 May, 1995.

63. The term "flexible" economy has been used to attempt to capture the different characteristics which identify economies for which development is a goal that is actively pursued. Building on the experience of the East Asian NICs, Seddon and Belton-Jones focus on the links between politics, institutions and flexibility:

Economic flexibility depends crucially on policy adaptability: the capacity to change the policy framework within which the economy operates, whether in detail or in overall direction, rapidly, efficiently and effectively, and without undue social or political friction. Policy adaptability is a function both of the character and ethos of the government and the bureaucracy... and of their degree of insulation from the immediate pressures of the political arena.... Insulation (not the same as isolation) is possible only if the relationship between the policy-making process and the wider political economy permits the effective regulation of both "the state" and "civil society" within certain broadly acceptable parameters ... while it appears to be the relative autonomy of the state and its effective regulation of economy and society which have enabled the East Asian governments and bureaucracies to exercise policy adaptability without being unduly constrained by short-term political considerations, it is, nevertheless, the maintenance of strategic relationships with important sectional and class interests in the wider civil society, and a degree of responsiveness

to those interests, that prevent relative autonomy from becoming isolation and autarky, and ensure a continuing commitment to economic development. [Seddon, D. and J. Belton-Jones (1995) "The Political Determinants of Economic Flexibility with Special Reference to the East Asian NICs in Killick, T. (1995) *The Flexible Economy: causes and consequences of the adaptability of national economies.* London: Routledge and the Overseas Development Institute]

64. Eigen has argued that less-developed countries may well be "giving" more aid to more-developed countries than they are receiving. P. Eigen (1992) "Focus on Corruption"; Berlin (mimeo). See also, for instance, P. Collier (1995) "The Role of the African State in Building Agencies of Restraint"; Oxford: Centre for the Study of African Economies (May, mimeo); and H. H. Werlin (1994) "Understanding Corruption", Report for the World Bank. Maryland (August, mimeo).

65. Thus Werlin (1994) distinguishes between primary corruption—simply greed or excessive partisanship or selfishness that is subject to official punishment or popular condemnation, as suggested in typical definitions of corruption—and secondary corruption, referring to greed (or merely manifestations of ambition or survival) in the absence of viable governance which tends to be systemic or standard operating practice. He argues that the roots of corruption lie not so much in excessive greed as in the failure of the political system to protect the public. The problem can only be confronted by addressing the low quality of governance through, for instance, promoting legitimacy, accountability, decentralization, respect for human rights and the rule of law and participation.

66. See N. van de Walle (1995) "Crisis and Opportunity in Africa" *Journal of Democracy* Vol. 6, No. 2, April, page 134.

67. Two exceptions would be studies of Bangladesh and Tanzania carried out by Sobhan. See Sobhan, R. (1982) *The Crisis of External Dependence—The Political Economy of Foreign Aid to Bangladesh.* Dhaka; (1991) "External Dependence and the Governance of Bangladesh"; National Professor Atwar Hussain Memorial Lecture, October 1991 (mimeo); and (1995) *Aid Dependence and Donor Policy: The Case of Tanzania with Lessons from Bangladesh.* Paper prepared for Project 2015, *Long-Term Development Prospects for Sida's Aid Management.* Stockholm: SIDA (November).

68. In a recent OECD publication on globalization and developing countries, Oman defines globalization thus [Oman, C. (1994) *Globalization and Regionalization: the challenge for developing countries.* Development Centre Studies, Paris: OECD]:

Globalization can be defined generically as the growth of economic activity spanning politically defined national and regional boundaries. It finds expression in the increased movement across those boundaries of goods and services, via trade

and investment, and often of people, via migration. It is driven by the actions of individual economic actors—firms, banks, people—usually in the pursuit of profit, and often spurred by the pressures of competition. Globalization can thus be characterized (i) as a centrifugal process, as a process of economic outreach, so to speak, and (ii) as a microeconomic phenomenon.

Today, it is the movement of tangible, and especially intangible, forms of capital—finance, technology, and the ownership or control of assets—that is most important.

69. A number of key texts on globalization which, by implication at least, raise questions about prevailing processes of aid and development would include the following: Dunning, J.H., Kogut, B., and Blomstrom, M. (1990) *Globalization of Firms and the Competitiveness of Nations.* Institute of Economic Research, Lund: Lund University Press. ILO (1994) *World Labour Report 1994.* Geneva: ILO. James, J. (1992) *New Technologies, Poverty and Employment: The Future Outlook.* World Employment Programme Research Working Paper, Technology and Employment Programme. Geneva: ILO. Lall, S. (1990) *Building Industrial Competitiveness in Developing Countries.* OECD Development Centre, OECD: Paris, 1990. Mytelka, L. (1992) *South-South Co-operation in a Global Perspective.* OECD: Paris. Oman, C. (1994) *Globalization and Regionalization: The Challenge for Developing Countries.* OECD: Development Centre, Paris. Reich, R.B. (1991) *The Work of Nations.* Vintage Press: New York. Singh, A. (1994) "Global Economic Changes, Skills and International Competitiveness", *International Labour Review,* Volume 133, No. 2. Wood, A. (1994) *North-South Trade, Employment and Inequality: Changing Fortunes in a Skill-Driven World.* Clarendon Press: Oxford. World Bank (1993) *The East Asian Miracle: Economic Growth and Public Policy.* Oxford University Press: New York. *World Development* (1994) Vol. 22, No.4. Special Section: The World Bank's The East Asian Miracle: Economic Growth and Public Policy, edited by Alice H. Amsden.

70. As an anonymous reviewer of an earlier draft of this paper correctly observed, aid has often been provided to compensate for policy inconsistencies.

71. In one interpretation, this is the view that problems of the "third world" are so different from those of the industrial world that they require a particular (unique) set of policies (and perhaps theories) to address them.

72. The Norwegian South Commission puts this point strongly and extends it thus (unofficial translation): "The Commission would like to see considerable changes in Norwegian development aid and recommends that it should be viewed to a far greater extent in conjunction with other foreign policy. The Commission is sceptical about the government giving direct aid to special target groups in the South. The role of aid must be to support countries' own development policies and

institutions so that they can fulfil essential functions".

73. See, for instance, Moore, M. and Robinson, M. (1994) "Can foreign aid be used to promote good government in developing countries?" *Ethics and International Affairs*, Vol. 8, pp. 141–158.

74. There would appear to be sufficient support for aid's development objectives among most donors to provide the basis for building upon and widening this consensus, even if some far-reaching changes are probably needed in the way that aid is currently perceived and provided. The issues raised here could profitably form the basis of further research.

75. However, again, the Norwegian South Commission specifically makes the linked recommendation that the UN's aid efforts be aimed particularly at strengthening the capacity of recipient countries to formulate their own policies.

76. As noted, this paper does not discuss the relative advantages of multilateral over bilateral aid, such as those clustered around its better potential for consistency and coordination, and because it is less directly influenced by commercial lobbies based on donor countries.

77. Interaction between official donors and NGOs has given rise to a phenomenon that is now being referred to in some quarters as the reverse agenda—a process whereby the approach and methods of the NGOs are now themselves beginning to influence the actions, activities and perceptions of official donors. In some cases, donors go out to seek ideas and inputs of NGOs into their work so as to expose themselves to new ideas and new approaches. It would appear that there are many and varied ways in which official donors could interact with official recipients to expand and deepen another sort of reverse agenda.

78. The development and enhancement of an economy both to be able to respond constructively to change, and be able to supply the new skills and ways of learning and working necessitate governments' taking action "to accelerate citizen's successful adaptation to change" (R. Reich "Why Economic Growth is Not Enough" *Financial Times*, London, 5 June 1995).

Helping those left out is one of the toughest problems for policy, for poor and rich countries alike. From a hard-headed economic perspective, investing in such people may seem a poor risk, because many are old, socially ill-adapted to work or stuck in backward regions. But concern for their misery and for social cohesion demands that policy reach out to them. The longer people are left behind, the harder it becomes to break self-perpetuating, intergenerational cycles of poverty [World Bank (1995) *World Development Report 1995: Workers in an Integrating World.* New York: Oxford University Press.]

79. The issues of flexibility and adaptability, including the relative role and importance of economic and other factors in development, are discussed by the various contributors to the following important book: Killick, T. (Ed) (1995) *The Flexible Economy: Causes and Consequences of the Adaptability of National Economies.* London: Routledge and the Overseas Development Institute.

80. This comment is not meant to imply that donors ought to focus exclusively on these sorts of recipients. Economies are best seen not so much in terms of rigid classification but in terms of a continuum: some characterized with more attributes of paralysis, some with more attributes of progress; some with a higher degree of risk of falling back into paralysis, some with greater prospects of progressing. It is thus highly likely that some of the lower-income progressing economies will still benefit from aid funds.

81. The idea of leap-frogging in terms of educational assistance is discussed more fully in Riddell, A. R. (1995) "Globalization, Decentralization, Privatization: Emasculation or Opportunity for Educational Planning?" Paper presented at the Comparative and International Education Society Conference, Boston, March (mimeo).

82. "If training is in the interests of both workers and employers and in market economies it takes place in response to underlying economic circumstances, should governments get involved? Governments should intervene in the market for training if there are particular market failures or imperfections". [World Development Report 1995, p. 38.]

83. See Lall, S. (1995) "Industrial Adaptation and Technological Capabilities in Developing Countries." In Killick (1995).

In order to successfully absorb and deploy new technical information, prior investments have to be made in human capital and organizational capabilities to "decode" new technical information and to incorporate it into moving processes. Technological capability is not, however, simply the sum of the education and training of a firm's employees. It is based on the learning undergone with reference to particular technologies and depends on the way in which the firm combines all the individual skills to function as an organization (Lall 1995, pp. 262 and 271).

84. As Singh comments, "To focus on early (primary) education as the World Bank does may not be the best way of enhancing the international industrial competitiveness of a developing economy. To compete in the world industrial economy, it is essential to have higher educational institutions, scientists, technologists and engineers. Universal primary and secondary education is a worthy goal in its own right, but alone it does not provide the wherewithal to compete in the international

market. It is undoubtedly far more expensive on a per capita basis to provide higher education than to provide primary or secondary schooling. The former is also necessarily elitist, but this is a price that may have to be paid for international competitiveness." [Singh, A. (1994) "Global Economic Changes, Skills and International Competitiveness" *International Labour Review, Special Issue: Competitiveness, Equity and Skills.* Vol. 133, No. 2, page 180.]

More recently, an IMF study of the United States, but with clearly wider implications, concluded that the problem at the source of rising wage inequality is declining job-market opportunities for workers without advanced education. Addressing wage dispersion in the long run, however, may require addressing skill levels at a much earlier stage (than vocational skills training programmes). Rethinking curriculums in primary and secondary schools could potentially produce graduates with better labour force skills, irrespective of whether these might be trade skills or communication and analytic skills [E. Buckberg and Thomas, A. (1995) "Wage Dispersion and Job Growth in the United States" *Finance and Development*, June, page 19].

85. If recent trends continue, by the year 2000 fewer than 10 per cent of workers may be living in countries disconnected from world markets (*World Development Report 1995*, page 1).

86. The unemployment rate in the European members of the OECD stood at about 3% in the mid-1970s; by the end of the 1980s it had risen to over 10%. By October 1992, the unemployment rate was estimated to be 9.9%, with some 35 million members of the labour force out of work. The rates vary sharply from country to country. In 1991, the unemployment rate in The United Kingdom was 9.9%, in Germany 5%, and in the Netherlands 6.4%. In all countries, however, rates of unemployment have remained stubbornly high and are now higher than they were 20 years ago. In the United States, the unemployment rate in late 1992 was 7.5%, compared with rates of 3–4% in the 1970s and a rate of less than 5% at the end of the 1980s.

87. OECD. 1995. *Survey of the United States' Economy.* Paris: OECD.

88. This itself is part of a yet wider phenomenon seen in a number of key industrialized economies: there has been a significant widening of the gap between incomes at the top and bottom of the income distribution. In particular, successive years of economic growth and overall wealth creation have not led to a general upward movement of incomes. Indeed, quite the reverse appears to have happened. Thus by 1990, the average hourly wage of American non-supervisory workers within American corporations adjusted for inflation was lower than in any year since

1965. While median income grew 41% in the decade after the late 1950s, it slowed to 14% in the 1970s and to less than 1% in the 1980s. The real wages of the lowest-paid 10% of workers fell by more than 30% between 1970 and the late 1980s, while the percentage of unskilled men without jobs doubled. Statistics from the Bureau of Labour show that in 1975 the minimum wage in the United States was $2 an hour and the average wage was $4.10 an hour. But by 1991, the average wage had risen to $10.20 an hour, and the minimum wage to only $4.25. The gap thus widened from $2.25 to $6.10 over the period. In contrast, the wages of college graduates rose steadily and the average after-tax annual income of those in the upper 20% of the income distribution increased in constant dollars from $74,000 to $92,000. The most affluent fifth of households received 46.5% of all household income in 1991, from 43.5% in 1971. The poorest fifth received 3.8%, down from 4.1% in 1971. A related phenomenon has been the growing divergence between top incomes and profit levels.

89. These are discussed, for instance, in Glyn, A. and Miliband, D. eds (1994) *Paying For Inequality: the Economic Costs of Social Injustice.* London: Rivers Oram.

90. Though organizations such as the DAC in Paris try in a limited way to keep track of ongoing research on aid issues, inevitably, some excellent research is being undertaken which is not widely known. In the United Kingdom, this tends to be undertaken by "lone" researchers at universities and other centres of higher learning by people not networked with either the main development-focused institutes or the Development Studies Association.

91. It is not being suggested that if one researcher, institution or donor is working in a particular field that that fact alone should be the basis for concluding that another researcher, institution or donor ought not to undertake similar work.

92. There is a growing research agenda focusing on new notions of the old concept of mutual interests. What appears particularly underresearched is a linkage between this work and what this paper has argued is a necessary reassessment of the nature and strength of the needs-based arguments for donors to provide development aid.

93. The issue of aid coordination has been a focus of study and attention for many years. Donors agree that coordination is important and some have commissioned studies to focus on weaknesses caused by lack of coordination. But many of these studies are framed within the context of assuming that individual donors will continue to operate independently of each other

94. However, as noted above, there are a series of weaknesses inherent in even this approach, to which insufficient attention has probably been given.

95. The present author has discussed these issues in relation to Swedish aid and NGOs in particular. See Riddell, R. C. Bebbington, A. and Peck, L. (1995) *Promoting Development By Proxy: An Evaluation of the Development Impact of Government Support to Swedish Nongovernmental Organizations.* SIDA Evaluation Report, 1995/2. Stockholm: SIDA.

96. The research would build upon work which individual donors are currently undertaking in this area, including, for instance, work which SIDA has recently commissioned.

97. I am grateful to Lawrence Cockcroft of Transparency International for his considerable input into this section of the paper.

Author's Biographical Note

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