Foreign aid: Does it harm or help? Donors and clients in the developing world

by David Sogge in the February 23, 2000 issue

Aid to Africa: So Much to Do, So Little Done, by Carol Lancaster
Future Positive: International Co-operation in the 21st Century, by Michael Edwards

For 50 years, foreign aid programs have been a standard feature of Western dealings with non-Western places, guided by seldom-questioned notions of assisting “modernization” and “development.” In the case of the U.S., foreign aid was long tied to the nation’s military and geopolitical strategies as defined by the cold war.

As the crusade against communism waned, foreign aid programs had to find new reasons for existing, which is not easy. Though the public wants the government to help end poverty and injustice, it increasingly doubts that aid really helps. Powerful global financial institutions like the International Monetary Fund, hitherto indulgent of aid agencies and their micro-projects, today prefer to act at the macro level: they want to fix the rules by which poor and “transitional” countries manage their entire economies and workforces, run their governments, and take their places in the world system.

Criticism of foreign aid is not new, but it is now getting acrimonious. More intensive efforts to steer the debate have been coming lately from ideological heavy-hitters like the OECD Development Center in Paris and the World Bank in Washington, as well as from ex-volunteers and ex-staff at aid agencies. In the 1980s books appeared with titles such as *Giving Is Taking*, *Deadly Help* and *Lords of Poverty*. Those titles sound rather timid when stacked against titles that appeared in the late ’90s: *The Road to Hell*: *The Ravaging Effects of Foreign Aid and International Charity*; *Famine Crimes*: *Politics and the Disaster Relief Industry in Africa*; and *Aiding Violence*: *The Development Enterprise in Rwanda*.

Against this backdrop appear two books on aid to Africa, both bearing titles suggesting hope. A couple of Pollyannas? The books are anything but uncritical or naïve. Their authors are seasoned veterans in the world of aid. Carol Lancaster, who teaches at Georgetown University, has worked on U.S. policy toward Africa as a fellow of various Washington think tanks, as deputy assistant secretary of state for Africa in the Carter administration, and as deputy administrator of the U.S. Agency for International Development (USAID) during the Clinton administration. As a senior engineer, if not an architect, of the “Washington consensus” on reform in Africa, she carries some responsibility for U.S. relations with that continent.

Michael Edwards, who recently joined the Ford Foundation after a stint on the World Bank’s civil society team, comes from the world of private aid agencies (sometimes termed nongovernmental development organizations or NGDOs). He has worked chiefly in Great Britain. Until 1996 he was head of research at Save the Children Fund-UK, a professional agency not to be confused with its controversial cousin, Save the Children USA. He is best known for his focus on the relationship between NGDOs and civil society, a new and lively topic among development experts.

Though the two authors disagree on some important issues, they also share some significant points of agreement. Both agree, for example, that sub-Saharan Africa is in deep trouble. The cruelties of its warlords and the miseries of the people displaced by war are but the most visible and dramatic results of declining economies and the unraveling social fabric. By conventional measures, sub-Saharan Africa is getting poorer. Its recorded domestic output in 1975 (expressed in ’87 dollars) came to $671 per capita; in ’97 it had dropped to $518 per capita. Its exports have long been losing purchasing power, and its consumer markets are small and stagnant. Its labor force is poor in skills (the best-educated people emigrate to more prosperous countries), which, along with mounting security concerns, makes it unattractive to investors, foreign or domestic. Much of Africa is drifting to the margins of the world system.

Though progress has been made in infant survival rates and education levels, that progress is terribly slow and can be quickly reversed (and has been in some countries). Absolute numbers of poor people are on the increase. Africans show tremendous ingenuity and stamina in their struggle to survive, but their struggles and strategies are often deliberately kept out of sight of the authorities. Much of their economic activity never registers in official statistics.

And though apartheid and dictatorships have been replaced by electoral politics, the management of public affairs in these countries remains weak, and democratic in name only. A ’96 World Bank report, cited by Lancaster, states that “almost every African country has witnessed a systematic regression of capacity in the last 30 years; the majority had better capacity at independence than they now possess.” Edwards concurs: “Africa’s crisis is really one of governance.”

What role does foreign aid play in this crisis? On this question, the authors also agree: aid doesn’t always help, and sometimes it hurts. In sub-Saharan Africa (except in oil-producing countries like Nigeria), political independence has been accompanied by a steady rise in dependence on aid. That upward trend has been broken only in recent years. Lancaster cites data showing that foreign aid accounted for 10 percent or more of GNP in some 20 countries during ten or more of the years from ’70 to ’93. In most African countries, virtually all public development—schools, health centers, roads, power—is paid for by donors.

Is there a cause-and-effect relationship between this rise in aid and decline in development? According to the data, aid has seldom had a statistically significant effect on recorded output one way or the other. Its impact is simply too puny when weighed against that of private investment, technological change and trade. Lancaster’s cautious conclusion is that “aid has had no significant impact, either positive or negative, on economic growth in the region.”

Edwards comes to a bolder conclusion: “The best performers in terms both of growth and poverty reduction have been the least dependent on aid projects.” Even British economist Paul Mosely, a longtime defender of aid, supports that statement. Mosely recently presented evidence that between 1960 and ’90 “the net impact of aid . . . [was] neutral overall, probably positive in most Asian countries and almost certainly negative in most African countries.” That is, in Africa more aid has meant poorer economic performance.

Lancaster and Edwards agree that aid has rarely helped and sometimes damaged the capacity of Africans to govern their own affairs. Both note that aid has propped up autocratic, winner-take-all, incompetent governments and a violent opposition movement or two. Both see governance in Africa as far too centralized. It lacks the checks and balances of parliaments and organized citizen movements, and it pivots on patronage systems built on kinship and ethnic hierarchies. Competition among these hierarchies drives politics and wars. Because aid is also a kind of patronage system, it has tended to fit neatly into African political life.

As a U.S. policymaker, Lancaster probably felt some pressure to keep quiet about her country’s aid to unsavory African regimes, whose brutality lives on in the violence and disorder of states like Liberia, Somalia, Sudan and Congo-Kinshasa. To her credit, she does touch on the issue. “In these states,” she writes, “aid may have unintentionally encouraged the misrule that led to collapse or to civil conflict.”

Such wording seems rather coy, as does her circumspect statement that Angola’s government was “challenged by a United States- and South African-backed insurgency.” Challenged? This was an all-out war, in which about one out of every ten Angolans perished. It was analogous to what happened in Mozambique, where the South Africans operated without overt U.S. backing but with the same aim of rolling back “communism” and with just as much spilling of blood.

Lancaster also observes that in more than one African country “the accountability of the government to its people . . . gradually [was] replaced by accountability to its major aid donors.” This statement (appearing almost as an afterthought at the end of a key chapter) highlights one of the ways that aid has helped destroy what fragile reciprocity may have existed between African states and their citizens. Governments that finance their activities through taxes and fees at least have to negotiate to some extent with their citizens, whereas those that rely on foreign aid focus their attention on the source of that aid. Aid, in other words, helps centralize power—and not just in African capitals.

African governments have also suffered from deliberate efforts, at the behest of aid agencies with powers over development dogmas, to “shrink the state.” In Africa as in Washington, D.C., politicians’ tendency to bloat the armed forces and pad public payrolls to reward their followers or buy off opponents must be checked. But massive downsizing, the slashing of real wages and the degeneration of working conditions for public servants have deprived millions of Africans of whatever minimal access to health care, schooling and responsive public services they once had. In these circumstances, petty corruption has grown, fostering yet more cynicism and disorder in the relation between governments and their citizens.

While both Lancaster and Edwards deplore the collapse of public services, their explanations for this collapse differ. Lancaster indicts African governments but also faults the aid system, pointing to serious but ultimately secondary matters, such as the absurdity of expatriate aid workers doing jobs that Africans could do themselves if their governments could afford to hire them. Edwards, on the other hand, traces a direct line between the erosion of public sector capacity and the imposition of one-size-fits-all policies of structural adjustment driven by international finance agencies during the Reagan-Thatcher years.

Indeed, it is on the bigger issues of overall analysis that Lancaster and Edwards part company. Lancaster aggressively attacks the model of state-led development that flourished in the immediate postcolonial years, noting correctly that Western officials and economists played major roles in designing and promoting it. She regrets the tendency of donors in the ’70s “to emphasize redistributive goals while downgrading the importance of growth” (although in the preceding chapter she cites evidence that greater equity—the redistribution of assets and social services—tends to promote growth).

She welcomes the change that came in the ’80s, when “aid was used to dismantle the unsustainable development model adopted by most African governments and to urge its replacement with a neoclassical economic vision of free markets, private investment-led growth and minimal government intervention in the economy.” She attributes the failure of these reforms to poor local capacities, to the resistance of African interest groups, and to donors’ lack of savvy and backbone in negotiating aid-for-reform deals.

Edwards disagrees. Drawing on the large numbers of studies undertaken by people in the aid world and by independent researchers (few of these studies are cited in Lancaster’s volume), he points out that the structural reforms have largely failed and the situation continues to deteriorate. (This is true not only of Africa. Consider the catastrophe that has befallen Russia since 1990 under the auspices of neoliberal visionaries.) The primary cause, says Edwards, is not African evasion and weakness, but fundamental flaws in thinking about reforms and the blind, undemocratic processes used to impose them.

Lancaster criticizes the lopsided balance of power between donors and their clients, and she often implies that Africans have relinquished power, or failed to call the shots, in their dealings with donors. Yet she appears to be more distressed about programs in which the donors loosen the leash and let African governments make decisions, as in Sweden’s “recipient-oriented” approach in Tanzania. Still, she joins in the rising chorus stressing the importance of recipient “ownership” of development policy, and the need for “demand driven” aid. Africans should draft the broad frameworks and propose the projects—though, of course, in the end these have to fit within the donors’ strategies and priorities. And indeed most of Lancaster’s book is about how to strengthen donor agencies.

Lancaster systematically compares the ways that the American, French, British, Swedish, Italian and Japanese governments and the World Bank and European Union run their aid systems. Despite her attempts to be even-handed, she has a strong pro-U.S. bias. She goes out of her way, for example, to cite a study praising USAID in South Africa. She might have balanced her account by comparing USAID’s performance with that of other agencies in that country, but she does not. Or she could have cited the extensive evidence of U.S. shortcomings. A 1995 survey of South African NGOs and their dealings with donors concluded: “USAID . . . is widely regarded as administratively incompetent, lacking in responsibility and understanding, and aggressive in its dealings with people.”

Insisting that what is important is not the amount of aid but its quality (a point of agreement with Edwards), Lancaster makes a number of sensible proposals for reform which are mainly of interest to specialists, and certainly grist for policy mills inside the Washington beltway.

But will it suffice to retool USAID, the World Bank and the rest, and then persuade (that is, indoctrinate and politically maneuver) African leaders to “own” their policies? I share Edwards’s doubt on this point: “Despite its good intentions, the new vision is permeated by lingering attitudes of control, inequality and standardization. ‘In the past we were wrong, but now we are right.’ Until, that is, we are proved wrong again.”

Edwards, despite his skepticism about those peddling the magic bullet against poverty, offers his own formula for foreign aid. He proposes a system driven by demand and joint supervision. Each country would negotiate a long-term, mutually binding compact to integrate domestic and international action, and on that basis receive an “investment entitlement” from one consolidated pot of money channeled through independent local foundations with cross-country representation of donors and recipients. Noting that this kind of idea—a democratized world fund—has been put forward before, he states that it could promote local ownership without sacrificing accountability to donors.

He also discusses how to humanize capitalism. Looming large for Edwards are the powers of civil society (which he confusingly treats sometimes as a heroic actor, sometimes as the theater itself), although the political skills developed there “must be translated into the formal political arena to make a real difference.”

His argument for “building constituencies for change” is a plea to move beyond the intervention mode that passes for “international cooperation,” beyond the patronizing practices of private aid agencies driven by business competition rather than by civil constituencies and emancipatory agendas shared with others. Genuine cooperation across boundaries is possible and necessary. To continue with aid as we know it is to risk diminishing both sides, turning one group into philanthropists and the other into supplicants.

Edwards concludes: “True freedom is attainable only through relations with others, since in an interconnected world I can never be safe until you are secure; nor can one person be whole unless others are fulfilled. That is only possible in a cooperative world. Is that the kind of world we want to live in and bequeath to those we love? If so, our responsibilities are clear.”