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## A qualified plea for development aid

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programme aid in particular, then this would already imply such a degree of success for development policy that the efficiency in the development of the resources themselves would no longer be such a key issue. For the more the growth forces within the developing countries themselves are stimulated, the more strongly incomes rise, domestic savings increase and human capital expands, meaning that development aid in its traditional sense becomes superfluous.

### **Improved Review of Success**

Even if new paths are embarked upon in the granting of development aid, evaluation of the success of the schemes involved remains essential. The evaluation process should not simply be addressed to the individual goals applying each time aid is given, but should at all events also take overall economic effects of the aid into account. Up till now success evaluation has primarily been conducted by the institutions who are themselves responsible for the provision of the resources. This is not an appropriate solution; reviews of efficiency where the provision of public money is concerned should always be carried out by institutions

or persons who have no involvement in providing the funds. In order to avoid giving the impression – even here – that those responsible have any direct interest in the result of their enquiry, success evaluation should be carried out by institutions or persons who are changed on an irregular basis.

Throughout the above, it should not be forgotten that development policy has to begin here at home in the industrial countries. Part and parcel of development policy should be that the industrial countries permit structural change to occur in their economies, and cut down on the multitude of state interventions in the market process. For example, as long as the EC, with its misguided agricultural policy, contributes to a situation in which it is more attractive in the short term for Third World countries to import EC surplus production at subsidised prices than it is to make proper use of their own agricultural potential, one can hardly hope that the policy dialogue will have any sweeping effect. To the extent that industrial countries close off their markets to exports from developing countries, they share responsibility for the continuing dependence of the Third World on external assistance.

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## **A Qualified Plea for Development Aid**

by Franz Nuscheler, Duisburg\*

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**S**tate development aid has always been subjected to criticism. Now, however, it is entwined in a deeper crisis of justification than ever before. This observation appears a paradoxical one, as surveys in various Western countries have actually found growing support for the idea of development aid among the population at large. Moreover, in most Western countries that population has demonstrated an unprecedented willingness to make donations in the international “food aid for Africa” campaign.

The paradox soon disappears if the distinction is drawn between economic assistance or official aid on the one hand and disaster or famine aid on the other. On the strength of humanitarian or charitable motives, people do want to help if they are convinced that they

can save lives – in concrete, visible, sensually perceptible terms – from the threats of hunger and destitution; but aid for development in the sense of structural changes taking effect over a long time period, of growth or of increased productivity, remains an abstract and demotivating matter. This is added to by the fact that many people, and indeed those groups who are particularly closely involved and well informed, distrust the use of official aid on the part of both donor *and* recipient countries, and this with good reason. It is this informed criticism in particular which is nurturing a broad “aid pessimism” in many countries today.

Criticism of governmental development aid is really nothing new; it has occurred for as long as transfer payments with the lofty aim of overcoming underdevelopment and encouraging development in the poor countries of the world have existed. Even the

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Pearson Report of 1969, which dealt far less critically with development policy in the donor countries than the 1980 Brandt Commission report, complained of a "Crisis for Development Aid" and attributed this primarily to false expectations of success and the dubious deployment of resources: "A good deal of bilateral aid has indeed been dispensed in order to achieve short-term political favors, gain strategic advantages, or promote exports from the donor."<sup>1</sup>

This self-critical verdict remained a fitting one, and during the world economic crisis and in the wake of the intensified East-West confrontation of the early 1980's it was once again strikingly apt. The Task Force on Concessional Flows set up by the Development Committee (of the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund) has stated that the preference given to middle-income developing countries when public aid was distributed is based "in large measure on political, strategic, historical, or commercial reasons, which are not easy to adjust".<sup>2</sup> How true this is: the programmatic rhetoric involved – which serves more to idealise the true functions of development aid than to explain them – may have changed from time to time, but the practice of aid allocation, and the goals and interests pursued, have remained substantially unaltered for decades.

The constancy of interests is evident from bare statistics. In spite of all the declarations of intent made by donor countries that they would concentrate more assistance on the poorest countries and, in turn, upon the poorest groups within them, there was even a very slight decrease in the low-income countries' share of the development aid granted between 1975 (41.7 %) and 1983 (41.5 %). The African LLDCs (the least developed countries) have not received any more development aid, even in recent times, than countries actually in the upper income category among the middle-income countries, which are hence approaching the statistical take-off zone and should have other possibilities of financing development. The top group of countries receiving the highest amounts of development aid per head does not include the poorest countries, but those which are strategically especially important: Jordan, Israel, Oman, Syria and Mauritania.

The policy of "mutual security" introduced as a rationale for foreign aid in connection with the Truman Doctrine – coupled with the aim of promoting exports and opening up new markets by way of tied aid and mixed financing – is at present enjoying a renaissance in the wake of the "new Cold War", i.e. of global East-West competition between systems, the influence of which is felt in every last corner of the Third World. The then Secretary of State in the US, Alexander Haig, wrote in the explanatory preamble to the Reagan Administration's first draft foreign assistance budget: "Foreign assistance has long been viewed by many as ineffective philanthropy with no strategic focus."<sup>3</sup> The direct consequence of foreign assistance being instrumentalised in this way to cater for security policy was that economic aid was cut whereas military aid was stepped up, even for the crisis continent of Africa, shaken as it was by famine and war. An indirect consequence was that governmental aid lost credibility and legitimization.

### Correlation between Quality and Acceptance

If one looks back at the waves of criticism which have been directed at development aid, a clear link emerges between the aid's quality and the acceptance it finds. At the beginning of the 1970's famines in the Sahel and social and political conflicts all over the Third World accelerated a learning process concerning development aid which was reflected not only in academic tracts such as the famous "Declaration of Cocoyoc" (1974) or the "world models" developed by the Bariloche Foundation in Argentina or the Dag Hammarskjöld Foundation in Sweden, but also in changes in the programmes and policies of national and international development agencies. The fact that high rates of economic growth were running simultaneously with the growth of destitution, moved the US Congress to pass its 1973 "Congressional Mandate", forcing the US Agency for International Development (AID) by law to adopt a stronger poverty orientation in its development policy, in favour of the Third World's "poor majority"; this same simultaneity of growth and destitution underlay the criticism of growth-oriented development policy voiced by the World Bank's President at the time, Robert McNamara, in his sensational "Nairobi speech" in 1973.

At that time the US Congress and AID gave foreign assistance an acceptable basis of legitimization by setting

<sup>1</sup> Partners in development. Report of the Commission on International Development, New York and London, 1969, p. 4.

<sup>2</sup> S. J. Burki, R. L. Ayres: A fresh look at development aid, in: Finance & Development, No. 1, March 1986, p. 10. The report of the Development Committee was published in May 1986 under the title: Aid for Development: The Key Issues. Supporting Materials for the Report of the Task Force on Concessional Flows.

<sup>3</sup> US Department of State: Special Report No. 99; cf. also F. Nuscheler: Entwicklungspolitische Wende in den USA, Friedrich Ebert Foundation, Analyses No. 114, Bonn 1984.

new targets. The basic human needs strategy prescribed a concrete goal which – in marked contrast to global growth targets or geostrategic modes of thinking – was also self-justifying in moral terms. Nowadays AID tends to mock the “welfare-political errors” of those years, but is again confronted with criticism of its development aid across a broad front, as articulated in the annual Congressional hearings on foreign assistance.

This reciprocal effect between the quality and the acceptance of development aid can also be observed in other countries. As long as the basic needs strategy formed the guiding programmatic principle, there was indeed criticism of the contradictions between the programme and its implementation in practice which exist in all donor countries to a greater or lesser extent, but there was less criticism of a fundamental nature. The demand made was not for less or for none at all, but for more if anything, yet in the form of consistently poverty-oriented development aid.

A prime example is the fierce criticism of the Thatcher government's development policy by the Independent Group on British Aid, comprising a number of academic experts and representatives of large development agencies. Their report, entitled “Real Aid”,<sup>4</sup> took as its standard the basic needs strategy formulated by the Labour government in a 1975 white paper (“More Help for the Poorest”), and criticised the increased instrumentalisation of the development aid budget which had in any case been reduced by one-fifth, for foreign policy and foreign trade purposes, and especially to shore up the uncompetitive export sector.

### **New Sources and Lines of Criticism**

Doubts as to the meaningfulness and usefulness of development aid have been aggravated by the fact that even the transfer of about 500 billion US dollars of public funds from the (Western) First to the Third World – apart from another 500 billion in private transfers – were not able to halt the dramatic heightening of the famine and debt crisis at the beginning of the 1980's or, as the second Brandt Report described it, the “world crisis”. All serious analyses also showed that these massive sums had not been reaching the approximately 800 million “absolute poor”, or at best had only reached them in the tiniest amounts; thus the social trickle-down effect of development policies oriented towards growth and

production was still limited even in those places where they had actually encouraged growth. However it was precisely in the poorest countries, particularly those in Africa, that development aid was only generating limited growth effects, or indeed none at all.<sup>5</sup>

In the light of these experiences criticism today does not come solely from the Marxist left, who have never been able to see anything other than “aid for underdevelopment” and an instrument of imperialism behind Western development aid; it is also voiced increasingly loudly by the churches and other non-governmental organisations (such as Oxfam, Terre des Hommes, World Development Movement etc.). These criticisms with their system-oriented or moral foundations have increasingly become confused, since the neo-liberal renaissance, with institutional criticism of international welfare policy which takes the form of state development aid. Since the shift in emphasis in economic and social policies in Washington, London and Bonn (indeed, in almost the entire West) it is no longer social democratic Keynesians who provide the “predominant ideology”, but neo-liberal supply-side economists using the theoretical and ideological tools of Milton Friedman, Friedrich von Hayek or Lord Bauer.

The “aid pessimism” which is rampant today, and which is a considerable disturbing factor for the technocratic routine of the “development business”, is thus fed from a number of very different sources. There is also a great deal of variation in the grounds on which criticism is made and the strategic conclusions drawn from it. Some only credit development aid with such a limited effectiveness in the fight against mass poverty on the strength of the tools applied, the targets set and the practice of distribution, but believe that in principle it is capable of improvement and worthy of defence. Thus Gunnar Myrdal's fundamental criticism, which caused a stir around the world, was not directed against development aid as such but against how it functions in practice: he placed special emphasis on the neglect of the very poor groups and the fact that corrupt classes of state officials were able to benefit and to block the structural change necessary for development to occur.

Others, once again for very different reasons, see development aid as a useless or indeed even damaging undertaking. This gives rise to curious agreement in the ultimate conclusions if not in the underlying reasons, between, for example, Lord Bauer and Brigitte Erler,

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<sup>4</sup> Independent Group on British Aid: *Real Aid. A Strategy for Britain*, London 1982. The group's second report (*Aid is not Enough. Britain and the World's Poor*, London 1984) takes an equally critical stance against the Thatcher government's Third World policy and protectionist foreign economic policy.

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<sup>5</sup> Cf. J. P. Agarwal, M. Dippl, H. H. Glismann: *Wirkungen der Entwicklungshilfe. Bestandsaufnahme und Überprüfung für die zweite Entwicklungsdekade* (Federal Ministry of Economic Cooperation Research Reports, No. 50), Cologne 1984.

author of the book "Tödliche Hilfe" (Lethal Aid)<sup>6</sup> which has had a strong influence on the public discussion in West Germany. Her demand was that development aid should be halted forthwith to avoid doing even more damage – precisely this lethal aid. Her line of argument has a lot in common with Marcus Linear's "Zapping the Third World".<sup>7</sup>

These negative points in common between liberal-conservative critics and their left-wing counterparts placed the technocrats in a situation where they could not see how to argue their case, especially when the criticism came – as in Lord Bauer's case – from someone with an ideological affinity to the ruling Tories.

### **The Neo-liberal "Magic of the Market"**

In "The Times" of 11. 3. 1983, Lord Bauer and Basil Yamey set out a number of reasons "Why we should close our purse to the Third World", leaving not one of the arguments untouched which are normally advanced in defence of governmental development aid. Lord Bauer had been propounding his message that development aid does more harm than good to all concerned for two decades, initially as a relatively lonely voice in the (Keynesian) wilderness. Today many others have joined his creed. Not only is he courted by US-AID as principal witness against "international welfare politics", but has also been invited to a hearing by the West German Bundestag's Committee for Economic Cooperation.

Lord Bauer and his fellow neo-liberals (such as Ulrich Hiemenz of the "Kiel school") primarily charge governmental development aid with inflating the state apparatus in the Third World countries and, by supporting planned-economy structures, with crippling the development of market forces and creative private initiative; they regard transactions conforming to market principles as the most effective development aid and see the establishment of market-economy conditions as the essential precondition for development.

However, this market-economy creed overlooks points of fact which have long been recognised: that private capital, at best, only flows in very narrow streams to the poorest countries which have unattractive domestic markets and underdeveloped infrastructures, unless the extractive sector (raw materials, plantations) offers worthwhile incentives to invest; that industrial investment presupposes the existence of an infrastructure which has to be built up using public

funds; that the state necessarily has to assume a commercial role wherever capable entrepreneurs willing to make the investment are lacking; that a market economy able to function properly presupposes certain economic and social structural conditions which in many cases have yet to be created, which for want of adequate material and personnel resources may require outside help.

More use of the market can, as demonstrated by the growth explosion in the People's Republic of China since the economic reforms introduced in 1978, release productive energies. However, the market economy is not a patent medicine for the Third World. The "magic of the market" extolled by President Reagan as the cure-all for the Third World promises no future of prosperity and freedom for the poor masses in particular, who have neither work nor purchasing power. The situation was not without irony when Lord Bauer had to be reminded by, of all people, a member of the Tory government, which is hardly infected with the germs of the planned economy, of some of the realities in the Third World which make development aid a necessity (in "The Times" of 8. 8. 83).

### **The Official Success Record**

The national and multilateral development agencies have to be able to report successes to justify their existence and their budgets. They do, it is true, admit to a number of failures, but all in all strike a positive note in recounting the story of development aid. The successes they speak of are:

- ☐ a doubling of income per head since 1950 (obviously without going into the problem of how the fruits of that success are distributed);
- ☐ an increase in the average life expectancy in the poorer countries by 15 years during the two decades from 1960 to 1980;
- ☐ an increase in the literacy ratio in these countries from 26 % (1960) to approximately 50 % (1980).

They charge their critics – indeed with good reason – with having terribly overestimated the possibilities of development aid. In fact total development aid only accounts for about 1.5 % of the gross national product and at most 10 % of overall investment in the Third World. However, a distinction must be drawn here between different country groups. In the crisis years for the world economy of 1974-75 and 1980-82, development aid to the poorest developing countries, the LLDCs, actually made up 80 % of investment and about half their imports.<sup>8</sup>

<sup>6</sup> B. E r l e r : Tödliche Hilfe, Freiburg 1985.

<sup>7</sup> M. L i n e a r : Zapping the Third World. The Disaster of Development Aid, London/Sydney (Pluto Press) 1985.

Quite different findings from academic studies stand in contrast to these official reports of success. Though they are by no means all in agreement, these not only call into question any growth-stimulating effect on the part of foreign aid, but also its social contribution in improving general living conditions. Thus a comparative study of 80 developing countries was found to produce a "scathing judgement on the efficiency of development aid with regard to the basic needs target."<sup>9</sup> It really is true that a résumé of success underpinned by macro-data and average values fails to answer the crucial question as to which groups the aid managed to reach. This is a banal point in the discussion on development indicators which is known of old.<sup>10</sup> When Robert Cassen handed in his report to the Concessional Flows Task Force set up by the World Bank and IMF's Development Committee he did strike a generally positive balance, but nevertheless found fault with precisely this limited success in combating mass poverty: "Only a fraction of aid goes into schemes that are directly poverty-oriented . . . To a large extent, the success of aid in reaching the poor is bound up with the success of aid for rural development . . . In Africa only a small proportion of aid – much of it rather unsuccessful – has gone into small-scale agriculture or livestock investment, and aid for research on food crops has been relatively neglected, compared with cash crops."<sup>11</sup> He summed up the findings of his research group at the Institute of Development Studies (University of Sussex) by saying that the collective efforts of donor countries seldom make a conclusive contribution to alleviating poverty and indeed at times actually harm the poor. This made his conclusions all the more surprising, and not altogether free of contradiction: on balance the praiseworthy aspects of development aid predominated over those deserving criticism and the successes were greater than the failures. Examples he gave of successes ranged from aid in increasing food production in Southern Asia to African rural education with emphasis on practical problems, from investment in infrastructure to self-help programmes for rural development, etc.

The conclusion reached by the World Bank and IMF's Development Committee Task Force glossed over the

points of criticism raised in Robert Cassen's study to such an extent that little remained of the critical areas: "... that aid has been productive and helpful to development; without it, a number of countries would not have been able to graduate from the ranks of poor to middle-income nations, and the countries that remain poor would have been still poorer."<sup>12</sup> The suspicion is a compelling one that an international organisation which had always had many critics of its project policies was here granting absolution to itself. Above all, the would-be success record ignores the fact that living conditions for the majority of the population have even deteriorated in a number of NICs and Third World "economic miracle" countries such as Brazil.

With a few reservations, primarily relating to the distribution and application of public sector aid, the author of this paper is inclined to agree with the balance as assessed by Robert Cassen. He takes the latest Club of Rome report as confirmation of his scepticism in that it is critical, above all, of large-scale projects creating export orders for the donor countries, but mainly doing more harm than good to the people in the recipient countries.<sup>13</sup> He is also convinced that the neo-liberal farewell to the basic needs strategy, denounced as welfare politics, has begun to lead development policy astray such that the long chain of setbacks associated with a "policy with no development", far from being broken, will tend to be extended into the future.

### Conclusion

Much of what is put forward today as development aid serves donor countries' own interests more than its true purpose of combating hunger and mass destitution. When the EC, for example, spends more of its funds on disposing of its agricultural surpluses as food aid than it does on promoting the production of foodstuffs, it is not encouraging development but truly is giving "lethal aid". Ultimately, therefore, one can make only a qualified plea for development aid, the qualification being that such aid should be more purposefully deployed in fighting mass poverty and promoting the recipients' ability to develop for themselves.

Development aid can be, but need not be, harmful even though it frequently is in practice; it would be of more use and greater assistance if it were oriented less to the foreign policy and commercial interests of the donor countries and more to the needs of the "absolute

<sup>8</sup> These figures are taken from various publications of the Federal Ministry of Economic Cooperation, Bonn.

<sup>9</sup> J. P. Agarwal et al., op. cit., p. 115.

<sup>10</sup> Cf. D. Nohlen, F. Nuscheler: Indikatoren von Unterentwicklung und Entwicklung. Probleme der Messung und quantifizierenden Analyse, in: D. Nohlen, F. Nuscheler (eds.): *Handbuch der Dritten Welt*, 2nd ed., Vol. 1, Hamburg 1982, pp. 451-485.

<sup>11</sup> R. Cassen: The effectiveness of aid, in: *Finance & Development*, No. 1, March 1986, p. 11 (summary of "Does Aid Work? Report to an Inter-governmental Task Force", London 1986).

<sup>12</sup> S. J. Burki, R. L. Ayres, op. cit., p. 7.

<sup>13</sup> B. Schneider: *Die Revolution der Barfüßigen*, Bonn 1986 (Report to the Club of Rome).

poor". Such an orientation does not rule out an "enlightened self-interest" on the part of bilateral and multilateral donors, for development aid, like governmental social policy, can be understood as an international crisis preventative and a strategy for social advancement. The persuasive message of Willy Brandt's book on "Organised Madness"<sup>14</sup> is that hunger and peace are irreconcilable. The effectiveness of development aid cannot be measured by economic criteria alone.

This sceptical plea for development aid rests on the argument that an international social policy remains essential as long as mass poverty in the Third World continues to grow and apocalyptic visions of famines, social crises, civil wars and wars between states are thoroughly realistic. Neo-liberal rehabilitation concepts relying solely on the healing forces of the market are able neither to avoid these crises nor to solve them (as demonstrated by the failure for the "Chicago boys" in Chile).

Furthermore, the non-governmental organisations (NGOs), upon which many people in recent times have placed a higher value as a potential alternative to state policy based on national interests, and which have occasionally also been misused by governments as a humanitarian alibi for their own policies, can only undertake activities concentrated at certain points because of the limited funds they have available. The increased significance attached to them is a result of the loss of confidence suffered by official aid, but at times it goes hand-in-hand with illusory hopes. The NGOs have an important function, not so much one of providing an alternative to official aid, but more one of acting as a critical corrective.

Bilateral and multilateral donors nowadays call upon the recipient countries more emphatically to make stronger efforts of their own. This requirement is a sensible one, as inactively waiting until help is offered from outside is quite the opposite of autonomous development, though it can also serve as an alibi for shirking responsibility for the North-South problem. Many developing countries could quite possibly stand on their own two feet – even so-called "problem countries" such as Bangla Desh – and could feed themselves, if the political will were forthcoming and the convenient drip-feed of the aid which creates dependency like a drug were to be withdrawn step by step. Many countries, however, could not stand on their own feet even if they tried. The greater the level of

underdevelopment and poverty, the more limited is the chance of success via self-reliance. The majority of the African countries would be ill-advised to renounce external aid. But even this aid to the poorest countries ought to be deployed differently so that it does not merely bring benefit to privileged minorities but also to the majority of the population. And indeed, this is what Gunnar Myrdal has demanded.

The substantial sums already spent on development aid have not prevented the growth of "absolute poverty" in the Third World because the (short-sighted) interests of ruling groups on both sides have taken precedence over the fact, which is in no way a new discovery, that "development requires the fundamental re-shaping of the entire economic and social structure".<sup>15</sup> Development aid is not far-reaching enough to secure the survival of the 800 million "absolute poor"; only in conjunction with a reorganisation of the world economy and a redistribution of the benefits in North-South relations will it be possible for aid to grow out of its function of merely providing emergency relief or acting as a redress for the burdens which result from structural defects in the international system.

If the neo-liberal development theorists point out that the foreign trade situation has far greater effects on a country's ability to develop than external aid for individual projects, and if they therefore advocate "trade not aid", they must also be prepared to answer the question as to why they are so determinedly opposed to a New International Economic Order.

Of course it is true that any improvements in trading and capital relations in favour of developing countries are of little use to the poor masses if structural reforms in the countries themselves are not encouraged which would facilitate development of the society overall. If development aid does not pursue this goal, and even contributes to a stabilisation of structures of authority and exploitation, then it truly is providing "under-development aid".

It would still be cynical to draw the conclusion from the meagre successes scored to date that less aid would be better than more; however, this "more" faces the crucial question: development aid – a policy for whose benefit? As long as it can be established that aid is failing to reach precisely the poorest groups, then the massive build-up demanded by the Brandt Report is also hardly convincing; as long as it only reaches the "damned of this earth" (after Frantz Fanon) in tiny dribbles, or not at all, development aid hardly deserves its name.

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<sup>14</sup> Willi Brandt: *Der organisierte Wahnsinn*, Cologne 1985.

<sup>15</sup> The Brandt Report: *Das Überleben sichern*, Cologne 1980, p. 64.