

Does Foreign Aid Really Work?
Roger Riddell
Oxford University Press 2007

A Review by Simon Maxwell

Roger Riddell wrote a big book on aid in 1987, and has written another in 2007. Good for him. To bowdlerise Oscar Wilde, writing one book on aid is challenging, two comes close to masochism. The new book weighs in at over 400 pages, with only 4 tables and 6 figures. That must make it 200,000 words long: a big book indeed.

Riddell tells us in Chapter 1 that a new book is needed for five reasons: first, the adoption of a human rights approach to replace the basic needs perspective of earlier times; second, changing notions of international obligations, including the adoption of the responsibility to protect; third, a step change in collaboration between donors, especially the Paris agenda of harmonisation and alignment; fourth, changing relationships between aid and politics, notably recognition of the importance of the political structures and processes of recipient countries; and, finally, a shifting of the balance between short-term welfare and long-term economic development, in favour of short-term poverty reduction programmes.

As a starting point, this is one cut, important because it shapes discussion in the pages that follow. There might have been others. Quite a lot of other things have changed since 1987. The world economy looks very different. Development thinking has changed. And the demands on the aid industry are enormously more complex. Thus another cut might have been to say that: poverty has become Africanised; China is coming to dominate in economics and politics; private financial flows easily outweigh public; the Washington Consensus has been superseded; and the big challenge in aid is how to cope with the new focus on global public goods and global governance. In 2027, when Riddell comes to write his next big book on aid, the publishers should allow him another 100 pages to expiate on the changing context within which aid operates.

Having justified the writing of the book, Riddell lays out in 21 further chapters the answer to the question in the title, ‘Does aid really work?’. In fact, he does a good deal more than that. In Part 1 (Chs 2-5), he describes the aid industry. In Part 2 (Chs 6-9), he discusses the multiple motivations for giving aid. In Part 3 (Chs 10-19), he assesses impact. And in Part 4 (Chs 20-22), he looks to the future. The book does more than it says on the tin.

The theme of Part 1 is the increasing complexity of the system, resulting from the proliferation of bilateral and multilateral donors, new funds and NGOs. This, by the way, should be marked as one of the major changes since 1987. The costs of proliferation are significant: at least 27,000 separate donor projects in the world; in a single sector, health, in one poor country, Mozambique, 400 separate projects; in a typical developing country, as many as 200 separate visiting aid missions each year. The term ‘transactions costs’ does not appear in the index, but the high level of transactions costs

is the implicit theme of Part 1. In fact, the case could have been stronger. Though the book has a chapter on NGOs, there is surprisingly little on foundations, nor on the practical problems of dealing with large vertical funds like the Global Fund for Tuberculosis, Aids and Malaria or the IFFIm, the pilot Innovative Funding Facility for Immunisation. In fact, the Gates Foundation merits only two passing references; the same for the Global Fund. The IFFIm has one.

The interesting question about increasing complexity is why it occurs. There is no explicit 'thesis' here, but Part 2 explores the motivations for giving aid and does provide some answers. There is a moral and ethical agenda, but political and commercial factors are also in play. As Riddell observes, 'at its broadest, the history of aid-giving has been one of competing pressures swinging the pendulum back and forth between the motivations of altruism, solidarity, poverty and need on the one hand, and the motivation of different forms of self-interest on the other' (Pg 92). Two chapters explore the moral case for giving aid, and are among the most useful in the book.

Part 3 addresses the core question, 'Does aid really work?'. It accounts for half the book and works systematically through different kinds of aid provided by different kinds of donor. There is a chapter on method. There are chapters on project and programme aid, on humanitarian aid, on NGOs. There is a chapter on conditionality. The treatment is thorough, drawing on many different kinds of evaluation material. The main surprise is that Riddell virtually dispenses with the very large volume of econometric research on aid impact. Actually, he does not so much ignore it as dismiss it as unreliable. In a mere three pages, Riddell first tells us that 'more money has probably been spent and more research time allocated to examining the impact of aid on different macroeconomic variables across different aid-recipient countries than on any other aspect of the aid relationship' (Pg 222). Very quickly, however, we are presented with quotations to the effect that the enterprise is doomed: running into sharply diminishing returns (Nick Stern), a 'red herring' (Esther Duflo), and 'throwing little light on the reality of aid' (Bob Picciotto). Riddell's own conclusion is starker still: 'it is time to call a halt to cross-country studies commissioned to prove that aid in general 'works', and to challenge the widely and deeply held assumption that such studies are necessary to confirm or validate the legitimacy of providing official development aid' (Pg 224). I look forward to reading Mark McGillivray's review of the book, or David Roodman's, or Steve Radelet's!

If the alternative method is to triangulate evaluation material, across a range of contexts, donors and types of aid, where does Riddell end up? The answer is addressed in Ch 15 and then again at the beginning of Part 4, and is unsurprisingly nuanced. On the one hand, 'there is plenty of evidence of official development aid contributing positively and tangibly to . . . skills . . . quality of services, . . physical infrastructure . . . production, incomes and well-being.' (Pg 253). However, 'some aid has clearly not worked . . . (and) some has had adverse systemic effects'. (Pg 254). Indeed, 'much official aid has not done much lasting good' (*ibid*). A similar conclusion applies to non-official aid, including humanitarian, where 'much aid has been wasted' (Pg 355). Overall, then, 'aid has made a difference, but it could make a far greater difference' (*ibid*).

This, of course, is the key and not unexpected conclusion. Riddell has been in the aid business for most of his career. He is not one to argue that aid is an instrument of imperialism and the reason why poor people are poor. Nor is he a starry-eyed and uncritical enthusiast for aid as it currently exists. Thank goodness, on both counts. What he actually thinks is that aid can be redeemed. Indeed, he is explicit that ‘the central question in aid discourse is not ‘Does aid work?’, but rather ‘How can aid to poor countries be made more effective?’ (Pg 257). A good question, though not such a catchy title for a book.

And what is the answer? Riddell urges the aid community to work together in what he describes as a ‘step-change international cooperative approach’ in order to achieve five outcomes: more aid; better allocated; more predictable; better coordinated; and in better-balanced partnerships between donors and recipients.

How? There are five main components of a longer-term vision: first, create a new International Aid Office to oversee all aid; second, establish a new International Development Aid Fund (IDAF), designed to meet all aid needs and financed by compulsory contributions; third, allocate the money according to need, either directly to the Government, or, where commitment, competence and capacity are missing, to an independent National Aid Implementation Agency; fourth allow governments and the NAIs to contract existing aid agencies; and, fifth, allow donors to contribute additional funds to the IDAF if they so wish.

To my mind, the core conclusion, that aid is a worthwhile undertaking but could be better, reflects the inevitable social-democratic consensus. Riddell is in good company: Sachs, Browne, Lockwood and others have all written recent books in a similar tone. Only Easterly dissents, but even he is a softie at heart.

Whether the five elements of the ‘step-change’ are right is a different matter, and whether Riddell’s International Development Aid Fund is plausible is even more debateable. A simplified aid architecture is certainly a desirable aim, but a single agency would remove contestability and is anyway politically about the most difficult option there is. My own list would be different, with more stress on multilateralism, more on the interface between aid and foreign policy, more on links with the private sector, and more on global and regional, rather than national interventions.

However, this is Roger Riddell’s book, not mine. He offers a valuable and readable review of current aid structures and debates. This is a product that will find a ready market.

Simon Maxwell
April 2007