

## ESSAYS

# In Defence of Britain's Overseas Aid

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## Foreword

When Sir Tim Lankester defends the aid programme against charges that it can sometimes be misused for other things, he knows what he is talking about. He was the most senior civil servant in Britain's aid ministry (then called ODA, now known as DFID), and in 1991 he bravely blew the whistle on a project to finance a dam in Malaysia because it was not a good use of development money (and indeed turned out to be connected to agreements to buy British arms). Sir Tim describes the affair [in detail in his book](#). The accounting rules for the whole British government were changed as a direct result of this episode: value for money was added to regularity and propriety as standards that must be met when public money is spent.

Sir Tim's intervention to ensure that the taxpayer obtained good value for money from the aid budget was consistent with a longer-term trend: ODA and its successor DFID have led the way within the British Government in ensuring that public money is well spent. Together with the Department of Transport, ODA developed the first cost-benefit appraisals which were subsequently codified in the Treasury Green Book; and they have also pioneered greater use of rigorous, independent evaluation. Today, DFID is a leader within government on transparency of its spending. This long-term record of identifying improvements in public financial management, and of innovations which have subsequently been adopted across government, is a sign of the seriousness with which DFID has consistently approached the task of ensuring that aid money is well spent.

Last year, the UK became the first G7 country and only the sixth member of the Development Assistance Committee to meet the internationally-agreed target of spending 0.7% of national income on international development assistance. Overseas, DFID's reputation for excellence appears to enhance Britain's standing and influence. The agency scores well on the Center for Global Development [Quality of Aid index](#), and is given glowing reports from [OECD 'peer reviews'](#). But there is continuing scepticism among the chattering classes at home about the current cross-party consensus in favour of meeting Britain's aid target, often mistaking problems like the Malaysian dam as the rule rather than the rare exception.

The media have enjoyed giving prominence to the counter-intuitive idea that aid does not work. This threatens to drown out the more common-sense (and therefore less newsworthy) message that, while there is always room for improvement, aid really does change and save lives, and aid spending is money well spent. Sir Tim's rejoinder to critics of the UK's leadership in international development practice and spending is a breath of fresh air. He brings evidence, experience and expertise to an on-going national debate in which many of these qualities have, unfortunately, been lacking.

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## In Defence of Britain's Overseas Aid

One of the best achievements of the Coalition Government has been increasing overseas aid to the UN target level of 0.7 percent of GNP. This has been the stated ambition of successive governments since the early 1970s. For most of the period, aid volume has fallen a long way short of this. Now, at last, the UK has joined the few countries – the Netherlands, Denmark, Norway, Luxembourg and Sweden – which had previously reached the target. Legislation currently going through Parliament will from 2015 require the government to meet it year on year.

It was perhaps inevitable that, with most other public spending programmes severely constrained, Britain's generosity in favour of the world's poorest would come under greater scrutiny, and from some quarters increasing attack. The conservative media have never liked aid. But as aid has increased, their accounts of allegedly mis-spent aid have become increasingly hectic. What is more concerning is the often ill-judged or ill-informed questioning of Britain's aid by mainstream commentators and by those who were previously in favour of aid. Many of the views expressed in a recent Prospect magazine/IAI sponsored debate, "The end of aid: does foreign aid maintain poverty?" fall within this category. [\[1\]](#)

They have been encouraged by the writings of several critics who claim to base their findings, at least in part, on their direct experience as aid practitioners. Dambisa Moyo made a splash with her book "Dead Aid" [\[2\]](#) in which she argued that aid has been a main cause of Africa's contemporary problems – corruption, civil conflict, lack of accountability, low savings and investment, inefficiency – you name it; and that Africa would be better off without aid and should rely instead on commercial borrowing for their external financing needs. Moyo spoilt her case by failing to distinguish correlation from causation and by generalising on the basis of the worst examples of aid misuse. Her solution –

that Africa should turn to the market for external financing – lacks plausibility for many countries, especially the poorest. On the issue of efficiency, she produces no evidence that aid money makes an economy less efficient (she would have done well to have focused on the gross inefficiency of countries like Nigeria and Angola in the way they use their bountiful oil revenues); there is no evidence that aid reduces domestic savings and investment; nor is there any evidence that aid has brought about corruption in countries where it didn't exist already.

William Easterly's "The White Man's Burden" [3] has to be taken more seriously. His thesis is not that aid has damaged the poorest countries (notwithstanding its full title), but that it could and should have been more effective. The big mistake in his view is that the aid business has been dominated by "all-knowing Planners" with utopian ideas and targets, whereas Searchers – people with an appetite for finding out what works on the ground and what poor people actually want, and who learn by trial and error – would have done much better. He is critical of the many aid bureaucracies with their competing ideas and demands that can overwhelm fragile African governments. His solution: a more modest, more coordinated, less prescriptive approach which takes into account the wishes and knowledge of recipient governments and their peoples.

Easterly has many good points, and the aid system has progressed in several of the ways he advocates – exemplified by the commitments of donors and recipients at the High Level Forums on Aid Effectiveness in Accra (2008) and Busan (2011). But even allowing for the fact that he was writing about aid as he saw it in the early 2000s, Easterly exaggerates. The era of the "all-knowing Planner", except in the case of a few ill-fated aid programmes where the military were also involved in post-conflict states like Iraq and Afghanistan, is well in the past. British aid tries to support in-country plans formulated by local governments, albeit these may be influenced by the donor community. It does not try to impose any grand plan of its own. Nor is any donor able, as Easterly suggests it can, to determine exactly what and how much it does in a particular country. In reality, donors have to work through or at least with the approval of sovereign governments. It is all very well for Easterly to criticize donors for not moving faster with projects to combat HIV/AIDS. But in earlier years, most African governments simply weren't interested. Unless you follow the Niall Fergusson prescription and re-establish "imperial government" on failing or weak states – a solution that Easterly is resolutely opposed to – donors can't impose their projects and programmes. It is possible and often desirable for donors to provide funding through local and international NGOs; and most recently DFID has been experimenting with channelling aid through UK based private sector firms operating in particular countries - an example is a grant to Unilever to support out-grower tea in Tanzania. But when donors channel their aid through non-government organizations, they still need the cooperation of the recipient government.

Easterly says that aid agencies' accountability to those who are supposed to benefit from aid spending is weak. But the same can be said of any external funder, whether a commercial lender or an aid donor. In the case of DFID, it at least attempts to take into account feedback on effectiveness from its clients; the same cannot be said of commercial lenders.

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Easterly is correct when he says that recipient governments are burdened by having to deal with too many donors. The logical implication is that individual donor countries should pool their largesse in multilateral institutions like the World Bank and the EU. DFID in fact does this to the tune of around 40 per cent of its aid budget already. To do much more would have two disadvantages: it would mean foregoing the political kudos from being identifiably generous in particular countries, and it would mean handing over more money to multilateral institutions which are in some way less effective in their aid-giving.

Thomas Dichter in his book “Despite Good Intentions” [4] and in a recent Prospect article (October 2014 issue) accuses aid agencies of being caught up in their own self-perpetuation and in public relations efforts designed to create an illusion of effectiveness. But isn’t this true to a lesser or greater extent of all bureaucracies? Dichter has a deeply cynical view of the thousands of consultants, officials and NGO staff who work in aid (what he calls the “aid biz”) whom he accuses of being responsible, out of self-interest, for maintaining the status quo in aid giving. He grossly underestimates the idealism that motivates so many aid officials (more evident than in most walks of public life) and others involved in aid on the donor side, and their desire to find better solutions. When it comes to deciding the volume of British aid, it is the politicians and the official Treasury, and not the “aid biz”, who call the shots. He argues for a more light-handed, more pragmatic approach which makes better use of local capacities and learns from past mistakes, and – most important of all – a drastic reduction in aid except for humanitarian purposes.

Making better use of local capacities, learning from past mistakes and making better use of evidence in designing programmes – these are all things that DFID has been trying to do in recent years, and with some success. Evaluation has a long and creditable history in DFID – better actually than in most other departments in Whitehall; and DFID’s own evaluations are now supplemented by the work of the Independent Commission on Aid Impact (ICAI). With the exception of their report on DFID’s anti-corruption projects mentioned below, all of the ICAI’s reports to date have painted a generally positive picture of British aid interventions; and the same goes for the large majority of internal evaluations conducted over the past few years. Yet insofar as there are lessons to be learned, there still remains too much of a disjoint between the evidence from evaluations and policy and programme development.

Dichter’s call for a more light-handed approach is problematic. In poor countries with weak institutions, you can’t just hand over the money without conditions and careful monitoring of implementation. On the other hand, the conditionality has to be realistic and not over-complicated; and where local institutions are deemed to be stronger, conditionality can be relaxed.

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In the latter cases, where public financial management is considered relatively efficient and relatively corruption-free, it is appropriate for donors to provide budget support. In this way, donors can help to fund desperately needed nurses’ and teachers’ salaries and other recurrent costs. This is what DFID does on a selective basis, and rightly so. It is inevitable in these situations, because the aid goes into the general revenue pot, that it is not possible – as some commentators would prefer - to identify what precisely the donor is funding.

Whether the aid is for specific projects or budget support, there is always the risk that some of it will be creamed off by corrupt politicians and officials. In very poor countries, zero-corruption in aid projects is rarely a realistic option; but how much should be tolerated? Because of its robust procurement and monitoring procedures, and its provision of budget support on a case by case basis, fraud has not been a significant issue for British aid in recent years. In Uganda and Kenya, budget support was suspended when fraud was suspected.

A recent report by the ICAI criticised DFID for not achieving more in its specific projects aimed at curbing corruption. (It was not talking about fraud in the delivery of DFID aid but its efforts to help tackle corruption more generally). The Daily Mail predictably interpreted the report as saying that Britain's aid "fuels corruption". It actually said nothing of the sort: it said DFID's specific anti-corruption projects were not achieving their objectives. That may well be true; but equally, the report failed to appreciate just how challenging these projects are because they are trying to change behaviour in complex societies where corruption itself is fuelled by poverty. Commenting on the report, the executive director of the anti-corruption campaigning group, Transparency International (UK) gave a more nuanced view:

"Amongst the international donor community and NGOs, DFID has a very good reputation on corruption issues. But there's certainly more that can be done, and I think this report is saying DFID is doing quite well in looking at corruption in its immediate sphere of influence, but it needs to take its efforts to a new level to look at the wider operating environment. That is politically very challenging and quite a big ask of a government, but honestly if we are going to tackle poverty, that needs to be done."

In addition, there are those who would like the aid budget to be more attuned to Britain's commercial interests, as it was in the 1980s. But this would be completely at odds with the aim of maximising aid's development and poverty reducing impact. The Pergau Dam debacle in Malaysia where aid for a hugely uneconomic project was driven by commercial interests, including a major arms deal, as well as other projects from that period, showed that it is really impossible to reconcile the two. Commercial factors just too easily supervene. [\[5\]](#)

Few people seem to doubt the desirability of humanitarian assistance as exemplified by the aid to Sierra Leone to help deal with the Ebola crisis, and Britain has a good record in using this aid effectively. It is assistance aimed at development (which Dichter correctly points out is more difficult than humanitarian aid) that is the subject of most adverse comment. Some of this stems from aid scandals of the past when aid projects have clearly gone wrong, as with the Pergau Dam. From these and their personal experience with other wasteful and ineffective aid projects, critics such as Easterly and Richter suggest that poor countries could do better without our aid.

This latter view, however, seems blind to the critical needs of poor countries for external funding to supplement their own meagre savings and fiscal revenues and to mitigate their shortages of foreign exchange, and to the fact that much of our aid **is** effective in achieving its development and humanitarian goals. Only two countries in modern times have achieved economic take-off without substantial external funding – the former Soviet Union and China; and they only achieved it by draconian measures to increase domestic savings. It is argued that India was able to take-off in the 1990s with aid levels much lower relative to GNP than in Africa. Yet India by then had an industrial structure and technology far in advance of Africa's and made possible by substantial aid funding in the

early decades after independence. In those early decades, aid was also instrumental in enabling the Green Revolution to happen and in easing India's endemic shortage of foreign exchange.

It is true that, for African countries, the economic literature has been unable so far to find a clear relationship between aid and economic growth. However, this might be because economists have focused mostly on the 1960 to 2000 period when per capita annual GDP growth for sub-Saharan Africa averaged a miserable half of one percent. Since 2000, there has been a sizeable step-up, with average per capita growth increasing to about 2 percent per annum. Except in the most egregious cases like Zaire under Mobutu, it is most unlikely that aid caused lower economic growth. Moreover, even when aid did not seem to be doing much for economic growth, it seems pretty clear that in Sub-Saharan Africa aid played a major role in improving average life expectancy at birth (up from 45 to 55 between 1970 and 2010) and in adult literacy (up from 28 percent to 63 percent over the same period).

Getting aid to work in very poor countries is difficult; it is much easier in countries with better developed human and physical resources. Most are agreed that it is to the poorest countries that British aid should be directed. This means taking risks and accepting that there will be failures. Yet the way British aid is sometimes criticised for its shortcomings, it is as if the same standards are being applied as would be applied to spending within Britain – where getting things right is infinitely easier and where we by no means always succeed. The failure of DFID's critics to understand the challenges it faces in the poorest countries is unfortunately making DFID more risk averse, more conservative and more intent on short-termism whereas real development requires the longer view.

In 1986, a team led by Robert Cassen produced probably the most careful survey of aid ever undertaken, "Does Aid Work?". (It is curious that neither Moyo, Easterly nor Dichter refer to the Cassen study). Its conclusion was that, in spite of considerable variation across countries and sectors, "most aid does indeed "work". It succeeds in achieving its development objectives (where those are primary), contributing positively to the recipient countries' economic performance, and not substituting for activities that would have occurred anyway." [\[6\]](#)

Roger Riddell in his book "Does Foreign Aid Really Work?" [\[7\]](#) written two decades later came to a similar conclusion.

In the nearly 30 years since Cassen's study, British aid has without doubt improved in terms of development effectiveness. The tying of British aid to the purchase of British goods and services was terminated in the late 1990s – which has meant that recipient countries can use our aid most economically. And there is now a greater focus on poverty reduction. Since new legislation in 2002, practically all aid interventions are required by law to meet the criterion of helping to reduce poverty.

We come back finally to the question of aid volume. Is aid spending at 0.7 percent of GNP a good thing? Critics like Easterly would argue that this is another example of top-down utopianism that does not reflect the ability of poor countries to absorb and spend donor money well. They subscribe to the mantra: "smaller, better directed aid".

Fundamentally, the case for rich countries like the UK transferring significant resources each year to the poorest is that, provided the aid has a positive impact in terms of dealing with humanitarian crises and reducing poverty, we have a moral duty to help. There is a strategic case too.

The world, including the UK, will be a more dangerous and unpleasant place if we don't help to combat disease, poverty and environmental degradation in the poorest countries. Yet the moral case is paramount, albeit rarely spelled out by politicians for fear of sounding moralistic.

In Martha Nussbaum's words, "a central part of our own good is to produce and live in world that is morally decent, a world in which all human beings have what they need to live a life of human dignity". [8]

The Universal Declaration on Human Rights, to which Britain is a signatory, states that "everyone has the right to a standard of living adequate for the health and well-being of his family, including food, clothing, housing and medical care".

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The moral case for aid derives from a recognition that we share a common humanity.

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The Universal Declaration doesn't say how this right is to be achieved if the government of a country, in which the poor live, is unable lift them out of extreme deprivation. But most political and moral philosophers who have thought about the issue take it as implicit in the Declaration, as well as implicit in the idea of global justice, that outsiders have a duty to assist provided that their assistance can be effective. Moreover, this duty of assistance cannot be left entirely to individuals: it has to be undertaken by wealthier country governments – because individuals lack the information that governments are more likely to have, and because of problems of coordination and free-riding.

As a matter of political reality, wealthy country governments will do more for the less fortunate within their own borders than outside. In actuality, they transfer through their budgets an average of upwards of 20 percent of pre-tax income from the 20 percent highest income earners in their societies to the 20 percent lowest income earners – vastly more than what they do for the poor in other countries. But the fact that they assist their own poorest on a substantial scale does not absolve rich country governments from the moral responsibility to assist the poor outside their borders. [9]

Whether 0.7 percent of GNP is the right volume of aid for the UK and other countries in order to fulfil their moral duty to the poorest countries is a matter for debate. When the Millennium Development Goals (MDGs) for 2015 were adopted by UN members in the early 2000s, there was general acceptance by the developed countries that the MDGs would not be achieved unless they all made early progress towards achieving the 0.7 percent target. [10] The fact that the MDGs will not be fully achieved is partly due to aggregate aid from all the donors falling well short of the target. Given our relative wealth, no one can say the UK and other rich countries can't afford it. With adequate staffing in donor agencies (it is an absurdity that DFID's staff has been cut as its aid has increased so rapidly) and greater confidence in the ability of recipient governments to manage the aid inflows, there is little doubt that the aid currently available from the UK and other donors can be effectively absorbed. If aid needs to be better directed, as Easterly and others have suggested, there is no logical reason why it has to be with smaller budgets.

India, which has the largest number of very poor people (some 300 million) and until quite recently was the largest recipient of UK aid, has said that it no longer wishes to receive aid from bilateral donors. This may be convenient for donors but it nonetheless poses a moral dilemma. Since its government is clearly unable to provide the necessary means to eliminate extreme poverty on any early time-scale (though it can and should do more than it does), outsiders continue in principle to

have a moral duty to provide aid. But clearly they cannot press their assistance on an unwilling central government, and they cannot bypass central government by dealing solely with state governments. What the UK and other donor governments can do is strongly support the assistance provided by multilateral institutions like the World Bank and the EU from which the central government is still willing to accept aid.

With our bilateral aid to India being phased out, and with many of the African economies doing better, some might argue that British aid at 0.7 percent of GNP is now unnecessarily high. However, there are hundreds of millions of very poor people in Pakistan and Bangladesh who need our support; and for all the recent improved performance in Africa, the disparity between our standard of life and theirs is such as to justify on moral grounds even greater resource transfers for the foreseeable future provided these transfers are well used. Paul Collier has suggested that, with some changes in aid modalities, Africa is quite capable of absorbing a big step-up in aid and using it effectively. [\[11\]](#)

The British aid programme is not perfect. But it is better than most in terms of both size and quality, and it is doing an effective job in assisting development, reducing poverty and helping with humanitarian crises. It needs to be subjected to continuing scrutiny like all spending programmes, but it deserves celebration rather than the negativity to which it is too often subjected.

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[\[1\]](http://www.listings.prospectmagazine.co.uk/blogs/bronwen-maddox/watch-the-end-of-aid) <http://www.listings.prospectmagazine.co.uk/blogs/bronwen-maddox/watch-the-end-of-aid>

[\[2\]](#) Dambisa Moyo, “Dead aid: why aid is not working and how there is a better way for Africa”, Farrar, Straus and Giroux, New York (2009).

[\[3\]](#) William Easterly, “The white man’s burden: why the west’s effort to aid the rest have done so much ill and so little good”, Oxford University Press (2006).

[\[4\]](#) Thomas Dichter, “Despite good intentions: why development assistance to the Third World has failed”, University of Massachusetts Press (2003).

[\[5\]](#) See Tim Lankester, “The politics and economics of Britain’s foreign aid: the Pergau dam affair”, Routledge (2013).

[\[6\]](#) Robert Cassen and Associates, “Does aid work?”, Clarendon Press, Oxford (1986), p 11.

[\[7\]](#) Roger Riddell, “Does foreign aid really work?”, Oxford University Press (2008).

[\[8\]](#) Martha Nussbaum, “Beyond the social contract: capabilities and global justice”, Olaf Palme Lecture, Oxford (2003)



[\[9\]](#) For a more detailed analysis of the moral case for foreign aid, see Tim Lankester, “International aid: performance, prospects and the moral case”, *World Economics*, vol 5, no 1 (January 2004).

[\[10\]](#) See Monterrey Consensus of the International Conference on Financing for Development (2002), para 42.

[\[11\]](#) Paul Collier, “Is aid oil?” *World Development*. Volume 34. Issue 9 (2006).