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# *Time to Stop Fooling Ourselves about Foreign Aid A Practitioner's View*

by Thomas Dichter

## **Executive Summary**

The foreign aid industry has for decades tried one approach after another in an effort to make aid work. A career of field experience in the aid industry, however, confirms the empirical record that aid is unimportant to growth or poverty reduction and suggests that aid is not likely to work in the future. The belief that foreign assistance has been generally ineffective, moreover, appears to be widespread among aid practitioners with long field experience.

The current effort by the United Nations to double worldwide aid flows is part of a pattern to reinvent foreign aid. Since the 1950s, the industry has alternately focused on promoting industrialization,

agriculture, poverty reduction, health, institutions, and so on. The UN has sponsored numerous grandiose resolutions that have also failed to spur development. We have come to the point where new ideas on making aid work are recycled old ideas.

In practice, the aid industry has not changed much. The ineffectiveness of aid has little to do with a lack of resources. Its roots lie instead in the complex nature of poverty and the flawed nature of institutions and governments in poor countries. The aid industry's bureaucratic continuing growth also undermines effectiveness and accountability. Rich nations should reject calls for increasing aid and should probably reduce such funding.

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## Introduction

In January 2005 the United Nations issued a massive report calling for a doubling of aid to developing countries between now and 2015 in order to conquer poverty.<sup>1</sup> Despite the increasing political correctness of advocating more development aid,<sup>2</sup> and the promises from aid donors that they will be more “selective” in disbursing funds in the future, the developed nations should be skeptical about going beyond the amounts already committed and should consider a reduction in aid funding.

I am an aid practitioner with close to 40 years experience in developing countries at practically all levels, from the “field” up through the world of international nongovernmental organizations (NGOs); the U.S. Agency for International Development; aid subcontractors in Washington, D.C.; foundations; and multilateral institutions like the World Bank and the United Nations Development Programme. I have worked on aid projects and helped design, troubleshoot, and evaluate them. I have directly observed aid programs in more than 50 countries. The only part of the development aid universe that I have been spared is poverty itself, though I do know what dysentery, tapeworm, hepatitis, and malaria feel like.

Somewhat late in my career I have come to believe that *as a means of reducing world poverty*, aid has not worked, is not likely to work in the future, and *cannot* work. If I am one of the few aid insiders to so conclude, I am not alone in harboring private doubts about the effectiveness of aid. I don’t know a single colleague with long field experience who believes wholeheartedly that aid has been effective.

But before reviewing the dismal record of aid’s effectiveness, there are a couple of issues that need to be cleared out of the way. First, if aid cannot solve the problem of poverty, it can be argued that aid has humanitarian value, as a means of helping people in times of disaster or to prolong human life (e.g., immunization programs, food assistance). But let’s be clear: humanitarian assistance is not the same as

development aid aimed at poverty reduction, and indeed in some ways humanitarian aid can exacerbate overall poverty at least from a statistical standpoint (e.g., the continuing large number of poor people in the world is in part due to improvements in health and longevity among the poor).

Second, *saying that aid cannot solve world poverty is not saying that world poverty is doomed to continue*. As I discuss in the next section, the current state of world poverty is gloomy, especially in Sub-Saharan Africa, but there have been improvements, and those are likely to continue in various places, albeit along a somewhat bumpy trajectory. The fact that poverty reduction has occurred in some places and not in others attests to the unimportant role of aid, since in those countries where aid has dominated the national budget (e.g., Haiti, Malawi), poverty statistics have not brightened, while in those where aid has played a minor role (e.g., India, China), poverty has often come down.

A thorough analysis of what brings about poverty reduction is not the aim of this paper. Suffice it to say that we do have answers to that question by now and they are not, as we used to say, rocket science. Lasting poverty reduction takes time, and it takes time because it is a function of economic growth. Trickle down works imperfectly, but it does work. And sustained economic growth is linked to the rule of law (a legal and regulatory framework one can count on), good governance (a government of accountability and transparency), and leadership that is relatively un-self-interested.<sup>3</sup> Those attributes are in turn related to education and, in ways we haven’t fully understood yet, to history and culture.<sup>4</sup> Finally, many poor countries would probably move forward faster if world trade arrangements were based on less protection and fewer preferential arrangements.

## A Brief Review of World Poverty Trends

The latest data suggest that world population will increase by 40 percent to 9.1 bil-

lion in 2050, with virtually all of that growth in the developing world, especially the 50 poorest countries that “already struggle to provide adequate shelter, health care and education.”<sup>5</sup> In contrast, the population of richer developed countries will remain mostly unchanged at 1.2 billion. One clear result of that situation will be an increase in the pressure to immigrate (legally and illegally) to the richer countries, and rich countries’ fear of that is perhaps one of the biggest unspoken political reasons behind the push for more aid. But world poverty trends over just the last 20 years of aid suggest that all arguments for more aid, whether rational or emotional, are not well-founded.

One of the most thorough reviews of poverty statistics, covering the period 1981–2001, gives us some gross numbers, many of which are not encouraging.<sup>6</sup> In fact, the good news on poverty reduction is confined to the rather arcane issue of whether we are looking at “extreme” poverty (defined as \$1 per day or less) or just plain poverty (between \$1 and \$2 per day). All the evidence suggests that the number of people at or below \$1 a day has declined by as much as 390 million people. But, as the same report states, “More people living near \$2.00 per day became worse off in the period (1981–2001) than the number who gained.”<sup>7</sup> Almost all of the drop in the number of “extremely poor” occurred in China and had little to do with development aid. In contrast, the number of extremely poor elsewhere in the developing world went from 840 million to 890 million, and in Sub-Saharan Africa it went from 164 million to 316 million. In 2001 Sub-Saharan Africa had about 29 percent of the world’s extremely poor; in 1981 it had 11 percent.

The report suggests that getting over the \$2 line is the real challenge, and here again the data are not encouraging. The number of people in the world who live under the \$2 threshold has gone from 2.4 billion to 2.7 billion (42 percent of the world’s population), with the most dramatic change being the “bunching up” of the poor who live on between \$1 and \$2. In 20 years that group

grew from 1 billion to 1.6 billion people, a 60 percent increase in absolute terms. In short, while many people (skewed by China) have moved from the \$1 threshold to a zone between \$1 and \$2, for the time being, they are not making the leap that would get them out of poverty to a state of sustained economic well-being. Even in high-growth, low-income countries, poverty eradication is a slower, more complicated process than the advocates of aid doubling like to think.

On other measures of poverty there is also a mix of good and bad news. Life expectancy is generally up in the developing world as a whole, as are the immunization of children and access to safe drinking water. Fertility rates are declining, and in general economic growth rates are improving everywhere. Even Sub-Saharan Africa might see some gains. Current per capita growth estimates for 2006–15 suggest that Sub-Saharan Africa could grow at a 1.6 percent rate, which would mean that in 2015 about 70 million Africans would be lifted above the \$1 extreme poverty line.<sup>8</sup> But that is only 22 percent of the current 316 million in that category. The tide is rising, it is true, but it is rising more slowly than population growth, and new problems continue to pile up on top of old ones, beginning, of course, with the pandemic of HIV/AIDS. In addition, worldwide, almost a billion adults are illiterate, school completion rates for the poorest children are dismal (which bodes especially ill for the future), and 1.2 billion people still have no access to safe drinking water.

## **The Aid Industry Has Tried Almost Everything**

A discussion of aid’s ineffectiveness is best begun by reviewing the history of efforts to make aid more effective. The aid industry has for decades tried one thing after another to make aid work better, and the underlying belief that the right formula is within reach is one of the things that has kept it going.

During the 1950s we believed in import substitution and industrial development. We

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thought we could help poor countries leapfrog history and become like us (you don't have a steel industry? Well, we'll build one for you). Then we rediscovered the importance of agriculture and have since tried everything from training agricultural extension workers; to forming agricultural marketing boards and cooperatives; to funding technical interventions in irrigation, seed multiplication, soil improvement, and new crops. In the 1970s we rediscovered poverty itself and came to believe that trickle down did not work and that we must therefore deal with the poor directly. We switched back and forth between emphasizing rural poverty and concentrating on urban poverty. When we were convinced we had to focus on rural development, we started with integrated community development (where everything from primary care health clinics to water well systems to rural roads to appropriate technology such as backyard biogas and hand-operated grinding mills, was tried together). When we thought that the heaviest poverty was urban, we worked (and continue to work) on slum reform, street schools, housing finance, microcredit, and the like. As the 1980s and 1990s rolled on we realized how important institutions were and began investing in institution building, legal reform, governance, and "democracy." Also in the 1980s we saw how critical women are to development and began to focus more on Women In Development (WID), with legal rights programs, women's health (including birth control and breast feeding promotion), and "income-generating projects."

As for the overarching paradigms that guided our work, by the 1970s we had begun to give up on top-down approaches; bottom-up, grassroots approaches, emphasizing participation, came into vogue. We still do much that is top-down, but it has been refined as policy dialogue (echoing participatory approaches) while our grassroots work now pays more attention to "social" issues including fostering, and building upon, "social capital."

One of the big new ideas in the aid industry is "selectivity," the notion that aid should be allocated to countries that can do the

most good with it because of sound policies and institutions. (That such a self-evident notion comes along in the seventh decade of the industry tells us something about its capacity for deep self-examination.)

At the field level, where most aid projects aimed at poverty reduction are undertaken, one sees concretely how those guiding ideas are played out, and how it is possible to keep believing that aid can be improved. Here is a sample from my own experience:

### **A Chicken Improvement Project in Morocco, 1965**

In 1965, while a Peace Corps volunteer in Morocco, I spent a summer working on a USAID chicken improvement project. The premise for that project was sound in the abstract. Morocco's chicken production was less than what it could have been; the chickens produced were scrawny and relatively expensive. With better breeding and scientific raising, though, not only could production and income be improved, so could nutrition. USAID brought in Rhode Island Red chickens along with production experts. The project moved along nicely until it became clear that Moroccans had stopped buying the new chickens. Consultants figured out that the improved chicken was ill-suited to Moroccan cooking methods, which were still based on scrawny tough birds. Rhode Island Reds stewed for four hours tasted and looked like mush. The project failed.<sup>9</sup>

Rather than attribute this failure to problems inherent in the aid process, a field perspective might enable one to believe that if local taste and culture had been taken into account, the project could have worked.

### **An Agricultural Extension Officer Training Program in Mali, 1984**

Almost two decades later, in 1984, I led an evaluation of an agricultural extension officer training program in Mali. The donor, USAID, in discussion with the Malian government concluded that if the agricultural extension system could be significantly improved so it could teach new techniques

and practices to improve productivity, farmers would benefit in the same way that farmers in the American Midwest benefited from extension services in the late 19th and early 20th centuries.

The project evaluation showed obstacles on practically every front. First, the government institutions charged with implementing the project had their own structural problems. Besides an excess of staff who often did not show up for work, procedures for execution and follow-up were cumbersome and depended more on personal connections than on agreed-upon plans. Second, the human resource pool to which the training was provided had its own limitations. Many trainees were poorly educated, and some were barely literate. Motivation was low because of very low salaries and the fact that government jobs were seen as lifetime sinecures. Farmers themselves faced obstacles that had little to do with whether they used new techniques. They had problems with transporting and marketing what they did produce; they faced problems with land tenure, as well as natural resource problems such as irrigation water. The project failed.

Again one could conclude that if only more attention had been paid to the complex context surrounding that training operation, the project might have worked.

### **A Community Infrastructure Improvement Project in the Philippines, 2002**

Skip ahead to the Philippines, where in 2002, as a consultant for the World Bank, I was involved in the evaluation of a community infrastructure improvement project. The guiding principle behind that project was that communities need to be involved in their own development, beginning with improvements in basic infrastructure. Local community committees would apply for grant money from the appropriate governmental department and then would themselves manage the work to be done and maintain the finished infrastructure.

Over a period of five years, hundreds of rural communities received funds to undertake various projects. The project was

deemed so successful as an anti-poverty measure that the World Bank prepared a \$110 million loan to the government to extend it to more communities. Here is an excerpt from my field visit notes:

Albiga barangay (village) has 270 households and a population of 1,378. We visit the first of three water tanks for which Albiga received a grant. It is clear right away that the system is complicated. The intake pipe is 1.5-inch GI (galvanized iron) pipe, while the outflow pipe is 3-inch GI. This reduces the outflow. The 1.5-inch pipe (2 kilometers of it) is the gift of a senator who granted this piping some years ago during the election season. Upon leaving the tank, I ask to stop at two nearby households where I spot a faucet. This is attached to a T connection on the 3-inch pipe across the road. I can see that the connection is leaking. The faucet is between two households. Next to it is a hand operated pump, rusted, sitting atop a well. I ask if this has gone dry. No, there is still water in the well, I'm told. I try the pump handle. After many tries, water dribbles out. The pump piston doesn't fit tightly which suggests a worn gasket. I ask what is needed to make the pump work. The village head says "a 35 peso gasket." Upon discussion I am told this pump and well were installed in the late 1980s and stopped working in 1994, which was when the senator's version of the existing system was put in. I asked if the community had considered demanding that the gasket be replaced and the pump made workable before allowing these two families to connect to the new water line. No, they say, the families prefer the faucet to using the pump handle.

As we visit the rest of the water system, I am told that the biggest problem is valves and faucets left open. "We try to discipline people by telling them that this is their system," the village

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head says. "We also tell them not to tie-up their animals to the pipes, all of which are above ground. This is what causes the leaks."

At the main reservoir, closest to the source (a high mountain spring), water is gushing out of the top of the reservoir. In the midst of the dry season, there is a huge amount of water, in my experience enough for a small town, not to mention for this whole community, and not only for drinking but for irrigation. One of the biggest problems here is that people cannot feed their water buffalo properly because they cannot grow enough forage in the dry season. The village head, in a discussion with us earlier, had asked if the project could supply tractors to alleviate this problem. But this community's unusually abundant water source could solve this problem as well as their potable water problem. What is needed here is merely the correct calculation of volume and flow, matched with a system of gate valves and the right diameters of pipes from one part of the system to another, in short a proper design done by people who know what they are doing. It becomes clear that the project's funds have gone to put in a jury-rigged system on top of at least two prior water systems, both done without proper design. When asked why the community accepted the original 1.5-inch pipe from the senator and then years later asked *this* project to deliver the larger pipe when they knew the small intake pipe would limit the outflow, the reply was that they felt they could not turn away "free resources."

#### **A Microcredit Project in Mauritania, 2004**

A last example is a microcredit project in Mauritania, which I evaluated in 2004 as a consultant for the UNDP. The premise of the project was like that of most microcredit projects these days: the idea that if poor people had access to small loans, they would engage in small businesses and pull themselves out of

poverty. Since women have proven to be better borrowers than men, several women's credit groups were set up using UNDP money. The women were given several days of training (with food and transport allowances) in the capital city, some seed capital to begin a loan fund, and were then sent out to start up their credit groups. I found that bookkeeping and cash management were seriously flawed and evidence that a high percentage of the loans was overdue, some as much as 7 or 8 months. Moreover, a large number of the recipients of the loans were unable to improve their incomes because everyone was engaging in selling the same low-margin commodities in the same markets. Those who benefited the most from the loans were women who already had large businesses going and had, or could have had, other sources of funding.

From the field perspective, one could think that if that microcredit project had incorporated more thorough training, more careful supervision, and better selection of borrowers, things would have been different.

#### **The Constant Effort to Reinvent Aid**

Through the years of development aid history, we development experts have also continued to believe that if we made public declarations of our intentions, they would add fuel to the aid movement and thus contribute to improving the effectiveness of aid. Here, for example, is a small selection of some of the UN's past declarations and resolutions:

- 1960–70: The UN Development decade
- 1970–80: The Second UN Development decade declared, with the resolution to create a just world order and achieve 6 percent economic growth in the poor countries by 1980
- 1974: The Universal Declaration on the Eradication of Hunger and Malnutrition
- 1975: The Lima Declaration, including the resolution that the Lesser Developed Countries' share of world production will go from 7 percent to 25 percent by the year 2000
- 1978: The Alma Ata Declaration pro-

claiming health for all by the year 2000

- 1980: The International Drinking Water and Sanitation Decade declared, with the resolution to have “Clean Water for all by 1990”

Those declarations as well as all the new ideas and new paradigms we have embraced over the decades were motivated by a sincere commitment to do better. In every case hopes were high, and high hopes continue to mark our current enthusiasm for microcredit (as is evidenced by the UN’s declaration of 2005 as the “Year of Microcredit”).

The constant effort to reinvent aid over the years, while it points to a desire to make our work effective in reducing poverty, also reveals our need to keep up the illusion that the answer is just around the corner. But we are now at the point where the newest ideas (for anyone with a memory) are either recycled old ideas or embarrassingly anodyne (e.g., selectivity). The time has come for the debate to shift gears. We have to entertain the possibility that we’ve been fooling ourselves. Deep down, the aid industry has not really changed much. The real roots of aid’s ineffectiveness are deeper than whether or not we have found the right techniques and the right paradigms or whether we have enough will or money.

## The Roots of Ineffectiveness of Aid

The ineffectiveness of aid has three roots: First is the complex nature of the problem of poverty itself (and the related problem of dependence); second is the nature of governments and institutions in the developing countries; and third is the nature of the aid industry itself.

The aid industry is not designed to deal with the fact that poverty is not just a material *condition*—something that is complicated enough—but it is also a matter of the social, cultural, and political *position* many poor people occupy in their societies. Poverty is of

course about not having enough money, but in many developing countries it is also about which caste, class, language group, tribe, gender, or shade of color you were born into. Given the complexity of poverty and the accompanying interweaving of so many variables, the phrases “poverty reduction” and “combating poverty” are somewhat illusory. Poverty is neither a quantum nor a single “enemy” that can be beaten by concerted effort. No engineered solution, especially one that seeks to get at poverty directly (as most aid projects do) can make much of a dent, no matter how much the design of the project tries to match in complexity the complexity of poverty itself. Indeed, the more complex the project, the less likely we are to be able to manage it well. The history of aid is a history of unintended consequences. Two examples from my own experience: In some social contexts in Asia, Latin America, and Africa, I have seen husbands appropriate microcredit money intended for their wives and use it to buy alcohol. In Morocco when urban planners widened streets around a slum in preparation for a re-housing project, new shanties were built overnight in the new space. Engineering a direct reduction of poverty is often like squeezing a balloon, push it in here and a bulge pops out there.

Aid agencies have also consistently underestimated their own role in creating dependence. A universal aspect of human nature seems to be that people (and countries) get hooked on anything they perceive as “free” or close to free. That fact undermines most of the stated expectations, promises, agreed-upon reforms, and other responses to aid given by people and governments to aid donors.

The second root of the ineffectiveness of aid lies in the nature of governments and institutions in developing countries. Many less-developed countries have governments that are either autocratic or unstable or both, and more often than not they are also corrupt or repressive or both. They are neither transparent nor accountable. Also, despite much rhetoric about modern management and

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other systems, institutions in many developing countries function along byzantine lines, with personal and relational imperatives overriding impersonal institutional ones. In the poorest countries, government personnel simply have no incentive to do their work, and offices are often vacant. In short, even when such countries agree to reform their policies to conform to donors' (or other) notions of good governance, the capacity to carry out those reforms is simply lacking.

In an influential article in *American Economic Review*, World Bank economists Craig Burnside and David Dollar showed that "aid has a positive impact on growth in developing countries with good fiscal, monetary, and trade policies, but has little effect in the presence of poor policies."<sup>10</sup> But historical evidence suggests that good governance and policies help countries grow and reduce poverty *whether they receive aid or not*. In short, when countries get their acts together, they don't really need much aid; they are already on their way. And when they don't have their acts together, aid is wasted. Either way, doubling aid money is not the answer.

It is the third root of aid's ineffectiveness that carries the biggest burden of guilt—the aid industry itself. The aid industry began at the end of WWII, with the Bretton Woods agreement and the start of the World Bank in 1944.<sup>11</sup> Since then it has grown continuously. The players include the 22 member nations of the Organization for Economic Cooperation and Development that have bilateral aid programs<sup>12</sup> and the principal multilateral development agencies such as the Food and Agriculture Organization, International Fund for Agricultural Development, United Nations Children's Fund, the UNDP, and the World Bank. There are other multilaterals as well, such as the three regional development banks (the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank). The big growth, however, especially since the mid-1980s, has been in the NGOs, which include everything from foundations such as Ford to child sponsorship agencies such as World Vision (with an annual budg-

-et of \$1 billion). There are at least 20,000 NGOs working in development aid.<sup>13</sup> And as the numbers of NGOs have grown, the distinction between nongovernmental and governmental has often blurred, since a large number of NGOs now work closely with bilaterals and multilaterals as their handmaidens in the daily work of development aid.

Development has grown into an industry, and like other industries it is increasingly concerned with maintaining itself and increasing its market share. There are a lot of jobs, money, and institutional interests at stake in the aid industry. Official development aid had been in a slump for years. It peaked in 1992 at around \$60.5 billion and slumped down to the mid and high \$50 billion range for most of the decade before reaching a new high in 2003 and increasing to \$78.5 billion in 2004.<sup>14</sup> The industry has not been happy with its level of resources and has taken advantage of the post-September 11, 2001, climate of fear to add to its usual arguments the implication that aid has a crucial role in stabilizing the world's future (by combating poverty) in addition to a role in reducing the pressures for immigration to developed countries (a political issue of growing importance in, for example, France, Holland, and Germany).<sup>15</sup> Hence, the more aid money we put up, the better off we will all be. Or so the argument goes.

Also, a great number of jobs depend on the industry. No one knows how many people work in aid, but some numbers are indicative. The World Bank alone employs 9,300 people and is considered an excellent employer, with perks that exceed those in today's leaner private sector. UN agencies employ tens of thousands. An international NGO based in the United States with an annual budget of \$10 million or so will employ 200 to 300 people. In much of the Third World, a job in the development aid industry is highly coveted, and competition for such jobs can be fierce. There are also thousands of consultants (I have been one since the mid 1990s), and whereas most of us used to be from the developed countries, now



there are thousands of educated people from developing countries for whom aid consulting is far more lucrative than any other way of making a living.

Finally, there is the universal will of most institutions and organizations to grow. It is natural that all aid institutions and organizations believe in the value of their work and call for more support for it. No industry wants to go out of business.

There is also a moral stake. Aid organizations and institutions occupy a high moral ground. Aid organizations are in the business of doing good. That this is a coveted space is attested to by the number of new and relatively young rich people (dot com and other tech millionaires) who have decided that their purpose in life (now that they have made money in the crass world of commerce) is to help the Third World. From Michael and Susan Dell to Bill Gates to lesser-knowns such as Pierre Omidyar, the newcomers put out mission statements for their new foundations that are surprisingly similar to those of the old-timers in the aid industry.

Those stakes add up to a powerful set of incentives to embrace arguments that promise to strengthen the industry's importance and "market." That is one reason why virtually every call for more aid contains at least some symbols or references that tug at emotions. But when the aid industry tries to make a rigorous rational case for itself, its arguments come up short, as in the current debate about the effectiveness of aid and "selectivity." There we see more self-justification than logic. Consider the following conclusion from a UN document:

... optimal aid allocation favors countries with high levels of poverty, low per capita incomes and sound policy regimes. Such allocations are considered poverty efficient by maximizing the number of people pulled out of poverty.<sup>16</sup>

In other words, now that we have learned that aid works best in economies that are rel-

atively well run, we should focus it accordingly. To be even more efficient (i.e., "pro-poor"), we should focus aid especially on those countries with the biggest possible poverty problems, even though such countries are the least likely to be ones with sound policies in the first place. Perhaps that logical disconnect often goes unnoticed because it is inconvenient to notice it.

## The Future of Aid: Not Much Will Change

Whether "selectivity" becomes the new mantra in the aid debate, or many of the old, often emotion-laden arguments remain the rationale for more aid, not much will change.<sup>17</sup> The internal workings of the aid bureaucracy will remain what they are, churning out projects and not being very selective. Were selectivity to seriously become the basis for aid decisions, so few countries would qualify that many aid workers would have to take a forced holiday for lack of anything to do. And if all the donors decided to follow the same selectivity criteria, not only would they be stepping all over each other in the few "good" countries, but those countries would have a problem absorbing all that concentrated aid.<sup>18</sup>

What is more likely to happen is that projects will continue to be designed in the same way they have always been, using sizable chunks of money, with kudos going to the project managers for figuring out how to spend it. A new box to be checked off will be added to the project cover sheet; the box will read something like this: "This project conforms to XYZ's policy on selectivity and is considered poverty efficient." And most of the projects will inevitably be ones that promise direct action, that involve the procurement of goods and services (vehicles, office furniture, computers, consultants, studies, workshops, learning exchanges, etc.). And, because aid projects are always of short duration (three to at most seven years), there is not enough time to see significant change. Therefore, proxies

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for impact will be built into the project (e.g., number of agricultural extension workers trained or numbers of studies done). Those proxies give the illusion of accountability, but aid, however responsibly administered (and generally it is responsibly administered, at least in the bookkeeping sense), remains fundamentally unaccountable in terms of results. Whereas a large corporation cannot lose money forever without facing some consequences, the aid industry has gone on for 60 years with hardly anything to show for the two trillion dollars it has spent (something it does not really bother to deny), and yet it is still very much in business.

Aid is an industry that has shown little willingness to confront its internal contradictions or its bureaucratic inertia, that has not been able to show a robust relationship between aid and poverty reduction, that cannot disprove that countries with good policies don't need much aid, and that continues to promise things the industry itself knows it cannot deliver. Despite all that, it calls on the world's rich nations to double their financial commitment to development aid. If the time has not yet come to cancel outright the benefit of the doubt that development aid has enjoyed, surely it is time to say no to additional aid money.

## Notes

1. UN Millennium Project, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals* (New York: United Nations Development Programme, 2005).

2. See, for example, Joseph Kahn, "World Bank Says Poor Nations Will Suffer Worst Economic Toll," *New York Times*, October 2, 2001, p. B4; Jeff Madrick, "Rich Nations Have Been Too Insensitive to Poverty," *New York Times*, November 1, 2001, p. C2; Kofi Annan, "Trade and Aid in a Changed World," *New York Times*, March 19, 2002, p. A23; and "Hope in the Land of Dashed Hopes," editorial, *New York Times*, March 7, 2005, p. A16.

3. It should go without saying that when these attributes are present, foreign investment is more likely to follow.

4. See, for example, David Landes, *The Wealth and*

*Poverty of Nations* (New York: W.W. Norton, 1999).

5. United Nations Population Division, cited in Edith M. Lederer, "UN: World Population to Hit 9B in 2050," *Seattle Post-Intelligencer*, February 25, 2005.

6. Shaohua Chen and Martin Ravallion, "How Have the World's Poorest Fared Since the 1980s?" *World Bank Research Observer* 19, no. 2 (2004).

7. *Ibid.*, p. 4.

8. Mick Riordan and Richard Newfarmer, Power Point presentation, World Bank, September 3, 2003.

9. This and the three examples that follow are based on the author's own field notes.

10. Craig Burnside and David Dollar, "Aid, Policies, and Growth," *American Economic Review*, September, 2000, pp. 847–68. Burnside and Dollar's conclusions have been seriously questioned in William Easterly, Ross Levine, and David Roodman, "New Data, New Doubts," NYU Development Research Institute, July 2003. Those authors concluded that "additional data . . . raises [*sic*] new doubts about the effectiveness of aid" (p. 9). Other studies that question the effectiveness of the "selectivity" approach to aid include Ian Vásquez, "The New Approach to Foreign Aid: Is the Enthusiasm Warranted?" *Cato Institute Foreign Policy Briefing* no. 79, September 17, 2003; Harold J. Brumm, "Aid, Policies and Growth: Bauer Was Right," *Cato Journal* 23, no. 2 (Fall 2003); and Raghuram G. Rajan and Arvin Subramanian, "Aid and Growth: What Does the Cross-Country Evidence Really Show?" *International Monetary Fund Working Paper* wp/05/127, June 2005.

11. Some antecedents go back to the 19th century (missionaries, for example), but basically the aid industry—as a set of institutions whose conscious aim is the reduction of world poverty—is a more recent phenomenon.

12. The OECD Development Assistance Committee was set up in 1961. Today it consists of 17 European nations, the United States, Canada, Australia, New Zealand, Japan, and the European Commission. Aid to the developing countries is also provided by a few other countries such as Russia, Kuwait, the Gulf States, and Saudi Arabia.

13. Finding good statistics on worldwide NGOs is hard, especially breaking them down by type. NGOs work in human rights, environment, child education, and advocacy and often intervene directly in poverty. The Conference of NGOs in Consultative Relationship with the UN (CONGO) in Geneva

reports 37,000 international NGOs in 2000. CONGO, "Connecting the Global to the Local to Reach the Millennium Development Goals," no date.

14. Organization for Economic Cooperation and Development, [www.oecd.org](http://www.oecd.org).

15. In 2003 net official development aid to Iraq, Afghanistan, and Pakistan by the United States alone was between \$5.8 billion and \$6 billion, more than the worldwide net rise of such aid between 2002 and 2003. Source: OECD website, June 30, 2005.

16. Mark McGillivray, "Aid Effectiveness and Selectivity," United Nations University–WIDER,

Discussion paper 2003/71, October 2003.

17. See, for example, the emotional appeal of the *New York Times* editorial "Just Do Something," June 6, 2005, favoring more aid to Africa.

18. See the briefing note on "Aid Effectiveness and Selectivity, Many Questions, Still Few Answers," European Network on Debt and Development, Brussels, March 28, 2003, which raises such questions and implies that donors are not only beginning to argue about how to apply the selectivity criteria but are questioning the criteria themselves, including raising the possibility that good governance itself is being overemphasized.

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