

# Who uses Aid ... for what?

by John White\*

## 1. Questions for Aid Agencies

Except for making the rather uninteresting observation that the developed countries sometimes, or often, use what they call 'aid' as an instrument of foreign policy, aid agencies tend to turn a blind eye to the political dimensions of their activities. There are several reasons why this should be so, the most obvious of which is that the principal rival of an aid agency, within its own governmental structure, is usually the ministry of foreign affairs. If the agency were to admit that the rational allocation of its resources required political analysis of the potential recipients, its case for separate existence would be gravely weakened, since political analysis is normally regarded as the business of the ministry of foreign affairs. So aid agencies tend to deny the political quality of the developmental process, taking refuge in 'strictly objective' economic criteria and 'technical' analysis. Political factors come in only as 'obstacles', preventing aid agencies from doing their allegedly apolitical job. This formulation has the additional advantage, from the aid agency's point of view, of identifying the intervention of the ministry of foreign affairs as one such obstacle, thereby enlisting the support of the aid lobby in its self-interested fight for survival.

This habit of speech is relatively recent. Under the Mutual Security Act of the 1950s, United States aid was explicitly directed towards securing specified political postures from the recipients. Its allocation was consequently based on quite careful analysis of the way in which it might affect the internal political standing of the governmental entities which received it.

Another recent habit of speech, closely related to the appeal to non-political criteria, is the suppression of values. If one compares the basic policy documents of the American, British, French and German aid programmes of the early 1960s, one finds that they were highly explicit concerning the values that were

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being applied in the selection of 'developmental' priorities, and that there were striking differences between the values applied in different aid programmes. (We may assume here that all aid programmes have some developmental content, however small). With the formalisation of aid programmes from about 1965 onwards, this feature disappeared. The 1965 White Paper of the Ministry of Overseas Development, containing one of the strongest recorded official assertions that the basis of an aid programme is a moral one, omitted to specify that moral basis in a manner which would allow one to use it in the evaluation of alternative paths of allegedly developmental policy. Here the obstacle seems to have been the desire to play down the necessarily interventionist character of aid, the desire not to be seen imposing alien values on states which were highly sensitive to any infringement of sovereignty.

These two inhibitions have led aid agencies to overlook factors which have a bearing on their own stated objectives. How could one assess the effect of aid in support of rich industrialists in Pakistan, without taking account of the political dimension? How can one possibly allocate aid in support of a process called 'development' - which is a value term - without specifying the values to be used and without examining all the effects of a given allocation in the light of these values?

Dudley Seers, in trying to break through these inhibitions, concentrates on the question of values. Having specified his values, he asks in effect how an aid agency can promote these values, in circumstances in which there is a high probability that aid will go to users who hold very different values, thus perverting the underlying developmental intention. My purposes in this supplementary note are:

1. To argue that political judgment offers a more fruitful approach to the problem than moral judgment (though I admit that it is not always easy to distinguish between the two);
2. To show that the evaluative or moral questions can be largely reduced to a set of empirical questions in political analysis, leaving a residual moral question which is easily answered with a widely acceptable value premise;
3. To draw policy conclusions.

In short, the question I am discussing is: how far can we go towards the solution of the problem posed by Dudley Seers on the basis of what we know, as distinct from what we profess?

It is convenient to divide the empirical questions into four broad areas, which are listed below. The alternative formulations (a.f.) in parentheses suggest rather different questions, but I believe that it is illuminating to take the first formulation and its alternative in conjunction.

1. Who are the aid-users? (a.f. Who benefits from aid?)
2. What do aid-users use it for? (a.f. What are the effects of aid?)
3. What sorts of value judgment will be affected in application, by the answers to questions about aid-users? (a.f. What sorts of value judgment can aid agencies effectively apply?)
4. What strategies are available to aid agencies in the application of value judgments about aid-users? (I have no alternative formulation of this question).

All of these questions point in the direction of analysis of internal political trends, which is one of the functions for which rich countries spend money in maintaining diplomatic missions overseas. In the best of all possible worlds, i.e. if rich countries were politically committed to the promotion of development, it would be rational to locate aid agencies within foreign ministries, where the necessary skills are concentrated. But foreign ministries have a nasty habit of seeing everything in terms of a very confusing concept called 'the national interest'. My policy conclusions, therefore, are focused on the steps that would have to be taken by foreign ministries to reassure simple-minded people like myself, who believe that 'aid' means 'help', that their political analysis was in the interest of human welfare.

## 2. The Aid-Users

Defining 'aid' is always difficult, but in general we are talking about resources transferred inter-governmentally by governmental institutions whose activities are publicly justified by reference to a process called 'development'. Thus, the recipients of aid, or aid-users, are 'governments'. But the term 'government' merely refers to the area in which aid-users are normally to be found, unless one is prepared to consider the embarrassing alternative of aid to opposition groups. It is not itself an identification of aid-users. It is not even a very precise delineation of the area of search. (Where is the 'government' of Britain, and over what area does it extend?)

If one uses the term 'government' in the narrowest sense, as a synonym for 'régime', by which I mean that small group which currently enjoys dominant power, one probably fails, in using the term in this way, to identify the most significant groups of aid-users in the broader governmental field. Aid may have many different and conflicting users: the finance ministry uses it to control the sectoral ministries; central ministries use it to control provincial structures and programmes; constituency-based politicians and their ministerial patrons use it to build local support; economic planners use it as a channel of communication (an escape route?) to the outside world. Governments are not homogeneous. To use the concept 'government' in the identification of aid-users is likely to obscure the more limited areas within which aid may have a capacity, indirectly, to affect the 'régime'.

### 3. Uses of Aid

This section is concerned only with uses, and hence outcomes, other than those specified in the formal agreements concerning the uses to which the resources in question are to be put. One outcome of aid may be the establishment of the project which it finances (though not necessarily, on the Singer principle of fungibility<sup>1</sup>). What other uses does it have? In particular, I am concerned with what are sometimes termed, misleadingly, the 'political effects' of aid.

These 'other' uses are of two main types, which I shall call 'intrinsic' and 'extrinsic'. Intrinsic uses are uses which inhere in the use specified in the agreement, but are not stated. It is a mistake to think of economic and political uses as two separate categories. 'Political' and 'economic' are terms, not for different types of use, but for different aspects of use. Examples of intrinsic use are: rich industrialists using aid to consolidate their control of resources; 'progressive' politicians using the availability of aid to gain acceptance for a land reform programme; middle-level civil servants using overseas training to gain status and promotion. Intrinsic use is sometimes referred to as 'bias'.

Extrinsic uses are a less coherent class, since they are not linked systematically to the specified uses. But they appear

<sup>1</sup> H.W. Singer, "External Aid: for Plans or Projects?", *Economic Journal*, Vol. LXVII, No. 299, September 1965. Singer argues that donors, in financing projects of high priority, which would probably have been undertaken anyway, are in reality freeing the recipient's own resources for the financing of some other project of which the donor is not aware.

to be of three main types (apart, that is, from foreign policy uses, with which this note is not concerned):

1. general re-inforcement;
2. policy endorsement;
3. domestic bargaining.

General re-inforcement, or what Dudley Seers calls the 'announcement effect', consists of the use of aid as evidence of external general support for a régime, in order to consolidate internal support. It appears to be the rarest of the three types of use, if only because, in societies sensitive to neo-colonialism, evidence of external support is a dangerous card to play. By the same reasoning, the *withdrawal* of aid MAY have a supportive effect, since it enables the régime to attribute domestic difficulties to foreign hostility. The most conspicuous cases of general reinforcement, such as President Nasse's use of the Aswan High Dam, are usually only consolidation of an earlier use of the withdrawal of aid for the same purpose. (Other conspicuous examples are Cuba/USSR and Tanzania/China). Where this use of aid does occur, a general valuation of the régime is relevant to aid agencies' decisions. But I repeat, it is rare.

It is in the area of policy endorsement that aid agencies become most deeply involved in the extrinsic uses of their resources. Indeed, some of them participate in these uses, under the label of 'leverage'.

'Leverage' is the name given to the practice of allocating aid in accordance with some sort of developmental assessment of the policies pursued by the recipient. It is now to some extent discredited, partly because its practitioners, notably the World Bank and the AID, have found it extraordinarily difficult to work, and partly because its opponents have criticised the values applied by these agencies, or, more generally and less logically, disputed their right to apply their own values in any way.

Any argument that suggests that aid should be provided or withheld in accordance with an explicit valuation of the users is an argument for leverage. All such arguments are open to challenge on the evidence of past experience. Bullying, to give the practice a plainer name, has unpredictable results. The worm does turn. A question which arises in connection with the current widespread advocacy of policies for improved employment and income distribution is whether this consensus may be seen by the aid-users as a new sort of neo-colonialism, using it to discredit such policies in the context of their own societies.

An odd twist to policy endorsement is what one might call negative policy endorsement - the use, for instance, of an advisory mission as a substitute for adopting the policy in question.

The weakness of aid as an instrument for general reinforcement or policy endorsement leaves us with bargaining as the only remaining type of extrinsic use which aid agencies may be able to assimilate. There are two separate uses here: the use of aid to strengthen the user's bargaining position (a quantitative use): and the use of aid to change a bargaining position (a qualitative use). Quantitative uses were cited in the preceding section. They are not open to aid agencies, as their perceived endorsement of a selected group in government - e.g. the planning agency - is likely to weaken that group's position. But they can certainly consider the ways in which bias (or intrinsic uses) in the resources that they offer may affect users' bargaining positions qualitatively.

#### 4. Values

Values may be applied to action in two ways. They may give rise to negative action, i.e. a decision not to participate in the evaluated situation at all (e.g. a withdrawal of aid): or they may give rise to a decision to do X rather than Y.

Just as condemnation of one's own government does not lead most citizens to emigrate, so aid agencies are generally, and rightly, interested in the second type of application rather than the first.

The underlying value of those who advocate the use of aid for development is the relief of poverty. By analogy with the law of diminishing returns, this entails that one values relief for the poorest more highly than relief for the less poor. Hence one values improved income distribution, improved employment opportunities, etc. But once one has admitted the premise concerning the relief of poverty, these subsidiary values follow logically.

At this very general level, therefore, there does not seem to be any rational reason for fundamental conflict over the values to be applied, among those who profess any sort of developmental values. But there is a real question about how to apply them, given that not all aid-users are sincere in their profession of developmental values. This is both a moral question, concerning the right of aid agencies to impose developmental values (the withdrawal of aid counting for this purpose as a sort of

imposition), and an empirical question concerning the feasible optimum within the society that is being assessed.

All societies evolve within some set of historical limits. A pattern which is judged good in one society may be outside the historical limits of another. Such limits are in some measure specific to particular societies. The use of historical method to project these limits into the future, as a prediction of the range of directions in which a society is likely to evolve, is sometimes called 'common sense'. Historical method is different from scientific method, which predicts, not on the basis of past observations of the same society, but on past or present observations of similar societies.

A regime is only one symptom of a more pervasive historical condition of society. Common sense needs to be applied to the assessment of a régime before one can evaluate it, since one can only evaluate it in comparison with historically relevant alternatives. To apply generalised values without historical method leads to mistakes. One may give a high score to President Nyerere, in the historical context of Tanzania: but one should probably also have given a high score to Prince Sihanouk in the historical context of Cambodia. It is regrettable that the application of generalised (puritan?) values led development specialists to take little interest in Prince Sihanouk, and to make little protest about his destruction. To take a more complex example, does one give a high score to Mrs. Gandhi for professing 'socialism', or a low score for coming to terms with the un-socialist reality of Indian society? And what score should one give to historically probable future governments in comparing and connecting the short-term and long-term uses of aid? The use of values should lead, not to a condemnation of governments, which are part of the historical situation, but to the identification of alternative forms of action within that situation. The difficult questions here are both empirical and particular, not moral and general.

##### 5. Strategies

In principle, there are three types of strategy which an aid agency can pursue in applying its values. It can make a general judgment concerning the regime, and act accordingly to affect the regime; it can ignore the problem, - regarding evaluation of the regime as beyond its competence, and simply responding to requests; or it can identify limited tasks, the total outcome of which is not severely affected by the character of the regime in question.

The first strategy seems to me impracticable on five grounds:

1. There is a widespread revulsion, with at least some substance in it, against aid agencies acting as keepers of the aid users' conscience.
2. The outcome is at least as likely to be negative as positive, in value terms.
3. It encourages a dangerous tendency towards the application of generalised values as a substitute for historical perception.
4. It tends to reduce the aid agency's room for manoeuvre to a choice between staying in and getting out, which is the wrong sort of choice. (Similarly, would one abandon a country because its economic prospects of development were poor?)
5. Aid is probably one of the least significant forces keeping a régime in power. But aid does do other things. To concentrate on changing regimes, in which aid is unlikely to be significant, is to ignore the aid agency's comparative advantage.

The second strategy, ignoring the problem, seems to me irrational, for the reasons given in the first section.

The third strategy, which has come to be associated with the name of I.G. Patel, on the basis of a proposal made by him at the Columbia Conference on the Pearson Report, seems to me the only practicable possibility. Reconstruction after a cyclone disaster (East Pakistan under Yahya Khan), or amelioration of urban slums (Rio de Janeiro, Manila), are tasks worth pursuing irrespective of the character of the regime. Assessment of the extent to which these endeavours will be frustrated by the character of the régime itself, and of what steps can be taken to isolate the task from those pressures, is a matter for common sense, as I have used the term, not for moral judgment or scientific method.

## 6. Policy Conclusions

The eight of my argument is directed towards more refined analysis of internal political relationships as a means to ensuring improved developmental outcomes from the activities of aid agencies. This analysis is needed, not as a basis for decisions to give or withhold aid from a regime as a whole, but as a guide to needed modifications in the forms of aid to take account of the particular social and political contexts in which it operates.

Six years ago, I argued that the most urgent change needed in the structure of the British aid programme, to take the nearest example, was the establishment of more regional development divisions in order to apply professional (= scient-



ific) analysis in the field. That issue has since been resolved. Now I would argue that the most urgently needed change is a stronger developmental orientation in the political (= common sense) reporting that trained diplomats already do rather well. The target here is the official working at about second-secretary level in chancery in an embassy or high commission, who has possibly spent a year in the country previously learning its language and customs, and whose job is simply to report. Give him a thorough training in developmental analysis, and the hardest part of the problem is solved.