

1 Introduction¹

'Does Aid Work?' was a good question when Cassen *et al.* (1985) first asked it in the mid 1980s; and it remains a good question today. In the current aid context, however, dominated since 1990 by the 'new poverty agenda' (World Bank 1990, Lipton and Maxwell 1992), the question is more likely to be formulated as 'Does Aid Work for Poverty Reduction?'. In this guise, it has recently attracted a good deal of attention, mostly of a statistical kind. Researchers have been preoccupied with the allocation of aid between countries (White and McGillivray 1992, 1995; McGillivray and White 1994; Sawada in this volume), with sectoral choices (UNDP 1991; Griffith-Jones *et al.* 1994; Lipton 1994), with the impact of individual projects on the poor (Mosley 1987), with the terms on which aid is given (Mosley 1985), and with aggregate measures of aid quality which reflect these factors (Mosley 1987, White and Woestman 1993). White (in this volume) reviews recent work.

In this article, we take a more institutional view. In particular, we are concerned with the way in which policy decisions concerning poverty reduction are put into practice; and with the problem of judging the impact of a heterogeneous aid programme which consists of diverse elements – the apples and pears of our title. Our case study is of British bilateral aid. In the case of British aid, there has certainly been a stated desire in the 1990s to increase the poverty focus of the programme. However, the achievement of this objective has been handicapped by a multiplicity of other objectives, stated and unstated, and by radical shifts in composition in the last decade. Since the late 1980s, technical cooperation has been the largest single component of British bilateral aid. We conclude that it is often hard to trace the poverty-reducing impact of this form of aid. Statistical analysis which ignores changes in the composition of aid may be misleading.

¹ The article draws partly on a review of British aid prepared for a symposium on British aid organized by the Independent Group on British Aid in March 1994 (IGBA 1994). Thanks are due to IGBA members, participants in the symposium, other contributors to the Bulletin for comments on an earlier draft, and colleagues at the IDS and the ODA for help and advice (especially Elizabeth Robin at the ODA Statistics Department); also to Carl Jackson and Lisa Gold, who helped put the paper together. Responsibility is mine.

Apples, Pears and Poverty Reduction: An Assessment of British Bilateral Aid

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By way of introduction, it is important to note that the whole discussion about aid and poverty reduction is taking place in a rapidly changing aid environment (Hewitt (ed.) 1994; ODI 1994). This has features which are inimical to a greater poverty focus, but also some which are favourable, though not necessarily for the right reasons.

On the one hand, overall aid to traditional developing countries has been stagnating, and showed a sharp fall, of 6 per cent in real terms, in 1993, the last year for which figures are available. The official OECD review takes a sanguine view of the situation, concluding that the 1993 reverse represents 'a bout of weakness rather than an incipient collapse' (OECD 1995: 73). The NGO community, by contrast, is more pessimistic, arguing from a detailed review of donor expenditure plans that 'the era of gradually growing assistance for the poor seems to have come to an end' (ICVA *et al.* 1995: 3).

Falls in the quantity of aid impact negatively on the poor, other things being equal. Another feature of the current aid environment increases the amount of aid reaching the poor, but for the 'wrong' reasons: this is the rapid growth in emergency aid, reflecting particularly the spread of conflict-related emergencies (Duffield 1994). On OECD figures, the share of emergency aid grew from around 1 per cent in the early 1980s, to 4 per cent in the late 1980s, and to around 10 per cent by 1993 (OECD 1995).

The volume of aid reaching poor countries and poor people is an important issue in the aid debate; but perhaps not, as White argues in this volume, strictly a factor in aid quality. On the other hand, the relentless growth of emergency aid is an important issue, affecting in particular the amount of money left for development aid to reduce poverty.

2 British Bilateral Aid: An Overview

British aid has become unusually well-documented in recent years. Regular sources include an Annual Review (e.g. ODA 1993), a yearly statistical review (ODA British Aid Statistics, various years) and, since 1991, a Departmental Report (e.g. Foreign and Commonwealth Office 1993). In addition, ODA

has published for the first time in 1995 what it calls a 'Progress Report' on its policy objectives (ODA 1995). A good deal of country and project-level information, including versions of Country Aid Policy Statements, is available under the Open Government initiative (ODA 1995: 96). Aid policy is often enunciated in ministerial speeches, which are also published (e.g. Hurd 1995). The NGOs are vigilant (Christian Aid 1994; ICVA *et al.* 1994, 1995; WDM 1995); Parliament carries out regular reviews (e.g. Foreign Affairs Committee 1994); and there is a good deal of independent or academic analysis (e.g. IGBA 1982, 1986, 1994; NAO 1994; OECD/DAC 1994). The raw material certainly exists for scrutiny of aid and poverty reduction.

In the analysis that follows, we focus on British bilateral aid, as being the component over which the Government has most control. Bilateral aid has been a declining share of total aid, in particular because of the growing claims of the EC/EU. Nevertheless, at around £1200 million p.a., bilateral aid remains significant.

Table 1 presents an overview of the bilateral programme over a 20 year period. In order to obtain consistent data series, the figures are for 'gross public expenditure on overseas aid', which is not quite consistent with the definition of 'official development assistance' used by the Development Assistance Committee of the OECD. In particular, the series in Table 1 include non-concessional loans by the Commonwealth Development Corporation, which are counted as 'other official flows' by the DAC.² British aid statistics also switch from calendar years to financial years in the late 1980s.

Table 1 shows that British bilateral aid grew in the 1970s, fell sharply in real terms in the early 1980s and recovered modestly thereafter. By 1993/94, annual disbursements totalled £1,243, 11 per cent above the 1983 figure, though still 21 per cent below the figure for 1978.

The table shows that the share of aid going to low income countries has ranged between two thirds and three quarters over the period, and that the share tied appears to have fallen then risen, to stand currently at around two thirds. The breakdown by

various aid aggregates are constructed.

² The annual ODA publication, 'British Aid Statistics', contains a definitive explanation of the way in which the

Table 1 British bilateral aid in figures, 1973-1993/94

	1973	1978	1983	1988/9	1993/4
Overall Size (£m 1993/4 prices)	1385	1582	1117	1228	1243
Share to low income countries (% allocable by income group)	n/a	n/a	74	77	68
Tied (% commitments)	n/a	74	53	67	65
Instruments (% of overall aid)					
Project (excl ATP)	38	29	36	17	9
ATP	0	0	5	6	7
Programme aid	18	27	9	14	10
Debt relief	0	0	0	0	0
Emergency aid	0	3	2	4	14
TC	33	28	35	42	42
CDC	9	6	8	13	14
Other	1	7	3	4	3
TOTAL	100	100	100	100	100
Sectoral distribution (% of project aid excl. tc)					
Public and community services	24	12	7	15	14
RNR	9	18	18	11	21
Other	65	71	74	74	65
Total allocable by sector	100	100	100	100	100

Notes 1 Figures are for Gross Public Expenditure on Overseas Aid, on disbursements basis.

2 Abbreviations: ATP - Aid and Trade Provision; TC - Technical Cooperation;
CDC - Commonwealth Development Corporation

3 Totals may not sum because of rounding

Source British Aid statistics, various years

instrument shows a sharp fall in the share of project aid, matched by an increase in emergency aid and technical cooperation. Finally, in terms of sectoral allocation, the table shows a sharp fall, followed by a rise, in the share of aid for public and community services, which includes health and education.

3 Poverty Reduction as an Aid Objective

A statistical analysis of aid flows is concerned with aid outcomes. But underlying these is a set of aid policies which influence outcomes to a greater or lesser extent. A 'good' poverty record may reflect the effective implementation of policy which gives high priority to poverty reduction; equally, it may occur despite policy, or be forced on policy by events.

3.1 Aid objectives

In the British aid programme, poverty reduction has been one of a cast of characters occupying the stage, along with commercial and political considerations, and a host of sectoral priorities to do with gender, environment or population. Poverty reduction has nominally occupied centre-stage, but with occasional blatant attempts at up-staging by other players, and what has looked at some periods like ruthless elbowing of poverty reduction into the wings.

ODA policy objectives have been laid down in successive Acts of Parliament (1940, 1966 and 1980), in the White Paper on aid of 1975, and in ministerial statements. The objective laid down in the legislation has remained constant and states that the purpose of the aid programme is 'to promote

the development or to maintain the economy of a country or territory outside the United Kingdom, or the welfare of its people' (quoted in Foreign and Commonwealth Office 1995: 59). However, there have been changes of emphasis over the years.

Thus, the 1975 White Paper was subtitled 'More help for the poorest' and marked a new commitment to poverty reduction. It stated that 'the Government accepts that more should be done to ensure that a higher proportion of British aid should directly benefit not only the poorest countries, but the poorest people in those countries' (Ministry of Overseas Development 1975: 8).

On the other hand, a ministerial statement in 1980 announced that 'we believe it is right at the present time to give greater weight in the allocation of our aid to political, industrial and commercial considerations alongside our basic developmental objectives' (quoted in Morrissey *et al.* 1992:14); and it is the legislative formulation, quoted above from the 1980 Overseas Development and Cooperation Act, which makes no explicit reference to poverty reduction, which appears in the official ODA Mission Statement (reproduced in Foreign and Commonwealth Office *ibid.*: 58). The apparent marginalization of poverty reduction was a recurrent theme of independent analysis of aid in the early 1980s (e.g. IGBA 1982).

Of course, poverty reduction did not disappear altogether, and in the 1990s, it has been more prominent in British aid policy, reflecting its higher global profile. This has been reflected in ministerial speeches (Chalker 1991, 1993), in policy papers (Wilmshurst *et al.* 1992), and in the detailed objectives of the aid programme. For example, in 1993, Baroness Chalker described reducing poverty as the 'central aim' of the British aid programme (Chalker 1993: 10).

How, then, does poverty relate to the other objectives in the 1990s? Figure 1 sets out ODA's own statements of its aims and objectives, taken from successive Departmental Reports. The Figure distinguishes between overall aims and objectives and specific or 'priority' objectives. There are seven of the latter, to do with economic reform, good government, social development and poverty reduction.

As a statement of ODA's mandate, Figure 1 provides a pretty good basis for evaluation – one of the benefits, perhaps, of the new accountability in public services. It has many positive features and exhibits a reasonable degree of strategic consistency. However, it is also not unproblematic.

First, there have been small but significant changes each year, which mean that the goal posts keep moving. For example, the third objective in 1992 was 'to reduce poverty': by 1994, this had become 'undertake direct poverty reduction activities and programmes', a rather different thing. In the first case, progress might be measured by the extent to which poverty was reduced. In the second case, the criterion might be much less tight, deriving from the number or value of projects undertaken. As an aside, 'to undertake ... activities' is not strictly an objective at all, but rather an activity in a logical framework sense. It would perhaps be better to think of 'programme areas' rather than objectives *sensu stricto*.

Second, the role of poverty reduction is somewhat ambiguous, especially in later years. In 1992, the overall aim of the aid programme was 'to improve the quality of life and reduce poverty, suffering and deprivation in developing countries'. By 1995, by which time the programme had been broadened to accommodate aid to the Former Soviet Union and Eastern Europe, the objectives had become less specific, being 'to help people in countries poorer than our own to improve their lives' and 'to promote sustainable economic and social development'. It is left to the text of the Departmental Report to make the point that 'in ODA's promotion of sustainable economic and social development, it places poverty reduction at the heart of its assistance to low-income countries' (Foreign and Commonwealth Office 1995: 59).

Third, it is often hard to relate the seven detailed objectives or programme areas to the overall aim of helping poor people to improve their own lives. For example, enhancing productive capacity is only worthwhile from the perspective of poverty reduction if it contributes directly to creating employment and sustainable livelihoods for poor people. There may also be trade-offs to consider, for example between expenditures to promote productive capacity and those to promote human development.

Figure 1 ODA's aims and objectives

	1992 Departmental Report	1993 Departmental Report	1994 Departmental Report	1995 Departmental Report
Overall aim	To promote sustainable economic and social development and good government, in order to improve the quality of life and reduce poverty, suffering and deprivation in developing countries	Sustainable economic and social development	Economic and social development in other countries and the welfare of their people	To help people in countries poorer than our own to improve their lives
Objective for developing countries			Promote sustainable economic and social development and good government, in order to reduce poverty, suffering and deprivation and to improve the quality of life for poor people	To achieve the aim, ODA will take actions which promote sustainable economic and social development
Priority objectives				
1	To promote economic reform in developing countries	To promote economic reform and longer term economic growth	Promote economic reform	To support economic reform
2	To promote good government	To promote good government	To promote good government	To help achieve good government
3	To reduce poverty	To help developing countries to define and carry out poverty reduction strategies	Undertake direct poverty reduction activities and programmes	To finance activities directly benefiting poor people
4	To promote human development, including better education and health, and children by choice	To promote human development, including better education and health, and children by choice	Promote human development, including better education and health and children by choice	To promote human development, including better education and health, and children by choice
5	To help developing countries tackle environmental problems	To help developing countries tackle environmental problems	To help developing countries tackle environmental problems	To help developing countries tackle environmental problems
6	To promote the development of the private sector, as a contributor to economic development		Promote enhanced productive capacity	To enhance productive capacity

Figure continued on next page

Figure 1 (continued) ODA's aims and objectives

	1992 Departmental Report	1993 Departmental Report	1994 Departmental Report	1995 Departmental Report
7	To improve the coordination of international responses to major emergencies	To promote the social, economic, legal and political status of women in developing countries	Promote the social, legal, economic and political status of women	To promote the status of women
8	To improve aid management overseas			
<i>Note</i>	The budget lines for developing countries and Eastern Europe were merged in 1993. The 1994 Departmental Report therefore has an overall aim which relates to both categories of country. The statement of objectives for developing countries in 1994 is not found in the Departmental Statement, but is taken from ODA's Guide to Aid Policy.			
<i>Source</i>	FCO, Foreign and Commonwealth Office including Overseas Development Administration: Departmental Report, various years.			

In general, the connections between the main objectives and the subsidiary objectives could be more transparent.

Finally, it hardly needs saying that the explicit objectives of the aid programme conceal others, to do with political and commercial factors. These have a long history (IGBA 1982, 1986; Morrissey *et al.* 1992). Whilst ODA publications tend to downplay the commercial and political motives for providing aid, the Pergau dam and other projects have brought these out into the open.

It seems that ODA's statement of objectives does not entirely reflect all the political priorities followed by ministers. Nor does it seem that the statement would pass the acid test of incorporation in a logical framework, which is surprising, given the weight that ODA attaches to this planning tool. Nevertheless, if we take it on its own terms, the question is how to measure the success in achieving the objectives. What are the performance indicators?

3.2 Performance indicators

Reflecting the aggregate measures discussed in the Introduction, performance indicators might include a concentration on low income countries, specialization in poverty-reducing sectors, or favourable aid terms. On these, British aid currently has a good record in comparison with the DAC average (Table 2): only the record on tied aid is worse

than the average. Some care is needed in interpreting these statistics, however. The DAC average is not necessarily the right target. It should not be assumed that only aid to the social sectors can contribute to poverty reduction. And, in any case, expenditure in social sectors is not necessarily poverty-reducing. For example, UNDP (1991: 54) showed that only 37 per cent of world aid to the social sectors was devoted to activities that could properly be classed as a priority for human development, such as primary health care, basic education, family planning and rural water supply. Furthermore, as Table 1 showed, there has been some deterioration in Britain's performance since the early 1980s, for example on the share of aid to low income countries, and on tying. Nevertheless, on this kind of indicator, Britain compares well with many other donors (see also White and Sawada in this volume).

ODA itself has a more innovative approach to performance indicators. It has chosen to focus on the seven priority objectives, rather than on the overall aims, and has developed a Policy Information Marker System (PIMs) to track expenditure. PIMs is, of course, an input monitoring system, rather than an output-based system, as the ODA itself recognizes: 'large sums of financial aid are often needed to make significant impact on productive capacity, particularly on infrastructure. Much smaller sums ... may have a substantial effect in, for example, promoting good government and the status of women'

Table 2 Comparison of UK and DAC measures of aid performance, 1992-93

	British bilateral aid	DAC average
Grant element in total ODA (%)	97.4	68.4
ODA to Low Income Countries (%)	52.2	49.0
Tied aid commitment (excluding TC) as % of total ODA	60	40
% ODA to social and administrative infrastructure	24	21

Source OECD/DAC 1995

(Foreign and Commonwealth Office 1995: 65). Nevertheless, PIMS tells an interesting story and other tools, including evaluation studies, focus more specifically on project achievements (ODA 1995).

PIMS is a new system, so that a historical comparison is not possible.³ However, results for 1993/94 are reproduced in Table 3. This shows the classification of expenditure by objective in 1993-94, for a total of £632m worth of bilateral aid found to be classifiable, some 56 per cent of the total. Enhancing productive capacity is the largest sector, followed by human development. The percentages do not add to 100, because many projects contribute to more than one sector. In fact, they add to 199 per cent, suggesting that on average, each project contributes to two sectors. Emergency aid, valued at £179 m in 1993-94, is excluded from PIMS.

There are two remarkable conclusions from Table 3. The first is the importance of emergency aid in raising the share of the programme which can be claimed as direct poverty reduction. In 1993/94, emergency aid was nearly twice as large as aid for direct poverty reduction. If it were included in the total, ODA could claim that a third of all bilateral aid contributed to poverty reduction.

The other remarkable conclusion from Table 3, however, is that, if emergency aid is excluded from the calculation, direct poverty reduction projects account for only 14 per cent of total expenditure, even allowing for double-counting. This is particularly surprising because the criteria for the inclusion of projects, reproduced in Appendix 1, are remarkably

broad: 'economic and institutional reforms designed to promote employment creation for poor people'; improvements in economic infrastructure predominantly serving poor people; health and education for the poor; safety nets; and public services. Reading this list, an immediate question is what else the aid programme is about, if it is not about these things.

What presumably differentiates poverty-focused projects from others is the level of participation of the poor. The World Bank criterion for poverty-focused projects is that 'the participation of the poor ... significantly exceeds the countrywide incidence of poverty' (World Bank 1991: 22). In another context, the ODA has identified three categories of projects: narrowly-targeted projects 'where the poor are the specific targets', broadly-targeted projects 'in which the poor can be expected to be particularly significantly affected', and non poverty-targeted, 'where there is no reason to think that the poor will benefit more or less than any other groups' (ODA Technical Note on Aid and Poverty Reduction, quoted in Wilmshurst *et al.* 1992: 29). It looks very much as though the PIMS criteria correspond only to the first of these, which is tighter than the World Bank criterion.

Two main conclusions can be drawn from this review. First, policy is an important but somewhat murky guide to practice. Published policy may not tell the whole story, and in any case is likely to be ambiguous at crucial points. Second, there is no easy way of measuring the poverty-reducing impact of an aid programme. The simple comparisons based

³ The first year for which data are available is 1992/93.

on statistics available from the OECD are difficult to interpret and largely concerned with inputs rather than outcomes. A more sophisticated system like PIMS provides more information, but again about aid inputs rather than poverty-reducing outcomes.

4 Aid Composition

We have already noted the impact of increasing emergency aid on the poverty orientation of both global and British bilateral aid. But this is only part of the story. There have been other major shifts in the composition of British aid, that are not much discussed in the literature, but that need to be taken into account in assessing its potential for poverty reduction.

Figure 2 shows the main aid instruments used by British aid in 1983, 1988/89 and 1993/94. There is a striking change in the composition of the programme. In the decade from 1983, traditional project aid fell from 36 per cent of the total to only 9 per cent; emergency aid rose from 2 per cent to 14 per cent; and technical cooperation increased in real terms by over a third in volume terms and from 35 per cent to 42 per cent of the total.

It is sometimes argued by ODA officials that these shifts in the aggregate balance between aid instruments simply reflect the adding up of aid allocation

decisions made at the individual country level, and that the totals have no individual significance (IGBA 1994: para 26). However, it seems highly unlikely that allocation decisions at the country level are made entirely from first principles, with no reference to supply side opportunities. Projects are often designed by visiting missions, for example, who will have a clear idea as to the comparative advantage of British aid. Furthermore, ODA has obviously had overriding policy priorities in the past, for example, the decision in the second half of the 1980s to allocate an increasing share of resources to NGOs.

How do the shifts affect the capacity of the programme to achieve its poverty reduction objectives? Certainly, the potentials and problems are very different for different forms of aid.

The increase in technical cooperation (TC) is the most marked change in British aid over the last decade. TC is, however, a heterogeneous category. Table 3 summarizes the changes in bilateral technical cooperation between 1983 and 1993/94. It shows that the category includes 'classic' TC, in the form of personnel overseas and training, but also all British contributions for development work to NGOs, most of which is to support projects. Within classic TC, also, some of the expenditure forms part of larger projects. Thus, to argue that TC is 'non-project' aid may be misleading.

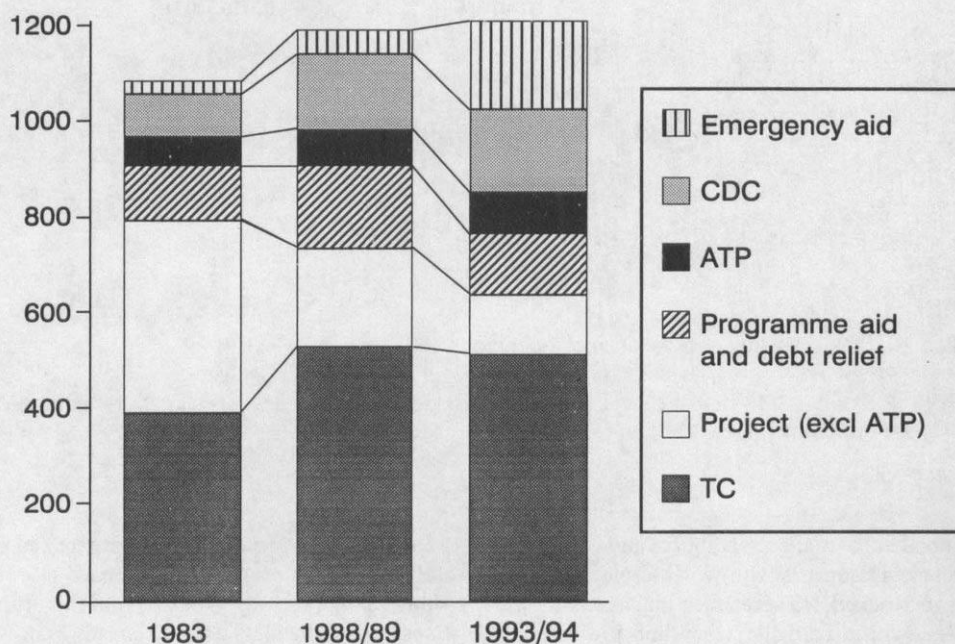
Table 3 PIMS results, 1993/94 (expenditure)

Policy objective	Aid spent with the policy as the principal or significant objective (£m)	Percentage of total expenditure marked with the PIMS system
Economic reform	157	25
Enhancing productive capacity	344	54
Good government	131	21
Direct poverty reduction (Emergency aid)	91	14
Human development	179	48
Women in development	304	48
Environmental protection	80	13
	151	24

Source ODA

Note Emergency aid is excluded from PIMS

Figure 2 British bilateral aid to developing countries, by instrument 1983-1993/4



Source Table 1, this article.

A closer look at the table reveals that personnel overseas and training have both shrunk in real terms, but that research, consultancy and TC-related equipment have all grown, consultancy particularly so. Whether all this is good for poverty reduction is impossible to say. However, what is true is that TC has come under critical scrutiny in recent years. The DAC principles for Effective Aid stated in 1992 that TC, 'the tool so long used as the solution to many problems, has tended to become a problem itself' (DAC 1992). An independent review has found that TC is often donor-driven, expensive and ineffective (Berg 1993). Reform proposals include strengthened local management, new delivery modes (including institutional twinning) and better training for advisers (*ibid.*), as well as a greater focus on the multi-faceted nature of capacity-building (Fukuda-Parr 1995). TC has a place in a poverty-focused aid programme. However, a close assessment of its contribution to poverty reduction is overdue.

The other major increase in TC funding has been for NGOs, whose receipts from ODA went up by more than three times in real terms between 1983 and 1993/94. In fact, this understates the increase, since emergency aid channelled through NGOs is listed separately. In 1992/93, NGOs received some £142 million, or about 15 per cent of the total bilateral programme.

It is impossible to generalize about NGOs as a group, with some 200 different NGOs receiving ODA grants in 1992/93. There is some concentration, however, with half of the money under the Joint Funding Scheme now being given to five agencies as a block grant. Only five agencies received more than £2m.

In principle, NGOs should score highly as vehicles for aid targeted at poverty reduction: they are close to the poor, flexible in their response to need,

Table 4 Bilateral technical cooperation to developing countries, 1983 and 1993/94 (1993/94 prices)

	1983		1993/94	
	£ million	%	£ million	%
Personnel overseas	110	28	74	14
Education and training	138	35	123	24
Research, development, surveys	43	11	59	11
Consultancies	37	9	70	14
Equipment	16	4	31	6
Pensions	21	5	9	2
Voluntary agencies	20	5	67	13
Other	6	2	85	16
TOTAL	392	100	517	100

- Notes**
- 1 Totals may not add because of rounding
 - 2 Voluntary agencies includes volunteers.
 - 3 The 1993/94 total of £517 is based on updated statistics and differs slightly from that reported in Table 1.

Source ODA

independent of state intervention and acceptable channels in countries with which diplomatic relations are strained. However, their limitations are also well-known: in particular, they find it difficult to scale-up and cannot substitute for the state in service delivery (Edwards and Hulme (eds) 1992). In some countries, there has been resentment that NGOs are so powerful that state capacity-building is actually made more difficult: Ethiopia and Mozambique are examples (Buchanan-Smith and Maxwell 1994).

International discussion on the role of NGOs resulted in 1993 in a 'Paris Statement', brokered by the DAC, on collaboration between donors and NGOs. This stressed a shared commitment to participatory, broad-based development, and to the benefits of a pluralistic approach to development (Smillie and Helmich (eds) 1993). ODA's policy towards NGOs has evolved along similar lines (ODA 1992).

Among the other categories of aid, evaluation techniques are most advanced for assessing the poverty-reducing impact of projects (Mosley 1987; Greeley *et al.* 1992). These are relevant to the 16 per cent of aid that is directly disbursed for projects (including ATP), and to the further 14 per cent or so that supports the lending activities of the Commonwealth

Development Corporation. The direct and indirect effects of large projects are discussed elsewhere in this volume (e.g. by White). From the British perspective, as the PIMS data has already indicated, the share of projects classified as directly poverty-targeted is relatively small. The poverty reducing impact therefore depends largely on the indirect effects of faster growth and growing employment. These need not be negligible: the impact of the ODA-funded Dhaka power distribution project in Bangladesh on the development of small scale industry is a frequently-cited example.

Finally, programme aid accounted for 10 per cent of aid in 1993/94. Programme aid has been controversial, and this is another case where evaluation criteria are lacking and distributional impacts are effectively unknown (White 1995). As Mosley *et al.* (1991) have shown, policy conditionality is often the main justification for programme lending, and this can have complex impacts on growth, economic structure and distribution. Similarly, the economic impacts of the programme aid itself are wide-ranging, both directly and through counterpart funds (Bruton and Hill 1991; Maxwell (ed.) 1992). Since programme aid provides resources which enable governments to increase spending, the impact on public expenditure is crucial. Yet a recent review of

poverty assessments and public expenditure in SSA concluded that much remained to be done before the two could be integrated. In particular, it would be necessary to build a distributional analysis into public expenditure reviews, assessing not just the sectoral allocation of expenditures, but looking more widely at 'net fiscal incidence, i.e. the impact on the poor of both government expenditure and taxation and other charges' (IDS 1994: xiii). Toye and Jackson (in this volume) provide further discussion of the issue.

All this is not very encouraging. It turns out that not only do we lack data on the impact of different forms of aid on the poor, but even the methods to answer the question are missing. The methods are best established for project aid, but this accounts for at best 30 per cent of British bilateral aid. When it comes to TC or to programme aid, we are very much in the dark. And this is particularly worrying, because it is precisely with respect to these forms of aid that the most serious questions about poverty-impact have been raised.

5 Conclusion

The main conclusion of the article is to suggest caution in the statistical analysis of aid flows. A cross-country statistical analysis of aid allocation and

aggregate aid quality is valuable, no doubt. But we have seen that there are complex issues underlying the statistics: on the one hand, an interaction between competing objectives and external factors like the growth of emergencies; on the other hand, a changing composition of aid, in a situation where different instruments have a very different potential impact on poverty. In the case of British aid, the subtle shifts in policy since the mid-1970s have probably had less effect overall on the geographical distribution and sectoral composition of the programme than the tidal wave of emergency requests. At the same time, there has been a dramatic shift away from project aid towards technical cooperation, with unclear effects on the potential of British aid to reduce poverty.

This leaves a substantial research agenda. There is clearly more to do in terms of defining performance indicators which take the policy framework and the composition of aid into account. There are also methodological problems to address in evaluating the impact of different forms of aid on the poor. One approach to follow might be to encourage more country-level evaluations, abstracting from project data to look at the overall impact of aid programmes. There has been some experimentation in this area (e.g. Netherlands 1992; SASDA 1994), and it does seem a fruitful avenue.

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Appendix 1 ODA Criteria for Qualifying Projects as Direct Assistance to Poor People

DIRECT ASSISTANCE TO POOR PEOPLE projects and programmes are designed to help the poor to meet their social and economic needs. They generate income, enhance livelihood security, help provide safety nets and provide basic social services.

RECOGNIZED ACTIVITIES

The recognized activities that support, or demonstrate, a contribution towards this policy objective are:

INCOME GENERATION

- (a) Economic and institutional reforms designed to promote employment creation for poor people
- (b) Projects which lead to the poor having improved access to productive assets (e.g. land, equipment, credit, knowledge and skills)
- (c) Improvements in economic infrastructure predominantly serving poor people

SOCIAL SERVICES & HUMAN RESOURCE DEVELOPMENT

- (d) Extending the benefits of good health and education to the poor, to enhance their income earning potential (e.g. primary education and health care, numeracy and literacy programmes, family planning programmes, vaccination campaigns, etc.)

SAFETY NETS

- (e) Targeted interventions which provide:
 - (i) temporary income support through public works or other subsidies and emergency aid, to assist the poor at times of income insecurity
 - (ii) permanent income support for the very poor, disabled and destitute

SOCIAL NEEDS

- (f) Enhancing access by the poor to basic subsistence goods and public services (e.g. adequate food and water, shelter and physical security)
- (g) Ensuring participation of the poor in public policy and actions to improve their livelihood security

Source ODA 1995: 23