

Effectiveness, Redefined: Getting Aid Donors What They Want

Gina Yannitell Reinhardt, Ph.D.

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Why isn't foreign aid more effective at reducing poverty and fueling growth and development? Billions of dollars of foreign assistance have funneled into development efforts, and yet the planet still plays host to leprosy, malaria, yellow fever, conjunctivitis, and other curable conditions. If the developed world has been sending money to struggling nations for 55 years, why are so many people still struggling to live healthy, productive lives?

Critics of the aid regime argue for changes that will improve aid's effectiveness. These critics advocate for better targeting of aid projects, more thoughtful program design, and more careful monitoring of implementation. Concerns about aid's effectiveness, and recommendations for improving that effectiveness, are rooted in a fundamental assumption that aid is designed to reduce poverty. But aid was never meant to be a tool strictly for development. Those criticizing aid's allocation and implementation are basing their arguments regarding poverty reduction on an idea of foreign aid that does not correspond to the reality of policy or politics.

I argue in this book that foreign aid doesn't always fuel growth and development because donors don't care to structure their aid to best promote growth and development. Donors choose recipients and select aid delivery mechanisms based on a set of goals they seek to achieve. Those goals may include poverty reduction, growth and development, but they are also often overshadowed by goals related to diplomacy, trade, or security.

The complexity of a donor's goals influences both *where* and *how* aid is given. Donors first decide *where* to target their aid, which largely comes down to a decision about countries and sectors. An aid target can be a recipient nation, such as Guinea-Bissau or Thailand, or a development sector, such as AIDS/HIV or environmental sustainability. Then donors make a decision about *how* to deliver their aid, and there are a few delivery channels available. Donors can give the aid directly to the recipient government in a government-to-government transfer, donors can give the aid to a third-party contractor to implement, or donors can implement the aid themselves. The donor's choice of delivery channel then affects the choice of implementer of a particular aid package, and further conditions the environment in which the implementer will be working. The implementer then works within the environmental constraints to implement the given aid package, and the effectiveness of that implementation is determined by the skills and abilities of the implementer and the constraints under which it operates.

Since the donor chooses the implementer and plays a role in setting the constraints, the donor's allocation choice has a profound influence on aid effectiveness. Savvy donors choose the delivery mechanism best able to achieve their goals. Those delivery mechanisms are sometimes suited to reduce poverty and fuel growth and development. Other times they accomplish poverty reduction and growth and development only as a by-product, or not at all.

As a result, we get a puzzling picture of aid that sometimes encourages and drives development, and other times, does not. The consternation felt by observers and scholars who wonder why aid doesn't achieve growth and development more effectively might dissipate with a

thorough and comprehensive understanding of donor intentions. We need to rethink what aid is structured to do.

If we assume aid is designed strictly to reduce poverty and fuel growth and development, it appears to observers that donors are making bad decisions, spending hundreds of billions of dollars in pursuit of an elusive and possibly unattainable goal. Donors appear ill-informed, their projects poorly planned, and their efforts inefficient or even wasteful. We are left to wonder why the practice of foreign assistance continues.

If we acknowledge, however, that aid is structured to achieve policy-oriented political, economic, and humanitarian goals, it is clear that donors know what they want, and that they use aid to get it. It turns out donors use aid as a means to reach particular ends. These ends are self-interested, goal-oriented, and often spurious to our traditional assumptions of aid and development effectiveness.

Among scholars of aid distribution, it is no secret that aid is allocated according to different patterns among different donors. What are new are both the way I go about finding out donor motives, and the link I draw from donor motives to allocation decisions, and from allocation decisions to effectiveness outcomes. Previous studies of aid allocation search for patterns of national-level aid giving among donors, and use them to conclude that donors have particular political, economic, or altruistic priorities driving their allocation. Instead of looking to recipients first and using their received aid to infer donor motives, I begin with the donor, asking, reading, and listening to find out what donor goals are, and how donors intend to use foreign aid to achieve those goals. I find that donor goals and priorities influence national-level allocation patterns, but do not stop there. Donor interests also affect aid disbursement through a key decision regarding the channel through which aid is delivered. This delivery mechanism then becomes the tool of aid implementation that conditions effectiveness itself.

Although my argument might seem pessimistic, it is not my intention to cause despair, or to argue for the termination of foreign development assistance. Rather, I aspire to illuminate the complexity and variety of donor goals precisely in order to make development assistance as valuable as possible. If we allow ourselves to think like donors do, if we force ourselves to realize what donors are trying to achieve with aid, we relax the pressure on aid to lead dollar-for-dollar to growth or development, and instead create the opportunity to capitalize on the same incentive structure donors face. Acknowledging those incentives, we can work within them to achieve development in the most efficient and effective ways possible.