

**THE POWER, PRESTIGE AND CORRUPTION OF
FOREIGN AID**

By: Dr. Agnes Abuom

TAABCO Research and Consultants

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1.0 Introduction

Official aid agencies, whether ‘multilateral’ – like the World Bank – or ‘bilateral’ such as (United States International Development-USAID and Britain’s Overseas Development Administration), are financed involuntarily by tax-payers who may have a say through their MPs who question how development assistance is spent etc. It is receiving citizens who have no say to ask, question or direct usage! Official aid also involves the transfer of *large* sums of money – so large, in fact, that the resources of the voluntary sector look puny and insignificant by comparison. It would thus seem sensible, at the very least, for the official agencies to be directly accountable to the public - to be ‘transparent’, open and honest in their dealings.

Unfortunately, this is not the case. Indeed, critical study is sharply and effectively discouraged. Those who wish to evaluate the progress, or effectiveness, or quality of development assistance will soon discover that the aid bureaucracies have already carried out all the evaluations that they believe to be necessary and are prepared to resist – with armour-plated resolve – the ‘ignorant’, or ‘biased’ or ‘hostile’ attentions of outsiders. Even the few apparently independent studies in this field turn out in the majority of cases to have been financed by one or other of the aid agencies or by institutes set up with aid money. And where there is no such direct link, more subtle influences are generally at work. Academics at schools of development studies for instance, often aspire to highly-paid jobs in the United Nations or the World Bank and can be forgiven for not biting too hard a hand that may be about to feed them. Western journalists investigating projects in poor countries usually do so under aid-agency auspices and tend to come away with a partisan view of what they have seen. Likewise, appeals for disaster-relief, which have played a particularly important role in shaping public perceptions of aid issues in recent years, portray the agencies and their staffs in a light that is entirely positive – if not actually saintly.

At a more general level, foreign aid – now worth almost \$60 billion a year – has changed the shape of the world in which we live in and had profound impact on all our thinking. Consciously or unconsciously we view many critical global problems through lenses provided by the aid industry. When we come to analyze these problems we draw on a vast data-base that the aid industry has generated – and that the aid industry controls. If, as individuals, we choose to act to solve these problems then we will find that the aid industry has already defined and determined most of the directions in which we may move.

What we have here, therefore, is a publicly-funded enterprise, charged with grave international responsibilities, that has not only been permitted to wall off its inner workings from the public view but also sets its own goals, establishes how these goals are to be attained and, in due course, passes judgment on its own efforts. Perhaps inevitably in such a hermetically-sealed universe, these judgments tend to be favorable and seek to reassure us that all is well, that formidable difficulties are slowly but surely being overcome and that aid is fundamentally good. Indeed, the promotion of such anodyne, cheerful and uplifting messages has become a massive international exercise employing thousands of people and absorbing public-relations budgets worth hundreds of millions of dollars a year.

In all Western countries, irrespective of their wealth and irrespective also of their ideological stance, ‘overseas development’ has been elevated above political debate to become the ‘least questioned form of state spending’. Perhaps this lack of examination explains why foreign-aid budgets always increase. The *rate* of expansion may be relatively fast there; in all donor countries, however-even in times of general austerity – more gets spent on overseas development every year.

Thus, while we may cut our military spending and our education systems to the bone and put our health services under the microscope, foreign-aid allocations regularly escape cost-benefit analysis and efforts are seldom made to link further funding to the achievement of *results* in the field. As Professor Bauer of London School of Economics

accurately observed: ‘Whatever happens in the recipient countries can be adduced to support the maintenance or extension of aid. Progress is evidence of its efficiency and so an argument for its expansion; lack of progress is evidence that the dosage has been insufficient and must be increased. Some advocates argue that it would be inexpedient to deny aid to the speedy (those who advance); others, that it would be cruel to deny it to the needy (those who stagnate). Aid is thus like champagne: in success you deserve it, in failure you need it’ (Bauer, 1981).

There is, of course, criticism of the aid industry – but such criticism tends to be confined within a rather narrow range. Most commonly we hear the voices of those who say that aid is insufficient and that it should be increased. Some critics single out specific types of aid as being inappropriate (food aid, for example, or programme aid, or aid for the development of heavy industries). Others focus on particular instances in which aid has been used wastefully, or corruptly, or has gone to governments that are not politically popular in the West. All these different criticisms have one thing in common: they fail, as Professor Bauer puts it, ‘to question aid as such’ (Bauer, 1981).

2.0 Winners and Losers

In Africa, a complex and very expensive irrigation scheme on the banks of the Niger River at Namarigounou was abandoned and its ultra-modern equipment lied derelict: the government that was given the project as aid could not afford to meet the astronomically high running costs. Meanwhile, just a few kilometers away, international donors were paying \$17,000 per hectare to construct another virtually identical scheme. Western contractors providing the equipment and Western consultancies responsible for the design and supervision were probably going to be the long-term beneficiaries of the total investment of \$25.5 million.¹

¹ The Ecologist, Vol. 14, No. 2, 1984, Cornwall: Bodmin.

This is already clearly understood by all concerned, but no one seems to mind very much – after all, since the funds have been provided by Western tax-payers it is fitting that they should circulate back to Western businesses. There is, of course, an argument that smaller investments in rain-fed agriculture, making full use of established local skills, might actually grow more food; such grassroots initiatives, however, offer little mileage for rich-country suppliers.²

Here is a rule of thumb that you can safely apply wherever you may wander in the Third World: if a project is funded by foreigners it will typically also be designed by foreigners and implemented by foreigners using foreign equipment procured in foreign markets. In Bangladesh, British trucks, Russian tractors, German combines and Japanese machinery are all to be found on farms run by Bangladesh Agricultural Development Corporation and it is quite normal for each item to be accompanied by an expert or technician from the donor country. The British are particularly active, with Technical Co-operation Officers and Voluntary Service Overseas (VSO) workers installed on every farm to look after the British equipment. Similar arrangements are also in force in virtually all other sectors of an economy where an impressive 90 per cent of the national development budget is contributed by foreign aid.³ UK assistance alone runs around €40 million per annum;⁴ in some years, however, less than 1 per cent of this total amount is actually spent in Bangladesh—the rest is used to import British goods and to pay the salaries of British experts.⁵

In nearby Nepal, the extent of foreign involvement in the national development effort was so great that, in some schemes, it was genuinely difficult to discern whether the real beneficiaries were even *intended* to be the Nepalese poor, or whether, in fact, the whole exercise was designed around the needs and interest of expatriate corporations. The Rapti Area Rural Development Project, financed by USAID, is a case in point. Here just one

² *ibid.*

³ Bennett, J. and S. George (1987) *The Hunger Machine*, Cambridge: Polity Press.

⁴ *British Overseas Aid* 1986, London: Overseas Development Administration.

⁵ Bennett, J. and S. George, *op.cit*

foreign contractor – PADCO, the Washington-based firm that was providing technical assistance – had succeeded in taking 20 per cent off the top of the \$24 million expended so far.⁶ PADCO had also been intimately involved in another AID venture, the ‘Town Development Fund’. Based in Kathmandu, this owed its existence to recommendations that came out of an earlier ‘Urban Development Assessment’, which was also paid for by AID and also carried out by PADCO. With the preliminary \$1.3 million ‘management-support’ phase only recently under way the project had already incestuous birth to yet more business for PADCO, as well for another US consulting firm. Further lucrative work for a number of American companies was in the pipeline: the size and complexity of co-ordination required in running the scheme were thought to rule out any effective Nepalese participation.⁷

3.0 Aid and Trade

From Kathmandu to Quito and from Thailand to Timbuktu, a stirring and egalitarian emblem has for many years, been the symbol of America’s altruism: two hands – one black and one white – shaking above the logo ‘Gift of the People of the United States’. Often, though you would never guess it from the packaging, the ‘gift’ in question is a loan. Even when it is an outright grant, however, the generosity involved is qualified. During the period 1960-70, for example – John F. Kennedy’s idealistic ‘First Development Decade’ – studies showed that 99 per cent of all the funds provided by AID for development in Latin America were in fact spent in the USA and on products that were priced on average at 35 per cent above their world market value.⁸ Even today 70 cents out of every dollar of American ‘assistance to the Third World’ never actually leave the United States.⁹ The Agency for International Development spends an awe-inspiring \$7 billion a year purchasing goods and services directly from domestic companies and contractors: New York, Pennsylvania, North Carolina, Illinois and Texas get the lion’s

⁶ Luhan, J. M. (1987) ‘Too Much Aid, Too Little Development’, in Development International, Vol. I, No. 4 Arlington, Virginia, July/August.

⁷ ibid.

⁸ Lernoux, P. (1982) Cry of the People: The Catholic Church in Conflict with US Policy in Latin America, Harmondsworth: Penguin.

⁹ AID Highlights (1987), United States Agency for International Development, Washington, DC, winter

share of the patronage, but no state is ever entirely left out.¹⁰ In the process, as AID itself claims, ‘thousands of jobs’ are created ‘here at home’.¹¹

The story is the same in virtually every aid-giving country. The UK allocates some €850 million a year to its bilateral aid programme.¹² Out of this substantial sum, around 80 per cent is typically spent on the purchase of British goods and services¹³ - a share that approaches 100 per cent in the case of some recipients, like Bangladesh. The already high level of domestic procurement routinely financed by British ‘overseas’ aid is, furthermore, increased by a special tranche of money concealed within the bilateral budget that is used solely and specifically to help UK exporters to secure contracts in the developing world. Known as the Aid-Trade Provision (ATP), this slush fund was originally established in 1977 and has become increasingly important: in 1984, despite widespread famine and other emergencies, ATP handouts to UK firms used up almost twice as much of Britain’s official development assistance as did disaster aid, food aid and debt relief for the whole of sub-Saharan Africa.¹⁴

From an administrative point of view, ATP is a joint creature of the Overseas Development Administration and the Department of Trade and Industry. The former provides the money (out of tax revenues) but it is the latter that decides how the money should actually be spent. The financing arrangements for normal aid projects are agreed directly between the Overseas Development Administration and the recipient government in the Third World; ATP funds, however, have to be sought initially by the aspiring British exporter, who makes an application to the DTI. Thereafter, the amount of aid eventually offered is based almost exclusively on the Department’s estimate of the size of subsidy needed to win the contract (rather than on any merits or drawbacks that the project may have from a developmental point of view). Furthermore, it is stipulated very

¹⁰ *ibid.*

¹¹ *ibid.*

¹² *British Overseas Aid* (1986), *op.cit.*, p. 11

¹³ See *British Overseas Aid* (1986:47) as well as previous and subsequent annual reports of the Overseas Development Administration, London.

¹⁴ *Real Aid: Missed Opportunities* (1986), Report by the Independent Group on British Aid, London.

clearly that ATP is *not* ‘available for business which could reasonably be expected to be won on normal commercial terms’¹⁵.

In virtually all international forums and for many years, the British government has declared itself to be staunchly in favour of free enterprise; it thus seems odd to discover that a growing slice of the official aid budget, rather than being used to help the poor, is in fact earmarked for a determined effort to subvert global market forces. ‘Lame duck’ companies that fail to trade competitively should be allowed to ‘go to the wall’, yet ATP uses public money to give a competitive edge in circumstances where, otherwise none would exist.

The British are not kept well informed about the Aid-Trade Provision. One detailed report on the subject, commissioned by the Overseas Development Administration, was judged to be too critical and was suppressed just prior to publication; it is now covered by the Official Secrets Acts.¹⁶ Careful research has revealed, however, that a surprisingly small number of large corporations have been the main beneficiaries of the scheme. Between 1978 and 1985, €328 million in aid was allocated as Aid-Trade Provision (ATP); of this more than half-€166 million – went to just four companies. GEC and NEL, both major electrical engineering firms, got respectively €49 million and €47 million from the British tax-payer; Davy McKee and Balfour Beatty each got about €34 million during the same period.¹⁷ In 1986 the Biwater Group of Dorking, Surrey, benefited from the largest single allocation ever made under the Aid-Trade Provision - €60 million in support of a water-development project in Malaysia.¹⁸

¹⁵ The Aid and Trade Provision: Guidelines for Applicants (1986), Department of Trade and Industry, London.

¹⁶ Financial Times, London (24 May, 1985). The suppressed report in ATP analysed six projects and concluded: ‘You can’t use the same fork to eat your dinner and to dig your garden with.’ In other words aid should either be for exporters or for developing countries, but should not attempt to be both things at the same time.

¹⁷ Bilateral Aid: Country Programmes (Second Report, Session 1986-87), House of Commons Foreign Affairs Committee, London, 22 April 1987. See in particular Appendix II, memorandum by Graham Clark and Professor John Toye.

¹⁸ Press Release: €1 Million Increase in ATP (1986), London: Overseas Development Administration.

4.0 Neither Fish nor Fowl

Although normally uninformed on the subject, aid agencies do make a considerable song and dance about their contributions to business prosperity when – as is now frequently the case – they are attacked by critics on the right of the political spectrum and accused of recklessly hurling tax-payers’ money into the bottomless and undeserving pit of the Third World. The US Agency for International Development, for example, proclaims: ‘Foreign aid doesn’t cost Americans, it pays!’¹⁹ Likewise, across the Atlantic, the UK’s Overseas Development Administration wants its critics to know that it ‘seeks to ensure that the aid programme is as helpful as possible to those who may be able to do business as a result of it’.²⁰

The problem, however, is that aid is not really supposed to be a sort of hidden subsidy for commerce and industry in the donor countries. Because the agencies know this they still devote the bulk of their PR literature and their oratory, to stressing the poverty-focused and humanitarian aspects of their operations in the developing nations. ‘The central challenge to the World Bank, is the central concern of our world: to mobilize the will and the resources of the affluent and the afflicted alike in the global battle against poverty.’²¹ The ‘principal purpose’ of US aid is ‘to meet the basic needs of the poor in the developing countries’, a former Secretary of State told the Senate’s Foreign Relations Committee.²² ‘Increasing the wellbeing of people in the developing countries is a central objective of US assistance policy,’ says AID. ‘Many projects are designed to help the poor to help themselves.’²³ Similarly, Britain’s Overseas Development Administration wants to make it clear that it will continue to concentrate its aid ‘on the poorest countries’²⁴ and ‘on the poorest people in those countries’.²⁵

¹⁹ Aid Highlights (1981), winter *op.cit.*

²⁰ British Overseas Aid (1983), Overseas Development Administration, London.

²¹ Address to the Board of Governors of the World Bank and the International Finance Corporation, Washington, DC, 30 September 1986.

²² Statement of Secretary of State Cyrus Vance before the Senate’s Foreign Relations Committee on the Administration’s foreign assistance programmes for the fiscal year 1979, Washington, DC, 2 March 1978.

²³ Congressional Presentation Fiscal Year (1988), United States international Development Cooperation Agency (of which AID is a constituent part), Washington, DC, May 1987.

²⁴ British Overseas Aid (1984), *op.cit.*

Thus, if the publicists are to be believed, aid can be all things to all people: it can please both the right and the left, it can win the support both of the general public and of the business community, it can make the poor prosperous and the rich richer still, it can reconcile opposites, it can transform obvious conflicts of interest into harmony and mutual gain, it can help tall buildings at a single bound, it can block the path of a speeding train...in short, like Superman it can do just about anything it sets its mind to.

Unfortunately, like Superman also, aid is neither bird nor plane, neither fish nor fowl. This ambiguity, this hermaphrodite quality, is apparent in many statements that are made about it. Towards the end of his second term in office, for example, the late President Ronald Reagan said: 'Our foreign aid is not only a symbol of America's tradition of generosity and good will, but also a servant of our national interest.'²⁶ At about the same time Christopher Patten, Britain's Overseas Development Minister, asserted: 'We should not be coy about the extent to which to do what is right can also be to do what is good for Britain.'²⁷ Clarifying this point, his Ministry adds: 'Most British bilateral aid has to be spent on British goods and services but this does not mean that we cannot provide worthwhile help to the poorest groups in developing countries. By choosing projects carefully we ensure that benefits go to them at the same time as offering valuable opportunities to British firms.'²⁸

There is something undeniably seductive about this kind of argument, but also something seriously wrong. In logic, saying that aid benefits the giver because some of it is spent on his own goods and services is like saying that a shopkeeper benefits from having his cash-register burgled so long as the burglar spends part of the proceeds in his store.²⁹

²⁵ The Changing Emphasis in British Aid Policies: More Help for the Poorest, (1975) White Paper (HMSO, London). There has been no subsequent White Paper on British overseas aid and the British government remains formally committed to the implications of this 1975 document.

²⁶ Quoted in AID Highlights, winter (1987), *op.cit.*

²⁷ Speech to the Royal Institute of International Affairs, London, 18 March 1987.

²⁸ Some Aid and Development Issues, Background Information Paper, February 1986.

²⁹ Bauer, P.T. (1981) Equality, the Third World and Economic Delusion, London: Weidenfeld & Nelson.

If we are to have subsidies – a dubious proposition in itself – then let them at least be efficient. Surely any government of an industrialized country that is minded to oblige its tax-payers to donate funds to profit-making corporations would be able to do so far more effectively if the transfer of wealth from public to private pockets were direct – rather than filtered through the medium of the Third World? If the subventions were out in the open, rather than deviously concealed within the aid budget, then – at the very least – they could be scrutinized much more closely and distributed with greater equity. Instead of going to a few big corporations, for example, they might be diverted to benefit a large number of smaller businesses.

Using Western aid to create profits for Western companies thus looks like a flawed and misguided policy, even in its own terms. It is, moreover, a policy that seriously impairs the ability of the development assistance to do its *other* job – namely to provide ‘worthwhile help’ to the poor of the Third World.

5.0 The Fat Man and the Thin Man

Rather than penalizing greedy and irresponsible Third World leaders, Western aid often condones their behaviour, encourages them in their costly delusions of grandeur and provides them with the wherewithal to keep up the bad work.

This was certainly the case with Jean Bedel Bokasa, head of state of the Central African Republic from 1966 until 1979, who once admitted in a moment of rare honesty: ‘Everything around here is financed by the French government. We ask the French for money, get it and waste it.’³⁰ The main bilateral donor, France, in fact provided its run-down and obscure former colony with about \$38 million per annum in aid during the 1970s – not a colossal sum by Philippines standards perhaps, but enough to keep things going in one of the poorest countries in Africa if properly spread around. In December 1977, however, and in just one day, Bokassa was permitted to waste on himself no less than \$20 million of that year’s entire subvention from French tax-payers: he blew the money on a glittering but ludicrous ceremony that transformed him from a mere

³⁰ Quoted in David Lamb (1985) The African, New York: Vintage Books.

President into an Emperor. For the occasion, which was attended by thousands of foreign guests, the demented former captain in the French army wore a \$2million crown topped by a magnificent 138-carat diamond and draped himself in robes designed by Guiselin at a cost of \$145,000.³¹

The Central African Republic – or ‘Empire’ as it was renamed after the events of 4 December 1977 – had at the time less than 170 miles of paved roads and a population immersed in abject poverty: average per-capita incomes were in the region of \$250 a year.³² Bokassa, however, felt quite justified in spending much as he did on his own coronation: ‘One cannot create a great history without sacrifices,’ he explained, ‘and this sacrifice is accepted by the population.’³³

Africa is a continent that is justifiably renowned for the vast wealth hijacked and expropriated by its elites and for the sacrifices demanded of its long-suffering poor. There are even jokes on the subject – for example, the story of the fat man and the thin man that does the rounds during every crisis of hunger:

‘You should be ashamed of yourself,’ said the fat man to the thin man. ‘If a foreigner saw you before he saw anyone else he would think there was a famine here.’

‘And if he saw you next,’ replied the thin man, ‘he would know the reason for the famine.’

Prof. Mahmood Mamdani told a version of this joke on 19 March 1985 during a talk he gave at a Red Cross conference on the subject of disaster prevention. The conference was held in Kampala and Mamdani used the occasion to draw attention to some glaring sacrifices that the poor of Uganda were then making for the rich. He recounted tales of prosperous farmers who had bought up land at knock-down prices from desperate smallholders during a recent famine. One profiteer, who had acquired 500 acres, had told him without shame: ‘The famine helped me. People were in need. For the first time they were willing to sell land, cows – things they wouldn’t dream of selling in normal times.’

³¹ ibid.

³² ibid.

³³ ibid.

Mamdani added that the Uganda government also appeared to be getting in on the act of making itself wealthy at the expense of the poor. Peasant farmers, for example, were getting from state marketing boards just 25 per cent of the final price of millet and less than 19 per cent of the final price of coffee. As a result of such practices:

The peasant operates with a permanent handicap...his surplus product is regularly siphoned off. His cash income is barely enough to meet immediate needs – for tax, to replenish a hoe or buy some salt or medicine. He is thus forced to begin the production cycle with roughly the same or even a worse technical base than the previous time around.

In such a context, Mamdani asked, what is the role of foreign development assistance? He urged his listeners – who were mainly expatriate aid workers – that, at the very least, they should not behave in such a way as to be bolstering up the continued exploitation of the poor. Rather, they should seek to ‘restore the initiative of the victim....to revive the creativity of the people...If labour is maimed and shackled by administrative coercion, we must organize to remove the coercion. If products of labour are appropriated through monopolistic market practices, we must organize to change these.’ For giving such subversive advice Mamdani was deprived of his Ugandan citizenship by the government of the then President, Dr. Milton Obote.³⁴

6.0 Money has Wings

The powerful in the Third World come and go; today they are in the Presidential palace doing business with international civil servants, tomorrow, with rebellion in the streets, they fly away to their carefully prepared retirement homes in Hawaii or on the Cote ‘Azur. Their embezzled fortunes will long ago have gone out ahead of them, usually to Switzerland or to the United States. As former Treasury Secretary Don Reagan accurately put it of America and the mighty greenback: ‘We have become a haven currency and a haven country not only for people but also for their money.’³⁵

³⁴ The Guardian (1985), London.

³⁵ Quoted in Arab News (1983), London.

There is a technical term for what is going on here and that term – ‘capital flight’ – sounds just like the name of an exciting new board game. This is how the game works: public money levied in taxes from the poor of the rich countries is transferred in the form of ‘foreign aid’ to the rich in poor countries then hand it back for safe-keeping to the rich in the rich countries. The real trick, throughout this cycle of expropriation, is to maintain the pretence that it is the poor in the poor countries who are being helped all along. The winner is the player who manages to keep a straight face while building up a billion-dollar bank account.

Of course, in real life, things are somewhat more complex than this. Direct thefts from the aid pot – a’ la Baby Doc – are still rare; much more common are methods of personal enrichment that are indirect, subtle and devious. The really clever players are those who have understood that every dollar of development assistance that comes their way creates an opportunity for undetectable personal enrichment – even when donors insist on closely supervising the expenditure of the particular funds they have provided. Such supervision is not an obstacle to the enterprising fiddler who knows the meaning of the word ‘fungibility’.

Food aid, for example, is eminently fungible because it frees the recipient government from the tiresome necessity of ensuring its own people do not starve. While well-meaning foreigners feed the hungry, the leaders of a country afflicted by famine can spend *other* funds at their disposal on whatever they like: they can buy advanced weapons with them, they can overpay their civil servants, or they can make some more hefty deposits into their Swiss or California bank accounts.

Project aid is also fungible and thus creates the same kinds of opportunity: a road or dam or an irrigation system paid for by someone else is a road or a dam or an irrigation system that does not immediately drain the national exchequer of funds. The President and his Ministers can therefore continue with impunity to treat the Treasury as their personal cash dispenser.

Possibly the biggest break that corrupt officials have ever had, however, is the new fad for ‘structural adjustment’: in return for reforms which usually hurt only the poor, such ‘policy-based lending’ injects millions of dollars directly into the recipient government’s hands. Since no ‘project’ needs to be completed or accounted for and since no hungry have to be fed, structural adjustment money thus lends itself perfectly to the theft and plunder of capital flight.

All in all, the sums that wing their way out of the Third World are very large indeed. It was estimated, for example, that corrupt Venezuelans had massaged and finessed enough money into foreign bank accounts to pay off their country’s entire foreign debt – which stood at around \$40 billion.³⁶ A study done by Morgan Guaranty Trust Company looked at ten heavily indebted developing countries in Latin America between 1983 and 1985: during this period, as the domestic living standards of the poor plummeted, moneyed people in the countries concerned managed to deposit \$44.2 billion in Western banks.³⁷ Another longer-term survey covering the ten year period 1976-86 came up with the aggregate figures for capital flight: Argentina, \$26 billion; Brazil, \$10 billion; India, \$10 billion; Indonesia, \$5 billion; South Korea, \$12 billion; Malaysia, \$12 billion; Nigeria, \$10 billion; Philippines, \$9 billion.³⁸

Mexico’s flight capitalists drained off breathtaking \$56 billion during the decade³⁹ - a sum of money that represents almost exactly half of the country’s total foreign debt.⁴⁰ Aid agencies and financial institutions; however, do not seem to take this apparently unmissable problem into account in their efforts to promote development in Mexico. In World Bank structural adjustment lending, for example, as one senior official admits, there has never been any ‘mention of imposing limits on corruption or on capital flight -

³⁶ Christian Science Monitor (1985) Boston; The Economist (1986), London.

³⁷ Chicago Tribune, 31 March 1987.

³⁸ Wall Street Journal, 27 May 1986.

³⁹ ibid.

⁴⁰ Financial Times, London, 23 February 1987.

two of Mexico's biggest problems' Indeed, the global lender has not even obliged the Mexican government 'to install a decent auditing system to control graft.'⁴¹

7.0 Bad to the bone

Although it is the subject of a pious literature and is credited with saintly and humanitarian motives, foreign aid – as we have seen – often keeps strange and brutal company. In Mexico and former Zaire (now Democratic Republic of Congo), in Philippines and Haiti, thieves and murderers, psychopaths and cheats have all been amongst its bedfellows. Elsewhere it has consistently bestowed its favours upon the big battalions. Big corporations, big and wasteful projects, big, ambitious, absurd development plans, big ideas and big bureaucracies have all flourished, thanks to aid's bounty. Meanwhile local-level initiatives, relevant and realistic strategies and the energy and enterprise of the poor in the Third World have been ignored.

Foreign aid is not bad, however, because it is sometimes misused, corrupt, or crass; rather, it is *inherently* bad, bad to the bone and utterly beyond reform. As a welfare dole to buy the repulsive loyalty of whining, idle and malevolent governments, or as a hidden, inefficient and inadequately regulated subsidy for Western business, it is possibly the most formidable obstacle to the productive endeavours of the poor. It is also a denial of their potential and a patronizing insult to their unique, unrecognized abilities. For example, in 2003 India wrote to countries like Norway, Sweden and UK saying they don't need their aid because they have grown up to become 'Aid' givers themselves to Africa. It also refused 'quick aid' from U.S. and UK during the Tsunami catastrophe. Instead of these countries being grateful and re-directing their Aid elsewhere, they questioned India for refusing. So what is the real and biggest motivation of Aid? – Politics? Sustaining dependency? Loyalty? And who gains more? – The giver than the receiver as examples show.

⁴¹ Quoted in James Bovard, The World Bank and the World's poor, Cato Institute Policy Study No. 92, Washington, DC, 28 September 1987.

Resettlement schemes in Brazil and Indonesia have typically absorbed investment at the rate of \$12,000 per settler.⁴² Such schemes, involving the transfer of huge quantities of Western aid to repressive and irresponsible regimes, have destroyed the environment on a near-apocalyptic scale, have wiped out indigenous tribal peoples and have made the majority of the migrants materially poorer and more miserable than they were *before* the interventions of the World Bank and other donors. What would have happened, I wonder, if the money had *not* been handed over in bulk to sneering and insensitive bureaucracies, had not been used to enrich road-builders, forest-clearers and other corporate contractors, but had instead been divided up into \$12,000 dollars and simply given to each of the settlers? What would have happened if even one-tenth of that amount - \$1,200 – had been provided to each of them?

They would not have migrated at all if they had benefited from such an unprecedented windfall. To a landless Brazilian peasant or to a smallholder struggling to eke out a living in rural Java, \$1,200 is a fortune, is equivalent to perhaps four years of income. Such people would have made effective use of that money on this scale if it had been entrusted to them directly, would have invested it productively and intelligently in their home areas to transform their own lives and would, in the process, have permanently reinvigorated the flagging rural economies of the countries in which they live.

This is just a pipe-dream, however. Whether given for dams in India, resettlement in Indonesia, power-stations in Bangladesh, structural adjustment in Mexico or balance-of-payments support in the Sudan, aid does not help ordinary people ‘to help themselves’ and it does not promote broadly based prosperity. On the contrary, it systematically empowers and enriches the very forces that today most efficiently stifle the initiative and resourcefulness of peasants, nomads, slum-dwellers and villagers throughout the Third World.

⁴² Ecology Law Quartely, Vol.12, No. 4, School of Law, University of California, 1985.

8.0 Conclusion

Indeed, as this paper has argued at some length, foreign aid, whether under bilateral or multilateral arrangements, or by supra-nationals or single sources, is often profoundly dangerous to the poor and inimical to their interests: it has financed the creation of monstrous projects that, at vast expense, have devastated the environment and ruined lives; it has supported and legitimized brutal tyrannies; it has facilitated the emergence of fantastical and Byzantine bureaucracies staffed by legions of self – serving hypocrites; it has sapped the initiative, creativity and enterprise of ordinary people and substituted the superficial and irrelevant glitz of imported advice; it has sucked potential entrepreneurs and intellectuals in developing countries into non-productive administrative activities; it has created a ‘moral tone’ in international affairs that denies the hard task of wealth creation and substitutes easy handouts for the rigours of self-help; in addition, throughout the Third World, it has allowed the dead grip of imposed officialdom to suppress popular choice and individual freedom.

Foreign aid has its defenders, not least the highly paid public-relations men and women who spend millions of dollars a year justifying the continued existence of the agencies that employ them. Such professional communicators must reject out of hand the obvious conclusions of this paper: that aid is a waste of time and money, that its results are fundamentally *bad* and that – far from being increased – it should be stopped forthwith before more damage is done.

Of course, the ugly reality is that most poor people in most poor countries most of the time never receive or even make contact with aid in any tangible shape or form: whether it is present or absent, increased or decreased, are thus issues that are simply irrelevant to the ways in which they conduct their daily lives. After the multi-billion-dollar ‘financial flows’ involved have been shaken through the sieve of over-priced and irrelevant goods that must be bought in the donor countries, filtered again in the deep pockets of hundreds of thousands of foreign experts and aid agency staff, skimmed off by dishonest commission agents and stolen by corrupt Ministers and Presidents, there is very little left

to go around. This little, furthermore, is then used thoughtlessly, or maliciously, or irresponsibly by those in power – who have no mandate from the poor, who do not consult with them and who are utterly indifferent to their fate. Small wonder, then, that the effects of aid are so often vicious and destructive for the most vulnerable members of human society.

All this notwithstanding, what is to be said about aid's much-vaunted 'successes'? Do they justify a stay of execution for the sacred cow?

India is a country that is frequently cited as a glowing illustration of what development assistance can achieve: since independence its overall economic growth rate has been high and through the 'green revolution', it has transformed itself from a net food importer to a major exporter. India is, in addition, the world's tenth-largest industrial power: it can boast a complete range of heavy industries and a burgeoning new-technology sector, plus its own space programme. Donors express their confidence in these achievements by continuing to channel very large quantities of Official Development Assistance (ODA) to the subcontinent – an impressive total of \$5.4 billion in 1988.⁴³

The underlying reality of India, however, for the vast majority of its population, is just about as grim as it is possible to find anywhere on earth. While four million television sets may be produced each year for the wealthy middle classes – the richest 20 per cent, who expropriate 49 per cent of total household income – the average per-capita GNP is still a mere \$250.⁴⁴ This means that after more than forty years of independent 'development' and the absorption of tens of billions of dollars of foreign aid, India is still poorer than neighboring Pakistan or Sri Lanka – is poorer even than Somalia in the far-off, famine-ridden Horn of Africa.

More than 300 million Indians, fully a third of the whole population, subsist below the official poverty line with even their most basic nutritional needs unmet. Two-thirds of the

⁴³ Financial Times, London, 24 May 1988.

⁴⁴ World Bank Atlas (1987), Washington, DC: World Bank, See also Michael Prowse (1987) Financial Times, London.

adult population still cannot read and write and the infant mortality rate is scandalous – nearly twice as high as that of Vietnam.⁴⁵ In India’s teeming cities there are an estimated thirty million unemployed. In the countryside conditions have steadily deteriorated for the majority who depend on farming: in 1947, half the national income came from agriculture; more than forty years later this share is down to a third, but about 70 per cent of the workforce is still employed on the land – the same proportion as a century ago.⁴⁶

So much, then, for aid’s leading success-story. There are others, too. In Africa, for example, one frequently hears that Ivory Coast and Malawi – both with high economic growth rates – represent definitive proof that development assistance is capable of achieving much. Yet the Ivory Coast today has accumulated a national debt of over \$8 billion which must be paid by a population of currently more than 10 million – hardly an encouraging prospect for the future.⁴⁷ In a similar fashion, Malawi’s ‘economic miracle’ also begins to look slightly tarnished when account is taken of the hard facts that face the poor: this country has the fifth-highest infant mortality rate in the world and only 4 per cent of the adult female population can read and write.⁴⁸

Africa contains many lessons for the aid lobby. It has lost the self-sufficiency in food production that it enjoyed before development assistance was invented and during the past few decades, has become instead a continent-sized beggar hopelessly dependent on the largesse of outsiders-per-capita food production has fallen in every single year since 1962. Seven out of every ten Africans are, furthermore, now reckoned to be destitute or on the verge of ‘extreme poverty’, with the result that the continent has the highest infant mortality rates in the world, the lowest average life-expectancies in the world, the lowest literacy rates, the fewest doctors per head of population and the fewest children in school. Tellingly, during the period 1980 to 1986 when Africa became – by considerable margin

⁴⁵ Prowse, M. (1987) *Financial Times*, London.

⁴⁶ *The Independent* (1987), London.

⁴⁷ *Financial Times* (1987), London.

⁴⁸ Clark, L. (1986) *For Richer, for Poorer*, Oxford: Oxfam.

– the world’s most ‘aided’ continent, GDP per capita fell by an average of 3.4 per cent per annum.⁴⁹

Outside Africa the story is much the same. Indeed, in the Third World as a whole, while total outstanding debt rose by 10 per cent during 1987-8 to reach \$1.21 trillion (39 per cent of GDP) economic growth rates fell from 4.2 per cent to 3.5 per cent.⁵⁰ Statistics like these translate ‘on the ground’ into a steady decline in household incomes and a consequent collapse in the standard of living of the majority of the poor people.

It would seem, then, that official development assistance is neither necessary nor sufficient for ‘development’: the poor thrive without it in some countries; in others, where it is plentifully available, they suffer the most abject miseries. Such suffering, furthermore, often occurs not *in spite* of aid but *because* of it.

To continue with the charade seems to be absurd. Garnered and justified in the name of the destitute and the vulnerable, aid’s main function in the past half-century has been to create and then entrench a powerful new class of rich and privileged people. In that notorious club of parasites and hangers-on made up of the United Nations, the World Bank and the bilateral agencies, it is aid – and nothing else – that has provided hundreds of thousands of ‘jobs for the boys’ and that has permitted record-breaking standards to be set in self-serving behaviour, arrogance, paternalism, moral cowardice and mendacity. At the same time, in developing countries, aid has perpetuated the rule of incompetent and venal men whose leadership would otherwise be utterly non-viable; it has allowed governments characterized by historic ignorance, avarice and irresponsibility to thrive; last but not least, it has condoned – and in some cases facilitated – the most consistent and grievous abuses of human rights that have occurred anywhere in the world since the dark ages.

⁴⁹ Harris L. (1987) ‘The Bretton Woods System and Africa’, paper presented to IFAA Conference, ‘Africa, the IMF and the World Bank’, London: City University.

⁵⁰ The Times (1988), London.

Development assistance has to be stopped in its present form – something that might prove to be in the best interests both of the taxpayers of the rich countries and the poor of the South. Perhaps when the middle men of the aid industry have been shut out it will become possible for people to rediscover ways to ‘help’ one another directly according to their needs and aspirations as they themselves define them, in line with priorities that they themselves have set and guided by their own agendas.

“Foreign Aid must stop; in its present form, it is a neo-colonialist tool used by the haves to imprison, sustain dependency and underdevelop the poor and marginalized individuals, communities and nations of the world.

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