
Three Books on Aid

Foreign Aid Reconsidered

Roger C. Riddell. The John Hopkins University Press, Baltimore, James Curry, London 1987, (in association with Overseas Development Institute, London), 309 pages Stg.£9.95 paperback.

This is a study of the ideas about official aid. It starts with the fundamental ethical and theoretical questions raised in the aid debate and then systematically evaluates the arguments of those in favour of aid and of the critics, from the right and the left. It also examines the evidence of what aid has achieved in practice.

The author is concerned about (a) the superficial and rhetorical manner in which the aid debate has been conducted in recent years and (b) the influence upon policy-makers that political rightist and economic laissez-faire ideas about aid (and other) interventions in the development process have had in the 1980's.

Consensus: In the early days of foreign aid, especially in the 60's, there was an unquestioned consensus on its morality. Thus the Pearson Commission (1969), in response to the question "Why Aid?" could give the simple answer: "It is only right for those who have to share with those who have not". As Riddell points out, this was an era of supreme confidence – confidence that the post-war expansion policies which gave a critical role to direct intervention policies had universal applicability and confidence that the success of Marshall Aid in Europe would lead to similar results in the developing world.

By the time of the Brandt Commission (1980), this confidence had largely evaporated, while morality and national interest had merged under the term "mutual interests". Thus a vigorous aid policy was seen as an investment in a healthier world economy as well as in a safer world political community. The ground has continued to shift and, not only is the effectiveness of aid being questioned, but also the validity of the moral arguments for aid in the first place.

The Critics: Three distinct clusters of criticisms have been identified. The first claims that there is no obligation on governments (as opposed to individuals or voluntary agencies), to help: the second that aid as such does not help either in its present form or even at all; and the third that moral arguments are irrelevant to government actions. Riddell analyses the arguments of latter-day philosophers and political scientists and rejects the assertions that morality is irrelevant or that governments have no obligation to help.

Many of the controversies over the role of aid are at root controversies over the patterns of, and strategies for, development and thus derive from different ideological perspectives. The author analyses and rejects the radical leftist criticisms of aid which maintain that the structural and political constraints are so great as to make foreign aid incapable of assisting recipient economies and especially of helping to alleviate poverty. The perspective of the rightist critics, he concludes, is a theoretical oddity, largely divorced from the practical questions facing poor countries and especially the need to raise productive investment with inadequate domestic resources.

However, he recognises the important contributions which the critics have made to the aid debate. The leftist critics have isolated key weaknesses in

conventional aid theory, high-lighting the need to incorporate wider historical, structural, political and external factors into any comprehensive assessment of aid impact and its potentially harmful effects. The rightist perspective emphasises the need to question the merits of naive interventionism and to weigh carefully the costs and benefits of market solutions and the perpetuation of price distortions in recipient economies.

The Evidence: The bulk of the micro-evidence on the effectiveness of aid comes from evaluation material. However, it is argued that no more than 10 per cent of aid has been subject to serious evaluation since the late 1960's and even less before that. It is only in the last 8 to 10 years that most donors have established separate evaluation units with permanent staff. Over a thousand evaluations are now being conducted annually by bilateral and multilateral agencies thus, in the near future, the available micro-evidence should provide some useful general indicators of aid performance and knowledge of the constraints.

The evidence, partial though it is, suggests that the critics are wrong to insist that political and power factors constitute a binding constraint on official aid agencies attempting to reach the poor and help them even in apparently hostile environments. Riddell argues that there is more room for manoeuvre than is often believed. If projects specifically targeted to the poorest have been largely unsuccessful, then the cause of failure is likely to have been the nature of the intervention attempted and not always or exclusively the impossibility of ever achieving success.

Conclusions: Riddell's overall conclusion is that, while aid is by no means the necessary or even the crucial ingredient for development, it can assist in the alleviation of poverty, directly and indirectly. Because aid constitutes only one element in the wider relationship between donor and recipient, the moral case for providing it (and improving its effectiveness) is complementary to and never a substitute for other non-aid moral-based action which would result in improvements for the poor of the Third World. There is always a danger that the aid quantity debate will create the belief among voters that aid flows constitute the principal means available to the donors to alleviate poverty and promote development.

At the same time, since governments base their moral arguments for providing aid on the needs of Third World countries, then the logic of these arguments is that aid flows should rise when economic circumstances in these countries worsen. This is clearly the situation at present as a result of the collapse of commodity prices, the drying up of private capital flows and the need to restructure their economies to take account of unfavourable internal and external developments.

Riddell's book is an exceptionally lucid and comprehensive guide to the arguments and evidence on official aid. It deserves to be enormously influential in the battle to retake the middle ground from the critics on the right and the left.

Does Aid Work?

Report to an Intergovernmental Task Force, Robert Cassen and Associates, Oxford University Press 1986, 381 pages Stg.£9.95 Paperback.

This study was commissioned by the Task Force on Concessional Flows set up by the Development Committee – The Joint Ministerial Committee of the Boards of Governors of the World Bank and International Monetary Fund. It was agreed at the outset that the study would be prepared by independent consultants who would have no obligation to modify it in the light of the views of Task Force members or other agencies. Overall direction was undertaken by Professor Robert Cassen, now Director of Queen Elizabeth House, Oxford.

The investigation underlying this report was the first attempt of its kind. It went beyond project, sector or country studies and tried to survey a large sample of aid activities. Seven country case studies were prepared to the same terms of reference, covering Bangladesh, Colombia, India, Kenya, Malawi, Mali and South Korea. Additional studies were carried out on Technical Cooperation, Project Aid, Comparisons of Multilateral and Bilateral Agencies and a Literature Survey.

The study was concerned only with “developmental effectiveness”, not with other motives that donors or recipients might have. The authors shared the view that there was nothing wrong with aid a priori but that its virtue was not to be taken for granted. They set out to assess where it had worked and where it had not and reached the following conclusions.

Aid effectiveness: The report concludes that most aid does indeed “work”, in the sense of contributing positively to the recipient countries’ economic performance. Country studies (e.g. Colombia, India and Malawi) show that aid has raised growth when it has been maintained for some time and combined with sensible development policies. However, for developing countries as a whole, aid is a small proportion of total saving and investible resources.

Aid and poverty: Even if every dollar of aid were without strings and were well-spent, which is clearly not the case, there has not been enough of it to alter significantly the picture of absolute poverty in poor countries. Perhaps the greatest success of aid has been in raising the consumption of the poor, mainly by assisting the growth of food production and by extending welfare services. The report argues that it would be better for all concerned if the limits of aid’s capacity for the direct relief of poverty were clearly recognised.

Aid and market forces: While a key purpose of aid is to do things that the private sector will not do or cannot do effectively, it is argued that aid has a respectable record in fostering market forces. Such force as the free market criticism of aid ever had was most applicable to the aid of twenty years ago. The report notes that some of these critics are still repeating what they were saying then and sound increasingly like the prisoners of history.

Aid versus trade: Exports may be an engine of development in certain cases but the authors argue that development should more often be seen as an engine for exports, as successful penetration of foreign markets requires extensive productive skills at home. They also attack the “asymmetrical liberalism” of industrial countries who promote the virtues of open trading systems for developing countries while following fairly illiberal trade policies themselves.

Technical cooperation: Although over one-fifth of total aid expenditure is

attributable to technical cooperation, it is little discussed in the literature on aid effectiveness. The report notes the striking weakness in the intellectual underpinnings of institution-building, human development and associated technical cooperation compared with the theoretical and quantitative tools used to plan physical investment.

Evaluation: One of the surprises for the authors of this report was to discover how little had been done by the donors collectively to assess their own experience; the OECD Development Assistance Committee is an increasingly important forum for comparing the results of aid interventions. The common conclusion of major donors is that some 65%–75% of projects are found to be satisfactory or highly satisfactory and most of the remainder problematic but not irreparably so, with a small percentage (in single figures) completely written off. (This record would compare very well with the private financial sector which is now in the process of writing off at least 30% to 40% of its loans to developing countries.)

Causes of failures: On the donor side, some of the more reprehensible failures came from pursuing commercial or political ends without much regard for the developmental objectives of aid; others resulted from their failure to learn from past mistakes. On the recipient side, the policy environment was a contributory factor in many cases. One further cause of failure was attributable to the behaviour of both sides, namely the lack of coordination.

Means of improvement: The report is cautiously optimistic that the learning process is improving aid, not replacing old mistakes with new ones. It calls for a new approach to aid for the poorest, improved procedures and coordination of aid, greater protection for developing countries from external shocks affecting their balances of payments, more attention to budgetary resources and longer term commitments of aid.

The authors conclude that the overall record is fallible but creditable. The comprehensiveness of this exercise and the objectivity of the analysis combine to make this a basic text on aid, its achievements and shortcomings. However, readers should be forewarned that the unrelenting fair-mindedness of the authors does not make for exciting reading.

Overseas Aid: its Defence and Reform

Paul Mosley, Wheatsheaf Books, Brighton, 1987, 264 pages Stg.£9.95, Paperback.

Paul Mosley, now Professor of Development Economics and Policy at the University of Manchester, worked as a consultant on the Aid Effectiveness study (Cassen et al). In this book, however, he sets out to give a personal view of how overseas aid is allocated and what effect it has had. Although he states in the preface that the book is aimed at the general public, it would be most accessible to economists and other social scientists.

Mosley covers a lot of ground, starting from the theoretical case for aid and moving through the international political aspects to the internal politics of donor agencies and recipient governments. The second half of the book

examines the evidence on aid effectiveness, defined in economic terms e.g. its contribution to growth and redistribution. Much of his own original work is included but the mathematical models are confined to appendices.

International politics: There is a broadly positive relationship between the poverty of Third World nations and the amount of aid, as a proportion of their GNP, which they receive but there are notable exceptions. On the other hand, Mosley finds no clear relationship between aid and political support, as measured by voting at the United Nations. He rejects the claim that, after its liberal hours in the 1960s and early 1970s, aid has returned to the function of sustaining colonial structures and relationships.

Donors and recipients: Aid disbursements by nearly all donors are significantly influenced by (a) past disbursements, which tend to create commitments, and (b) other countries' disbursements which encourage or shame donors to keep up with other OECD members. Aid flows appear to be only mildly responsive to the state of the domestic economy in donor countries.

From the point of view of the recipient government, the major function of aid inflows may be to reduce uncertainty rather than to augment resources. At times of recession their need of concessional resources will rise sharply, just as donor countries are under most pressure to cut back on public expenditure, particularly soft items like aid.

Aid and development: Mosley finds no statistically significant correlation in any post-war period between inflows of development aid and the growth rate of GNP in developing countries when other causal influences are taken into account. He concludes tentatively that in some countries aid is "ineffective" because it leads to diversion of resources into consumption and that these effects cancel out its beneficial impact in other countries.

There are major difficulties with multiple regression tests of this type, including correct specification of the models and the unreliability of the basic data. The general reader might be particularly concerned about the definition of aid effectiveness — after all the objective of much aid is to increase consumption e.g. of education, health care etc. Such aid might influence the pattern of development rather than overall growth rates, at least in the short to medium term.

Aid and redistribution: Although aid helps to bring about some redistribution on a global scale, it is too little to have a major impact. Mosley estimates that current aid flows might reduce inter-country inequality by about one percentage point. Information on who gains within the recipient countries is poor and scanty. Mosley agrees with the consensus view that aid projects can help the poor but not the poorest, except in the case of emergency relief. He identifies three possible explanations for this — inappropriate technology, opposition to poverty-focussed projects from local elites and poor local linkages in poverty areas. Although prepared to believe that NGOs may be able to reach the poorest, he argues that we do not know this since they have done very little to evaluate their own operations.

Prescriptions: Aid donors need better information thus there is an argument

for more, and better, *ex post* evaluations of projects to determine the extent to which they are meeting their objectives. The stated objectives of aid programmes must themselves be reduced in number. Thus Mosley argues that there should be no obligation on a bilateral aid programme to promote exports – there is little evidence that those countries which tie a large part of their aid do any better in Third World markets than those which tie very little.

He goes on to propose that aid budgets should be formally partitioned into two parts – one whose major objective is economic development and the other focussed on the direct relief of poverty. Many aid practitioners would support such an approach so that individual projects could have clearly-defined and measurable objectives within a multi-objective programme.

A constant theme throughout the book is the argument that donors should move aid money from those countries where it is doing little good to the countries where more is being achieved. Although a literal interpretation of this principle would dictate a redirection of aid flows from Africa towards Asia, this book argues for something less i.e. a redistribution from poor countries which have incompetent and/or corrupt administrations (e.g. Zaire) towards other poor countries which have competent administrations (e.g. Malawi). While this might have the effect of making aid programmes look better, the morality of such an approach is highly dubious as it would involve deserting those who arguably most need assistance.

In concert with other academic commentators, Mosley argues that the current shift from bilateral aid towards multilateral aid must be encouraged and accelerated. This is supposed to reduce the harmful side-effects of aid given for geopolitical or commercial motives and also the waste caused by a proliferation of incompatible technologies and policy recommendations. However, multi-lateral agencies are not themselves immune from political and commercial pressures while they are especially prone to other maladies – bureaucracy, inefficiency, diffusion of responsibility, hubris and delusions of omniscience.

CONCLUDING COMMENTS

These books and other current writings, indicate the coming of age of the aid debate. From the child-like naivete of the 1960's assumptions, it passed through the adolescent rejection of the late 70's and early 80's when simplistic expectations were not fulfilled. Perhaps now aid can be subjected to mature analysis, taking full account of the magnitude and complexity of the endeavour and the limited scale of the tools. This analysis does not easily lend itself to lurid images or simple solutions thus books like these do not make for easy reading.

While the three books reviewed overlap somewhat in their coverage, they should be seen as complementary approaches to the subject. Riddell is particularly strong on the philosophical and moral issues but he also provides a readable analysis of the evidence on the impact of aid. Cassen et al present the results of an ambitious and comprehensive attempt to assess the effectiveness of official aid. Mosley's strength is that he is covering much of his own work but

this is also a weakness as it does not add up to a satisfactory whole – this is not surprising as it is work in progress.

All three books deal largely with economic development; there is little, if any, discussion of aid's impact on cultural or political development, human rights, justice or the environment, for example. The basic conclusion on these issues would probably be the same i.e. aid is only one of the lesser influences on the Third World and its impact, for good or ill, must be limited. As argued persuasively by Riddell, the moral case for aid is complementary to, and never a substitute for, other non-aid moral-based actions which would result in improvements for the poor of the Third World.

John Grindle

South Korea: Two Books on Human Rights

South Korea: Violations of Human Rights

Amnesty International Publications (1986) Paperback, 109 pages. Price IR£0.75, available from Amnesty International branches.

Human Rights in Korea

Asia Watch Committee (1986) Paperback, 364 pages. Price US\$15. Available from Asia Watch, 739 8th Street, S.E., Washington D.C. 2003.

“Torture is not an Olympic sport” runs the caption of a poster issued by a North American human rights organisation and dedicated to a twenty-one year old student tortured to death in a Seoul police station in January 1987. His death triggered a wave of anti-government demonstrations demanding the restoration of democracy, culminating in the government’s apparent capitulation to the demonstrators’ demands at the end of June 1987. According to Ministry of Home Affairs figures, 313,200 shells of tear gas, costing US\$6.7 million, were fired at demonstrators in the first nine months of 1986; policing demonstrations in the same period cost US\$73 million.

Both of these 1986 publications on human rights violations in South Korea are very useful introductions to the recent history of South Korea. The Amnesty report is quite brief; the Asia Watch report is longer and much more comprehensive. It deals in detail with the politics of South Korea, the student movement, workers and freedom of expression. It also includes a short section on North Korea – one of the most closed societies in the world, which has not admitted human rights delegations since the end of the Korean War in 1953 and now seeks to host one-third of the twenty-four Olympic sports in the 1988 Games.

Amnesty International has researched human rights violations in South Korea since the early 1970s. Its 1986 report was based on research plus a visit in 1985. Asia Watch is a newer organisation, established in the United States in 1985. It is affiliated to Americas Watch and Helsinki Watch. It sent a delegation to South Korea in June 1985.

Some economists describe South Korea’s progress as “an economic miracle” and see it as a model for successful Third World development. When the Korean War ended in 1953 only a few buildings remained intact in Seoul; today it is a city of skyscrapers. Between 1960 and 1976 GNP increased at an annual average rate of 9.6% and industrial production of 17.9%. Growth remains at about 7-12% p.a. and if current trends continue it is estimated that the Korean economy will be stronger than that of Australia by 1991. South Korea also has, on the other hand, a foreign debt of approximately US\$47 billion, the fourth largest in the world after Brazil, Mexico and Argentina.

Literacy in South Korea is extremely high – 93% – and Koreans are generally well educated. South Koreans work longer hours than workers anywhere in the world. Typical of their efficiency, 85% of the required Olympic facilities were already in place four years ago.

The popular unrest of 1987 was not a new phenomenon. A student led popular uprising toppled the regime of Syngman Rhee in 1960. Since 1961 the armed forces have played a crucial role in Korean politics. The current President, Chun Doo Hwan's predecessor, Park Ching Hee, seized power in a military coup in 1961 overthrowing Korea's only democratic government which had lasted only a year. Park ruled until 1979 when he was assassinated.

In 1972 Park had introduced a state of emergency and martial law following widespread student unrest. The constitution was suspended and the current "Yushin" constitution ushered in. Under it the President was empowered to establish an indirect electoral college and to take emergency measures "when national security or public order were threatened". Since 1972, calls for the abolition of the Yushin constitution have been the focus of anti-government protest. Under emergency regulation no. 1 it is prohibited for 'any person to deny, oppose, misrepresent or denounce the Yushin constitution'. Emergency Regulation no. 9 outlaws political activity by students. The National Security Law provides for imprisonment or the death penalty for "anti state" activities i.e. "activities which endanger the National Security". The Law on Assembly and Demonstrations forbids any gathering deemed to damage social harmony or to fan unrest. Charges of "endangering national security" were regularly brought against critics of the government.

In October 1979, Park was killed by one of his most trusted lieutenants, the head of the Korean Central Intelligence Agency (KCIA). A brief period of hope for reform and democracy followed. Two months later, Chun Doo Hwan, then a major general in the army, took power in a military coup. From March 1980, frustrated by the replacement of one dictator by another, the people of South Korea again took to the streets.

In 1980 a student demonstration in the city of Kwangju, in the south-west, was brutally dispersed by paratroopers. The official death toll of civilians is 191; reliable local sources cite evidence indicating that more than 2,000 civilians were killed. Anti-US feeling has increased in recent years. The US has more than 42,000 troops stationed in South Korea and more than 151 nuclear weapons aimed at North Korea, itself a non-nuclear power but backed by the USSR and China. Under President Reagan the Pentagon upgraded South Korea from "a significant interest area" to "a vital interest area" and gave it equal status with Western Europe as a "first line of defence".

The massive dissatisfaction with the government in South Korea in mid-1987 undoubtedly embarrassed the US administration which does not want to be perceived as blatantly supporting dictatorships. Current US foreign policy aims to promote pro-US regimes through various means — for instance, controlled elections — which confer a degree of political legitimacy.

Following the Kwangju massacre Kim Dae Jung, one of the internationally best known opponents of the Chun regime, was sentenced to death. This was commuted to 20 years imprisonment in 1981 in response to international pressure. Kim was exiled to the US in 1982 but returned to South Korea, against the wishes of the government, in 1985. Chun also set about a "political purification" programme in 1980, arresting hundreds of people, dismissing 683 members of the media and severely restricting free speech. Amnesty International received reports of the widespread use of torture. The *Asia Watch Report* notes: "The authorities merely take any and all statements advocating

the welfare of workers, farmers, poor people or the "masses" and then attempts to stigmatise them as pro-communist or pro-North Korean".

Since the mid 1980s students re-escalated their protests and increasingly supported workers' demands for fair pay and conditions. The *Asia Watch Report* includes thirteen case studies of labour disputes detailing government tactics used to crush trade union activity, including transfers, beatings, jailing of union members and collaboration with management to dissolve independent unions.

"The bias of the Ministry of Labour on the side of management, its failure to uphold even the flawed laws of the Chun administration, its neglect of beatings, kidnappings and torture by hired company goons who have actually been usurping the policy functions of the state make a complete mockery of the whole labour bureaucracy". (*Asia Watch Report*)

Both Amnesty International and Asia Watch expressed deep concern at the widespread use of torture against political opponents of the Chun government. The many accounts of torture in the reports make distressing reading despite the dispassionate reporting.

According to Amnesty International, political prisoners were normally held incommunicado for several weeks or months during which they were denied the right to see a lawyer or their relatives. An estimated 7,250 people were detained for political offences in 1986. Approximately 9,000 were reported detained in the month of June 1987. The *Asia Watch Report* concludes that force is needed to maintain the status quo.

Seemingly capitulating to "People Power" in July 1987, President Chun promised presidential elections by direct poll, opened talks with the opposition Reunification Democratic Party, promised to protect human rights, released numbers of political detainees and restored the political rights of about 2,000 others, including Kim Dae Jung.

Many of the protesters remained sceptical, maintaining that the president is trying to lull the people into ceasing their protests. The students called for the immediate and unconditional release of all political prisoners as a mark of good faith. People took to the streets again in July mourning the death of a student killed by a tear-gas grenade. An estimated half-a-million demonstrators thronged the streets of Seoul in the largest demonstration since the overthrow of Syngman Rhee twenty-seven years previously and a further 200,000 clashed with police in Kwangju.

Both the *Asia Watch* and *Amnesty International Reports* document the situation in South Korea up to the end of 1985; a great deal has happened in the meantime. Nevertheless, both texts, particularly the *Asia Watch Report*, remain excellent sources of information, providing background data which it is difficult to procure elsewhere in English.

The Asia Watch Committee produced an updated Report in May 1987 — *Legal Processes and Human Rights in South Korea* (price US\$8; 133 pages). The Report documents human rights abuses in 1986, concentrating primarily on the use of the criminal justice system to suppress dissent. Asia Watch expressed "frank scepticism" about the capacity of existing institutions to end the abuses detailed in the Report and urged the South Korean government to establish an independent commission to investigate human rights abuses by the authorities.

Ireland's trade with Developing Countries

This book-length study of Ireland's trade with developing countries examines the relative importance of trade in North/South relations; the traditional trade issues such as tariff barriers and preferential agreements; the new protectionism and non-tariff barriers; and obstacles to trade of an institutional or structural kind.

The book comprises 8 chapters as follows:

- Chapter 1 Introduction
- " 2 Ireland's Exports to LDCs
- " 3 Ireland's Imports from LDCs
- " 4 Market Shares and Comparative Advantage
- " 5 Third World Competition for Direct Foreign Investment
- " 6 Micro-level analysis of Ireland's Imports from LDCs
- " 7 EEC Stance towards Imports from LDCs and Scope for Increasing Trade with LDCs
- " 8 Conclusions and Implications for Irish Policy

This book by John Blackwell complements our earlier study of agricultural protectionism by Alan Matthews entitled *The Common Agricultural Policy and the Less Developed Countries* published by Trocaire in association with Gill and Macmillan in 1985.

It will be published in early 1988.

Ireland's policy towards South Africa

This major study of Irish foreign policy towards apartheid South Africa examines the policy stances adopted by Ireland at the United Nations, in the EEC and domestically. It analyses the factors that led to the adoption of Unilateral measures in 1986. It assesses the role of small states in relation to South Africa and reflects in particular on the policy options open to Ireland. It concludes with Policy Recommendations.

This study, being written by Brigid Laffan will be published by Trocaire in November 1987.