

Donor Benefits from Aid Policy: The Implications for Ireland

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While the ostensible purpose of aid is to promote the development of recipient countries, it has long been observed that donor aid policy is influenced by commercial and political interests. A number of recent studies have contributed to this research by estimating the economic benefits, to a donor, of its aid budget. Some of the evidence for the UK, using what we term the net resource cost approach, is briefly set out. A recent study of Irish aid, using an opportunity costs approach, suggests that aid does impose a real resource cost on the Irish economy. Applying the net resource cost approach, on the other hand, suggests that the benefits to Ireland in terms of the level of economic activity supported could well equal expenditure on aid. The evidence is used to argue for increased aid with greater emphasis on development.

Introduction

It has long been recognised that the motives of donors in granting aid, ie. official development assistance, are less than purely altruistic. In particular, political considerations exert a strong influence on which developing countries receive a donor's aid, while the practice of tying aid clearly demonstrates the

potential commercial benefits. A number of recent studies have quantified, in some detail, the benefits that donors derive from the aid they grant. These studies have typically concentrated on the net resource costs of aid: the volume of aid is a capital outflow, the resource cost of which is offset by the commercial benefits from trade generated by aid.¹ An alternative approach concentrates on the opportunity cost — resources devoted to aid, or to trade supported by aid, are not available for alternative domestic uses which may be more beneficial to the economy — and has been applied to measure the impact of aid on the Irish economy.² We will contrast these approaches and argue that the latter tends to underestimate the economic benefits from aid, concluding that the resource costs to Ireland from its aid budget are probably less than previously claimed.

The first section outlines the principal issues involved in measuring the benefits of aid to an economy and contrasts the net resource cost approach, as it has been applied to the UK, with that based on opportunity costs. In reviewing the impact of aid on the UK economy in the second section, we emphasise that it is concentrated on a few industries, who therefore have vested interests, and can be an important factor in competition between major donors for exports to developing countries. The third section uses the available, albeit inadequate, data on Ireland to derive a rough estimate of the net resource cost to the Irish economy. The concluding section provides a limited direct comparison between Ireland and the UK and argues that donor benefits are not necessarily incompatible with the development interests of recipients, although over-emphasis on donor interests can reduce the quality (development potential) of aid.

Quantifying the donor benefits of aid

Our concern is with the commercial benefits of aid only; this is not to deny that political and humanitarian motives exist and are important. The simple motive for commercial benefits is to reduce the cost of resource transfers. Aid is a capital outflow which reduces the donor's balance of payments; this resource cost is reduced by the extent to which the aid generates donor exports, which represent revenue to, and economic activity in, donor industries. This is most obvious where aid is fully tied, that is, where the recipient is required to use the aid money on goods produced by donor firms only, but arises in other ways.

The approach adopted for measuring the economic benefits in the cited UK studies is to estimate the value of exports attributable to aid, termed *aided exports*, and quantify the impact of these on the economy. There are four elements of donor benefit. First is the direct benefit, the value of aided exports. Second, there are indirect benefits due to the economic activity required to meet these exports. Third is the issue of whether aid is trade creating; do aided exports merely substitute for exports that would otherwise have been won or are they additional and do they in turn generate future exports not supported by aid? Fourth, and finally, are there displacement costs and would the resources devoted to aided exports have otherwise been productively used? This last issue is similar to opportunity costs.

It is the aided exports, not aid itself, which impacts on the donor economy; the fundamental determinant of impact is the ratio of aided exports to initial aid (termed here the export ratio). This *direct benefit* differs between types of aid. The most important distinction is between bilateral aid, some portion of which can be tied, and multilateral aid, which is generally perceived as untied. Fully tied aid will *prima facie* generate exports of equivalent value but tends to include an allowance for local costs so that the export ratio is less than one. In contrast, multilateral agencies tend to operate a *juste retour* principle whereby donors can expect to receive agency contracts in rough proportion to their share of contributions. Although major contributors tend to receive a lower share of contracts than their share of contributions, the export ratio can exceed one because the agencies boost their funds by borrowing on international capital markets, hence contracts exceed contributions. This leads to the apparently counter-intuitive result that multilateral aid is more effective at generating exports than tied bilateral aid, i.e. that it has a greater direct benefit. In the case of bilateral aid, the direct benefits will generally be greater the higher the level of tying (since the export ratio is higher).

Aided exports will generate *indirect benefits* through increased economic activity. Exports represent the output of, and revenue to, a particular industry. In order to produce these goods, that industry must purchase inputs from other industries, the value of which should also be included as part of the impact. To meet the increased demand for their products or services, the other industries will also demand inputs, and so on. The value of this *output multiplier* can be calculated (using input-output analysis) so as to measure the total production required throughout the economy to meet a given volume of export demand. Industries differ in the share of their inputs coming from other domestic

industries; the output multiplier, and indirect benefits, increase as the share of other industries' output in total inputs increases and therefore depends on the nature of the industries winning aided exports.

That portion of an industry's inputs not coming from other industries is the share accounted for by primary inputs, basically labour, profits, rents, some taxes and imported inputs. Imported inputs do not contribute to the donor economy and can be subtracted from the value of aided exports to give the net value of exports attributable to aid (this is not equivalent to the net resource transfer: since aided exports are financed out of government spending, the value of aid must be subtracted from net exports to arrive at the net transfer). The taxes paid on primary inputs, including labour and profits, contribute to government revenue and, if expressed as a percentage of the aid budget, can be treated as a measure of the return on aid to the Exchequer. Finally, the employment supported by aided exports can be estimated by calculating the number of employees per unit of industry output and multiplying this by total industry output.

The direct and indirect benefits measure the impact of aid, which is estimated retrospectively for a particular year and represents that part of total economic activity in that year which can be attributed to demand due to aid. There is no claim that aided exports created output or employment, nor are there normally any assumptions regarding the level of economic activity had there been no, or fewer, aided exports. This begs two questions: were aided exports trade-creating, and did they displace domestic activity?

Aid is not fully trade creating if there are *substitution effects*, that is, if the aid is used to finance goods which would otherwise have been purchased from that donor. These effects are more likely if aid is tied and granted to a relatively large country with trading ties to the donor; they are least likely to be significant in the case of multilateral aid (since multilateral agencies award contracts subject to international competition). The essential point is the existence of trading ties; when untied aid is granted to a trading partner there is an expectation, if not an underlying obligation, that the money is spent on donor goods. However, given competition between major donors and the evolution of world trade, traditional ties are weakening and while tied aid may not create exports its absence may lose market share. In certain respects tying is an instrument of export protection, and the presumption is that substitution effects will be slight.

On the other hand, aided exports facilitate market penetration and may generate a *radiation effect*.³ Aid granted to one country

generates exports which give donor firms an opportunity to advertise and build goodwill; if successful, the firm may win subsequent unaided orders in that or neighbouring countries. Substitution and radiation effects act in opposing directions and tend to be affected by the same factors in the same direction; trading ties and economic buoyancy in the recipient economy enhance both effects. It is not possible to generalise on the relative magnitudes but, given the level of donor export competition and the importance of aid in maintaining market share, neither should be over-emphasised. Since there is competition within multilateral agencies, the substitution effect is likely to be less and, since the most internationally competitive firms are most likely to win orders, the radiation effects should be enhanced. This is yet another reason why multilateral aid may confer greater benefits than bilateral aid.

Even if aid is trade creating, aided exports will not be additional to economic output if, in their absence, the resources employed would have been used domestically or to produce other exports. Theoretically, this *displacement effect* is only significant on aggregate if the economy is operating at near capacity so that, not only is a firm unable to meet the exports without sacrificing some other output but also, the demand has to be met by foreign firms. Displacement counts only if output is lost to the economy; it does not count if output is produced by one firm rather than another. In general, the scope for increased productivity, such as overtime, will mitigate any output displacement. There may be displacement effects in specific industries facing capacity constraints but the economic importance is questionable; one needs to show that exports are somehow less beneficial than domestic goods which would otherwise have been produced.

The concept of displacement is closely related to that of *opportunity costs*; resources employed in one use, such as aided exports, are not available for other uses, such as production for domestic demand. The opportunity cost approach to measuring the benefits of aid starts from the implicit assumption that aid itself and aided exports represent resources which are not available for domestic use and asks if these could have been otherwise employed. The cost of aid is the volume of aid plus the opportunity cost, the benefits are typically measured as direct benefits only (for which reason this approach tends to underestimate commercial benefits). The net resource transfer (input-output based) approach, on the other hand, will only account for opportunity costs if displacement effects are identified (and may therefore tend to overestimate benefits).

Generally, the latter approach estimates direct and indirect benefits only and comments on the probable importance of substitution, radiation and displacement effects.

The impact of aid on the UK economy

Certain features of British aid policy since the Conservatives came to power under Mrs Thatcher are worth noting. Most importantly, the aid budget has borne more than its share of the cuts in public spending during the 1980s, falling from about 1.5 per cent of government expenditure under the Labour governments of the late 1970s to 1 per cent in the early 1980s and 0.87 per cent in 1987. Aid as a share of GNP fell from about 0.5 per cent in the late 1970s to 0.3 per cent by the late 1980s while the real value of aid fell by 18 per cent between 1979 and 1988. Furthermore, the UK was reducing its aid over a period when all other major donors except Germany increased the real value of their aid (Germany's fell only slightly). Britain contributed 9.3 per cent of OECD aid in 1979; this share fell to below 5 per cent in 1986 and 1987 but recovered to 5.6 per cent by 1988. This reduction in aid has been strongly condemned by development and commercial lobbies in the UK, one of the only platforms accommodating both groups.

The second important feature is that there has been a shift, albeit not entirely consistent, in the composition of aid between certain types. While the share of multilateral contributions in the total was reduced to below 30 per cent in 1980 and 1981, it has remained around 40 per cent throughout the 1980s, government rhetoric about reducing the share notwithstanding. However, the share of tied bilateral aid in the total has fallen from about 30 per cent in the late 1970s to less than 15 per cent by the late 1980s, a trend which has dismayed business interests (the potential impact of UK aid fell by about 30 per cent between 1979 and 1988).

This loss of 'export protection' has been somewhat offset for the largest companies by the Aid and Trade Provision (ATP), a system of mixed credits where aid is effectively used to subsidise a commercial contract although, to be fair, all donors are formally required under OECD rules to use the same level of subsidy.⁴ More than half of all ATP granted between 1978 and 1985 went to only five firms who accounted for two-thirds of the total contract value of all ATP supported orders; 15 firms accounted for 88 per cent of the total contract value. The commercial

benefits from aid are concentrated in a few firms.

The impact of aid in macroeconomic terms tends to be quite small; for example, estimated net exports due to aid in 1980 were only one per cent of total non-oil exports. This misses the main point, which is that aid tends to be very important for certain industries and firms. While over 4,300 firms won aided exports over the period 1978-84, the 83 firms which each won exports worth more than £1m accounted for over 75 per cent of the total. Similarly, there is an industry concentration: over the same period, about 45 per cent of all exports supported by tied bilateral aid, and almost 50 per cent of those supported by multilateral aid, went to electrical or mechanical engineering industries. Although aided exports rarely exceed two per cent of total industry exports, this represents a large share of exports to developing countries. Given the practices of other donors, aid support can be virtually essential to maintain a presence in these markets. Furthermore, although a contract is awarded to one large firm, economic linkages and subcontracting mean that many small companies will benefit.

One important finding for the UK is that multilateral aid has a greater impact than tied bilateral aid. This arises directly insofar as each £1m of multilateral aid is likely to generate £1.03m of exports which, in 1985, would have supported total output of £1.8m and 59 person-years of employment, and provided a 24 per cent return on the Exchequer outlay. On the other hand, £1m of tied bilateral aid generated £0.66m of exports supporting, again in 1985, £1.1m of total output and 36 person-years of employment, with an implied Exchequer return of 16 per cent. Firms winning contracts from multilateral agencies tend to appear slightly more competitive than those winning orders out of tied bilateral aid. Furthermore, altruistic motives notwithstanding, the commercial benefits from aid are considerable, especially for any firms exporting to developing countries; the major donors are aware of this and, to a greater or lesser extent, employ their aid accordingly.

There is no hard evidence on whether UK aid is trade-creating. Business lobbies repeatedly claim that aid support is necessary to protect, never mind expand, their market share in developing countries while British aid in recent years has tended to go to countries that are not traditional trading partners (this is especially the case for ATP). This suggests diminishing substitution effects while there is evidence from individual firms of some radiation effects. There is no evidence of displacement effects and the stress placed on export markets by many UK firms suggests that these are unlikely to be significant for aided exports.

In conclusion, the net resource cost of aid to the UK has most likely been positive, implying a net commercial gain to the UK from its aid, throughout the 1980s, although the magnitude has fallen.

The impact of Irish aid

We do not have the data to apply the net resource cost approach to the Irish aid budget and, since Irish aided exports are more likely to be personnel than goods, the rewards would probably not justify the costs of compiling such data. While the budget is small, IR£32.3m⁵ or 0.18 per cent of GNP in 1988, we could expect to find that specific industries do benefit and would like some indication of the magnitude of the net resource cost. To obtain this we apply the arguments outlined so far to the data given in a recent study of Irish aid and, in so doing, comment on the study.⁶ The issue we wish to address first is the proper treatment of persons employed overseas on aid projects, who accounted for over half of the expenditure in Ireland from bilateral aid, a much higher proportion than for major donors. The expenditure on these persons, their income, is not a measure of the benefit to Ireland since much is spent abroad. Furthermore, there is an opportunity cost if they would have been employed had they remained in Ireland; since many would not have been employed and since some will pay taxes the study concludes that the opportunity cost is effectively zero. While agreeing broadly, there are certain questions requiring expansion given the importance of this issue for Ireland.

There are two clear groups of overseas personnel, excluding those employed directly by the government: those who seek overseas placements and private sector employees who are sent overseas. Seekers of overseas placements are those who desire to work on development projects, either temporarily or as a long-term commitment, such as volunteer teachers, and are usually low paid. Their direct impact on the Irish economy is negligible. Given that unemployment in Ireland is relatively high, it is unlikely that the movement of such persons abroad constitutes a loss to Irish productivity; unlike emigrants, they remain Irish employees and provide a service. There is an opportunity cost since they would spend more money in Ireland if they were in Ireland, employed or not. However, since personnel are required to implement aid projects there is a benefit from using Irish rather than non-Irish personnel, if only because some of the income of the former is likely to return to Ireland. The

opportunity cost approach emphasises that some of these employees could have been employed in Ireland, the alternative approach points out that some of the overseas employees could have been non-Irish.

Personnel working for consultants or as advisors are a second group (persons sent overseas as skilled labour could also be included but are usually simply part of the contract value, for example in a construction project) and comprise part of the overseas income of the service sector. The opportunity cost argument is not really appropriate to this group; consultants or advisors would not win the aid contract unless personnel were going to work overseas. These individuals are Irish employees, paying Irish taxes, who must spend some time working abroad; the portion of income spent overseas, frequently down to expenses, is properly viewed as a cost of exporting consultancy services.

The direct benefits from Irish bilateral aid were small. Procurement of supplies in 1987 was IR£1m relative to expenditure on bilateral aid of some IR£14m; if consultancy and services are included aided exports were IR£6.5m implying an export ratio of 0.37 (the UK ratio for total bilateral aid was about 0.3). The benefits to Ireland from multilateral aid agencies are, however, quite considerable relative to the contributions. Following the practice for the UK, consultancy is included in aided exports but technical cooperation or training are not. Also, contributions are measured as actual expenditure rather than budgetary allocations to the agencies.

In 1987, Ireland contributed IR£10.7m to the EC and won aided exports worth IR£9.8m from the EDF (this excludes IR£15.3m in technical cooperation), an export ratio of 0.92; contributions of IR£4.6m to the World Bank contrast with IR£8.1m in exports, a ratio of 1.76. The UN is excluded here because comparable data are not available. In total, contributions to these agencies amounting to some IR£15.3m were matched by export orders worth IR£17.9m, implying a ratio of 1.17, consistent with our earlier arguments and the experience of other donors. The export ratios for bilateral and multilateral aid are comparable to those for the UK (see Table 1 below) and yield a total direct benefit, in export orders, of IR£24.4m.

There are strong *a priori* reasons to believe there are no substitution effects for Irish aided exports. Irish firms and consultants are new entrants to developing country markets; their share of the market is negligible and likely to remain so.

Firms in the major donors argue that either of two conditions must hold, and preferably both together, to win orders in developing countries. First, the firm must have local contacts,

ideally with an established presence (such as local offices or subsidiaries) implying a commitment to remain in the market, which can generate goodwill and confidence. The second condition, in the current competitive environment where developing countries are extremely resource constrained, is aid support. Since few if any Irish firms have a local reputation, they can all argue that aid is a prerequisite to winning orders — hence there is no substitution effect. The entire value of aided orders can reasonably be deemed trade creating.

On the other hand, and by implication, Irish aid is likely to have a radiation effect which, while it may be small relative to the market, could be considerable relative to Irish trade with developing countries and especially for the firms involved. The success of Irish firms in winning orders from the World Bank is encouraging, suggesting that they are internationally competitive. Ireland can also anticipate greater success from EC contracts in the future; historically the EDF has favoured France but there is now some pressure to introduce *juste retour*.⁷ There are probable dynamic gains, in terms of market penetration, from the Irish aid budget. We will not include these in estimating the impact of Irish aid in 1987.

The study of Irish aid argued that the value of exports overstates the benefits of aid because there are opportunity costs in producing these goods. While this may have been the case for some exports, there are two reasons why opportunity costs are unlikely to have been significant. First, there were unemployed resources in the economy so that alternative uses for resources could not be guaranteed. Second, and of greater importance, Irish aid has probably increased the export potential of some firms and has increased the market available to Irish output. Consequently, aid has contributed to increasing the potentially productive uses of Irish resources and to the overall growth of the economy. In this context aid could be claimed to have provided, rather than displaced, alternative uses. We do not wish to make such a claim, but observe that the case for opportunity costs on aggregate should not be over-emphasised. Furthermore, aided exports had indirect effects on output which should be included in estimating impact.

The aggregate output multiplier, the ratio of total output to initial demand, for UK aided exports has been estimated as about 1.8, reflecting the importance of engineering industries which have a relatively high demand for the output of other industries. Consultancy and services were about 3 per cent of UK aided exports whereas they comprise about 30 per cent for Ireland. Consequently, the aggregate multiplier for Ireland will be

somewhat lower. Since industry output multipliers (the ratio of total output to an increase in demand for the output of that industry) for services tend to be about 25 per cent lower than those for manufacturing, a possible range for the Irish aggregate multiplier is between 1.3 and 1.6. Given aided exports of IR£24.4m, this suggests a total impact between IR£31.7m and IR£39m. This does not include any addition for possible radiation effects but nor is there any deduction for possible opportunity costs.

Three additional benefits are not included in our estimate: exports to UNDP projects, Irish personnel employed by EDF technical cooperation funds and expenditure in Ireland by personnel employed by Irish bilateral aid. In 1986 the UNDP spent some IR£2.6m on Irish goods and services, primarily consultants. This figure alone brings the impact range to between IR£34.3m and IR£41.6m. In 1987 the total aid budget was IR£43.3m; we estimate the total impact of aid to have been at least 80 per cent of this figure and quite possibly equal to it. We conclude that the real costs of aid to Ireland are very small.

The earlier study of Irish aid concluded '... that significant economic benefits do indeed exist, but that these are unlikely to outweigh the economic costs of aid, ie. the cost/benefit ratio ... for the donor exceeds unity.'⁸ We argued that by deducting opportunity costs which may well have been zero while failing to add output multiplier effects, the benefits were underestimated such that the actual cost/benefit ratio could well be unity. This is a striking conclusion for a minor donor which places little formal emphasis on tying. The major benefit is from multilateral agencies, from which Ireland derives relatively greater benefit than the UK, and to which Ireland allocates about 60 per cent of its aid, compared to about 40 per cent for the UK (see Table 1).

Conclusion and discussion

Our principal conclusion is that aid is of considerable benefit to Ireland in simple commercial terms and that these donor benefits can be gained even if the aid budget is directed towards promoting development. Concentration on multilateral agencies and the provision of expertise and training are likely to increase the quality of aid relative to a focus on tied bilateral aid and the provision of capital goods. In this respect Ireland compares favourably with the UK; but in other respects the comparison is less favourable (Table 1).

Table 1: A comparison of some Irish and UK aid statistics

	UK		Ireland	
	1987	1988	1987	1988
Multilateral aid (% total)	40.3	39.7	58.6	58.8
Export ratio		1.03		1.17
Bilateral aid (% total)	58.9	60.3	32.3	31.2
Export ratio		0.30		0.37
Gross aid budget (£m)	£1,197.4	£1,446.8	IR£39.1	IR£32.4
as % GNP	0.28	0.32	0.22	0.18

Sources: Irish data are from, or derived from, Fitzpatrick and Storey, *op. cit.*; bilateral and multilateral aid as a per centage of total does not sum to 100 because administration costs are included in total. UK data are from references in footnote 1.

In the years considered the volume of Irish aid fell considerably while that for the UK rose; both, but especially Ireland, had a low aid/GNP ratio relative to other European donors. In this regard the Irish government does not appear generous and the decline in the volume of aid is to be deplored on humanitarian grounds. Furthermore, it is a false economy given the impact of aid. The export ratio for UK bilateral aid in Table 1 is underestimated since it includes only exports directly related to tied bilateral aid and excludes ATP financed exports (which have a ratio above three and ensure that the net resource transfer favours the UK). The export ratio for Irish bilateral aid may be an overestimate since much of it goes to consultancy so that not all of the money may be spent in Ireland. The overall impact for the UK is relatively greater because of its higher aggregate output multiplier.

The measurement of impact and the explicit concern with the return to the donor begs the question: do the commercial motives for aid conflict with the development objectives? This is a serious question which is strongly debated and cannot be resolved here. A number of points, however, are worth making. Donor economies are the major exporters of capital goods and any growth in the world economy will expand their trade; aid does not need to be tied to ensure that the export orders accrue to major donors collectively (tying does guarantee the exports selectively). Tied aid relative to untied aid is not generally in the interests of the recipients; they tend to pay above competitive prices, have limited choice over the technology offered and face pressure to accept the projects favoured by the donors. Tied aid may, however, be preferable to no aid, although this is by no

means obvious. Whatever the (considerable) failings of the multilateral agencies, their development programmes are probably of greater long-term value than bilateral aid. Finally, the provision of expertise, consultancy and training is probably of greater benefit to developing countries than the direct provision of manufactured goods. In this respect the Irish aid budget appears in a good light, even if it is too little.

If there is a moral imperative it is that aid should be granted in accordance with the need for an international redistribution of income and wealth. This will generally conflict with the political and commercial interests of the major donors and, generally, the latter will receive greater weight. Moves to improve the effectiveness of aid for development must recognise the importance of donor benefits in framing aid policy. The real resource cost of aid to donors, whether they be major or minor, is quite low, and the arguments for cutting the aid budget are very weak. In fact, through the promotion of trade, aid is probably a more beneficial outlay than other forms of public expenditure, both globally and to the individual donor. The objective of official development assistance should be to eradicate tied aid but increase the volume of aid while exerting pressure to ensure greater developmental effectiveness. The donors, including Ireland, will continue to benefit, but this does not preclude recipients from gaining also.

Footnotes

1. To avoid excessive use of footnotes the main sources are noted here. Estimates of the economic benefits to the UK, using the input-output based net resource transfer approach, are mostly from O. Morrissey (1990a), "The Impact of Multilateral and Tied Bilateral Aid on the UK Economy", *Journal of International Development*, Vol. 2, No. 1. pp. 60-76. Another detailed study and source is R. May, D. Schumacher and M. Malek, (1989), *Overseas Aid: The Impact on Britain and Germany*, Brighton: Wheatsheaf. The motives for tying within the context of aid policy-making are discussed in O. Morrissey, (1990b), "The Commercialisation of Aid: Business Interests and the UK Aid Budget", 1978-88, *Development Policy Review*, Vol 8, pp. 301-32, September. Finally, the potential for aid as an instrument of donor export competition is considered in O. Morrissey, *Donor Benefits from Tied Aid: Some Reflections on Strategic Trade Policy for the UK*, University of Nottingham, CREDIT Research Paper 89/4.
2. J. Fitzpatrick and A. Storey, (1988), "Economic Benefits to Ireland of Official Development Assistance", *Trócaire Development Review* 1988, pp. 51-68, who use what is here termed the opportunity cost approach.

3. This term is from C. Jepma and M. Quist, (1986), "The Direct Impact of Foreign Aid on Trade: the Case of the Netherlands", *EADI Bulletin*, Vol. 1, pp. 29-45, which is one of the few serious attempts to evaluate substitution and radiation effects.
4. The ATP is analysed in detail in O. Morrissey, "The Impact of the Aid and Trade Provision, 1978 to 1987", *Bath Papers in Political Economy 1989/2*, University of Bath. An earlier critical study is J. Toye and G. Clark, (1986) "The Aid and Trade Provision: Origins, Dimensions and Possible Reforms", *Development Policy Review*, Vol. 4, pp. 291-313.
5. When referring to Ireland, IR£ represents punts; for the UK £ represents sterling.
6. The study in question is Fitzpatrick and Story, *op. cit.*, which is the subject of the following paragraphs and the source of all cited data on Irish aid.
7. It may not be presented as such and some states, notably the Netherlands and UK in respect of consultancy, argue for open competition. Perhaps because the French and Italians fear they may lose under open competition, there are moves to retain a country quota system, roughly proportional to contributions.
8. Fitzpatrick and Story, *op. cit.*, p. 67.

