

A CONTRIBUTION TO THE DEBATE

Pre-amble

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In the following comments I am aware that sometimes I will be making comments that you know already. But since they come with experience I hope that there will be freshness about them. In the later part where I am writing on proportions please note that I am concerned with that portion that you devote to Grant Aid in your budget.

Introduction

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The States of Jersey is deliberating the scale of overseas aid that it gives away as part of an international growing initiative that has various high profile “activists” like Bob Geldoff, Tony Blair and Bill Gates. Basic is the belief that scaling of aid will mean more funds for more interventions thus bringing significant hope to the world poor and the promotion sustained prosperity.

The problem is that aid, as a means of ending poverty, has not been shown to be an entirely effective tool. For example, between independence (1964) and 2000 average incomes in Zambia fell from US\$540 to US\$300. Between 1980 and 1996 the level of grant aid to Zambia was \$5 944 million (Source *Rayner*, www. worldbank.com quoted by Robert Guest “The Shackled Continent”)

The result is a widely held skepticism begging the question whether it should be part of a state budget at all except for disasters such as the Indonesian tsunami.

The Problematic Issues around Aid

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1. Sustained aid impoverishes the recipients because it gives something for nothing and therefore negatively affects the mind set of the very people the aid is meant to lift.

When I headed my NGO, Zimbabwe Community Development Trust, I was invited to the joint planning and implementation meetings that sought to co-ordinate the famine relief that began to scale up from mid 2002 onwards. The then UN country representative (Mr. Victor Angelo) was chairperson but each NGO brought to the table the target sections of the population where they were established (or sought to be established) and the specific form their intervention would take. I remember being struck by the stress Victor Angelo laid on each NGO’s exit strategy. Getting out from an aid situation can be an awful lot harder than getting in because of the dependencies that develop. Time and again I have seen aid dis-empower people because they cease to be masters of their own destiny.

2. Organizations delivering aid often have massive budgets which they are under pressure to use and implementation time is often tight. The result is that corners are cut and expedient actions fast grow corrupt practices.

In the famine relief in Zimbabwe since 2002 the problem for WFP and World Vision (which were the two largest organizations operating) is that unless they co-operate with Mr. Mugabe's ZANU PF structures they could not and cannot not distribute food. In the case of the district of Mount Darwin they had to use the local ZANU PF baron, Saviour Kasukuwere and his structures to distribute. Mr Kasukuwere is known to have used brutal torture on opposition activists but he also made sure that no known opposition supporters got/get any food. When questioned the heads of WFP and World Vision said - What can we do?

For all the sympathy one might feel it is a corrupt practice to allow food which is given by the international community to only go to a section of the population on the basis "right" political affiliation. (In one area, Svose, the suffering was so great that we would send in the food under cover of darkness to be collected at various points by those who could not get it from the international aid NGO's)

3. Tender procedures in the pressure of the moment are not followed, prices are hiked and substantial portions of aid money then finds its way into pockets it should not be in.

4. Aid too often treats symptoms and leaves root causes unresolved.

The recent (2002/3) famine in Zimbabwe affected some 6. 7 million people and the WFP is still operating today in spite of the fact that the 2004/ 5 rainy season was nearly perfect. The rains in the sub-region did fail in 2001/2 and all other countries in the sub-continent have seen WFP and other agencies do their relief and then leave. Aid has massively failed Zimbabwe because it has allowed a large section of the population to leave the root of the problem in Zimbabwe (governance) unaddressed.

5. The aid business becomes a kind of thing in itself.

NGOs forget their *raison d'être* and become sources of employment for all sorts of staff both international and local. Because an NGO doesn't have to make a profit the measures by which their performances can be gauged are sometimes hard to define. Inefficiencies creep in and the level of effective aid declines as aid money goes to keeping the NGO operating.

(One NGO headed by a colourful Executive Director employed a Finance Manager, took on various consultants and other staff, and got significant funding from August 2002 to July 2005. It helped a mere 12 people.)

Along with this the problem of the way aid money is also given leads to an inefficient use of capital. Let me explain. Most of our money was given for a certain project for a certain time. If you were

careful and judicious with the exchange rate working in your favour you could find you had money left over. Which you couldn't give back! It had to be used. There was often no mechanism to return unused money which then had to be spent in some imaginative interpretation of your project proposal.

6. Aid money creates distortions in the market price and those distortions negatively impact the efficiency of the market economy.

In 2005, driving down the western side of Lake Nyasa in Malawi we stayed in a lake-side resort being built by an Englishman who had traveled through Africa and had fallen in love with that particular area. He was building a series of lodges. In the same area there was some massive aid work going on particularly hospital and school building. The building of a hospitals and schools is very laudable but his complaint was that the NGOs had so much money that they would pay the local traders five times the fair price for goods. He could not pay those prices because he had to make a profit and stay in business. The NGOs had no such worries and their abundance of funding was distorting the market.

7. Aid is wasted because it is too often sent without first being justified by substantial research.

Multilateral and bilateral aid has built cement factories in Tanzania that never produced one bag of cement, steel mills in Nigeria that opened but that was all. There are a host of other total white elephants because no one researched whether a good idea was the right idea.

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Another Reality

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While there are massive problems with many principles and practices of aid the reality is that Africa (and other parts of the world) needs help. Aid is needed and more aid but aid not done well is a waste of both money and time. Therefore I would support the proposed increase of aid from 0.1 to 0.7 of GNI; although with the qualifiers I have outlined in the following section.

But before going there we need to face the other problem for the West - that is that its own policies, especially the protection created by agricultural subsidy policies are definitely helping to keep Africa (in particular) in poverty. African farmers cannot compete with the European/American counterparts while such protectionist policies are in place.

If aid is given but these policies that distort the free working of the market remain unchallenged then we must not be too disappointed if we see less than substantial results from our aid dollars. I therefore believe that Jersey should adopt an integrated approach to aid. By this I mean increasing its aid budget within a broader context of pressurizing for change in those agricultural policies that keep structural poverty in place. If Jersey is serious about contributing to the debate on ending such policies then raising the Island's Overseas Aid budget to 0.7 GNI will mean we can speak with authority. We will be showing a healthy seriousness when we appeal for a freeing up of the European

and American markets for farmers from Africa to supply some of the basic commodities.

Giving the increased Aid well

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It is proposed that the aid budget be divided between

1. Humanitarian/Conservation assistance (15%)
 2. Good governance and democratic structural support (35%)
 3. Commercial activities/interventions (35%)
 4. Research, before aid is committed and regular annual evaluation of projects (15%)
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1. Humanitarian assistance (15% of budget).

This portion is targeted at the kind of assistance that will need to be given year after year because people like the street children are never, by themselves, going to be able to change their situation. It includes assistance to projects like those helping street children, the old, emergency programmes, etc. The reason why the figure is low (15%) is that I believe aid should be directed at the other three categories so that structural changes can take place in countries and we enable them get into positions where they begin to implement development within the context of just functioning democracy leading to a growth in the health and vibrancy of their own economies. The various countries will then be in positions where they can begin to implement their own social assistance programmes for their own people.

2. Good governance and democratic systems structural support (35% of budget)

The Nobel laureate economist Amartya Sen, in *Development as Freedom* argues forcefully for the need to under pin all development with the democratic systems that will ensure the right environment for sustained development over time. Where democracy and justice thrive the structures which can lift people will evolve and more and more can enjoy the benefits prosperity brings.

My own experience with working with the Norwegians and Swedes as they helped build capacity in the Movement for Democratic Change in Zimbabwe convinced me that their work was vital (and greatly appreciated).

Madeleine Albright in the *Economist's "The World in 2007"* argues that "Many of the people without legal rights derive only temporary benefit from any conventional anti-poverty effort. Some programmes, which remain necessary, may help the poor become less hungry, less ill or less desperate, but not necessary more independent." She appeals for "the empowerment of individuals, families and groups within a legal system that is not skewed to benefit the rich at the expense of the poor"

Because I believe that aid should have a primary target of making a difference to the structures

leading to a democratic freedom and environment for sustained economic growth it is proposed that this aspect of grant aid money be set at 35%.

3. Commercial activities/ Interventions (35%)

In 2006, having worked on the DANIDA project and then with the Zimbabwean women making garments for export I have seen the value of aid that is “commercialized”. The creation of viable businesses has the extremely important benefit of creating dignity for the poor through hard work. Furthermore, as previously pointed out, DANIDA are able to take profit from projects and can then make more efficient use of the aid dollars care raised through taxes.

It is because this is so particularly attractive that the proposed portion is 35%.

4. Research (both before aid is committed and then regular evaluation of projects) 15% of budget.

Time and again aid money is totally wasted because no serious research was undertaken, I have seen schools put in an area where the community needed more boreholes and computers arrive for schools with no electricity. Unless a portion of your money is dedicated to evaluation the temptation will be to “follow the crowd” and give money where others are (happily?) wasting theirs. Unless money is spent on initial evaluation and regular (annual) monitory then aid money will be wasted. No doubt about it.

Conclusion

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Firstly, because of the problematic issues around aid is wise to construct an aid policy around judicious and effective use of aid money rather than simply throwing a whole lot of money at the problem hoping that if enough is thrown the problems will solve themselves. They won't.

Secondly, I believe that an increase of aid to 0.7%of GNI is right only within a focus on maximizing the distance that each tax pound spent can go and within an understanding of addressing the causative issues that help to continue poverty and dependency.

Respectfully submitted,

Reverend Canon Timothy Neill

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