

Public Policy and Management: Development Assistance

Module Introduction and Overview

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1 Introduction to the Module

Governments regularly transfer cash or make concessionary loans to other governments in order to promote economic and social development, improve the welfare of the recipient governments' citizens, or help out with humanitarian assistance after a natural or human-created disaster. Politicians from richer countries attend high-profile conferences and commit to increasing these transfers, often encouraged by popular campaigns in their home countries. Citizens of the richer countries (and many in poorer countries) regularly donate money to voluntary organisations involved in the same sorts of transfers, especially when natural disasters occur, but also at other times, hoping that their contributions will improve the lot of the world's poorest people.

The transfer process is managed through a medium-sized industry that includes governmental organisations and their aid agencies, international bodies (eg various parts of the United Nations and the European Union), development banks (eg the World Bank, Asian Development Bank, African Development Bank, Islamic Development Bank) and a large number of non-governmental organisations (NGOs), all supported by consultants and experts, including those in the academic institutions training and educating their staff. People spend their whole careers in this industry, administering financial flows, designing and managing projects, writing assessments, evaluating results and raising funds.

Views are divided on the impact of all this effort. Some argue not only that aid does not work to promote economic development but also that aid itself holds back development by propping up corrupt and inefficient governments and distorting investment flows, exchange rates and domestic markets. At the other end of the opinion spectrum are those who argue that aid is essential and could be effective if only its quantity and quality were improved.

Others, such as Roger Riddell (2014), are carefully analytical about the impact of the aid effort and argue for improvements in the way aid is delivered, without claiming that aid can or will solve the problem of poverty or unequal wealth and income distribution.

This module enables you to look at the evidence for the impact of these aid efforts and examine the flows of funds, the organisations involved in aid delivery, and the processes of allocating aid and designing aid programmes. We ask you to study the module and its readings with an open mind and reach your own views about what works and what does not work.

2 The Module Authors

Tony Allen is a retired Principal Lecturer from the University of Westminster in London, where he taught both undergraduate and postgraduate courses. A graduate of the Universities of Hull and London, and Brunel University, he taught at Westminster for 33 years. His research interests lie in applied micro-economics, particularly the economics of regulation, the economics of education, cost-benefit analysis, and public policy. He was a member of the Associate Faculty of Henley Management College (now Henley Business School, University of Reading), contributing to their MBA programmes, and was a Visiting Lecturer in Economics at the Middlesex University Business School. He has been a tutor at CeFiMS since 2003 and has been an external examiner in economics at the University of Hertfordshire and its partner university in Malaysia.

Norman Flynn was the Academic Director of the Public Policy and Management Programme and Director of the Centre for Financial and Management Studies at the University of London. He has previously been Chair Professor of Public Sector Management at City University of Hong Kong and has held academic posts at the London School of Economics, London Business School and the University of Birmingham.

He has written about public sector management in the United Kingdom, Europe and Asia, public sector reform in developing countries and the relationship between business government and society in Asia. Recent books include *Public Sector Reform: An Introduction* (European Commission); *The Market and Social Policy in China* (edited with Linda Wong) (Palgrave Macmillan); *Miracle to Meltdown in Asia: Business, Government and Society* (Oxford University Press); and *Public Sector Management in Europe* (with Franz Strehl) (Pearson). *Public Sector Management* (6th edition) was published by Sage in 2012. Further publications are listed on his website: <http://www.normanflynn.me.uk>.

He has teaching and consulting experience in China, Finland, Georgia, Kenya, Laos, Nepal, Norway, Scotland, Slovenia, South Africa, Sweden, Turkey, Ukraine and the United Kingdom.

3 Study Resources

This study guide is your main learning resource for the module as it directs your study through eight study units. Each unit has recommended supplementary readings; it is important as you work through these materials that you recognise their different origins and the purposes for which they were written. Additional resources are available on the module area of the VLE.

One category of materials includes policy documents written by the aid agencies themselves (eg the World Bank, the Organisation for Economic Co-operation and Development (OECD) and the European Commission). These readings are mainly normative, in the sense that they set out what the organisations consider *should* be done. For example, in Unit 7, there are various declarations about how aid should be delivered, resulting from 'High Level Forums' on aid organised by the UN and the OECD. When reading official declarations such as these, we must recognise that they are intentions, not descriptions of what actually occurs in practice.

Another sort of reading you will be given is largely descriptive of institutions and their practices – most notably the aid efforts of China and the other BRICS nations (Brazil, Russia, India, China, South Africa) and of NGOs, which are covered in Units 6 and 8.

The third type of reading is analytical work by academics and practitioners. These readings are written to academic standards and have been subject to academic peer review, or are chapters in books whose publishers have put the work through a review process. The journals from which these works come include *Development Policy Review*, *Journal of International Business and Cultural Studies*, *Journal of Development Studies*, *International Affairs*, *Development and Change*, and *Economic Policy* (World Bank). This module is quite intensive, and you will probably not have time to read much if anything beyond the material supplied, but if you wish to continue reading after you complete the module, these are the sorts of journals that we recommend you browse.

The fourth type of reading, used mostly for case studies, is official evaluations of various aid interventions. These include an evaluation of the state of humanitarian assistance by Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP), evaluations of the responses to Pakistan's floods of 2010 and Haiti's earthquake, and an assessment of US aid to Afghanistan.

A fifth category of reading consists of critiques of various aspects of the aid process. The first, in Unit 2, is a small case example of the aid agencies' impact on payment of medical staff in countries in which they operate; the second, a critique of the diversion of aid to warlords to perpetuate civil wars; the third, in Unit 5, examines the diversion of funds by the aid agencies in Afghanistan; and Unit 6 includes a critique of a particular assessment tool, the World Bank's Country Policy and Institutional Assessment, and of the use of 'good governance' as an assessment criterion.

The final category is the *polemic*. There is no shortage of written material telling the world how to end poverty. This has been led on the academic side by Professor Jeffrey Sachs in the mid 1990s, who gave academic support to the popular movement to increase the volume of aid. At the other end of the

polemical debate, you will read material by Dambisa Moyo, a proponent of the idea that aid hinders economic, social and political development.

The volume of reading may look daunting, but as you progress through the module you will see that we recommend extracts from many of the readings, confining your reading to the essentials. We decided not to cut the readings because you may wish to read the whole articles or chapters, which may contain either historical material that is interesting but not absolutely essential or methodological discussions that you may not need to follow.

4 Module Overview

Unit 1 An Introduction to Development Assistance

- 1.1 What is Development Assistance?
- 1.2 Main Providers of Development Assistance
- 1.3 A Brief History of Development Assistance
- 1.4 Why Do Countries Donate Development Assistance?
- 1.5 Aid Allocation
- 1.6 International Agreements on Aid Effectiveness and Development
- 1.7 Conclusion

Unit 2 Development Assistance and Economic Development

- 2.1 Introduction
- 2.2 Economic Growth and Development
- 2.3 Development Assistance and Economic Growth: Theory
- 2.4 The Impact of Development Assistance
- 2.5 Conclusion **Error! Bookmark not defined.**

Unit 3 Poverty

- 3.1 Introduction
- 3.2 Concepts and Measurement of Poverty
- 3.3 Human and Multidimensional Development Indicators
- 3.4 Growth, Inequality and Poverty
- 3.5 Development Assistance and Poverty
- 3.6 Conclusion

Unit 4 Development Assistance and National Government Policies 1: Environmental and Climate Change

Units 4 and 5 Overview

Unit 4 Overview

- 4.1 Introduction
- 4.2 Millennium Development Goals and Sustainable Development Goals
- 4.3 Development Finance and Climate Action
- 4.4 EU Budget Support and the Sustainable Development Goals
- 4.5 An Example: the LoCAL Programme
- 4.6 An Example: Private Sector Involvement
- 4.7 Sustainable Development Goals Progress

4.8 Conclusion

Unit 5 Development Assistance and National Government Policies: 2. Democracy, Governance and Human Rights

- 5.1 Changing Policy Interventions
- 5.2 An Example: the European Union and Democracy and Good Governance
- 5.3 The United States and Democracy Assistance
- 5.4 Are Sanctions Effective?
- 5.5 Conclusion

Unit 6 Humanitarian Assistance

- 6.1 What Is the Scope of Humanitarian Assistance?
- 6.2 Is Humanitarian Aid Effective?
- 6.3 Twelve Lessons About Flood Relief Efforts
- 6.4 The Sendai Framework for Disaster Risk Reduction
- 6.5 Examples
- 6.6 When Are Cash Transfers the Answer?
- 6.7 Conclusion

Unit 7 Aid Agencies

- 7.1 Introduction
- 7.2 Aid Agencies
- 7.3 Aid Agencies and Aid Effectiveness
- 7.4 High-Level Forums and Aid Effectiveness
- 7.5 General Budget Support
- 7.6 The Predictability of Aid
- 7.7 Payment by Results/Cash on Delivery
- 7.8 Managing Aid Agencies
- 7.9 Conclusion

Unit 8 New Development Assistance

- 8.1 Development Assistance Beyond the OECD DAC
- 8.2 Turkey
- 8.3 BRICS Countries
- 8.4 Conclusion: Impact of the New Development Assistance on Traditional ODA

The module begins with a definition of official development assistance (ODA) donated by OECD governments and some descriptive material on trends in its volume and history. The unit also examines non-OECD sources of aid – other countries, NGOs and philanthropic donors – and these flows are compared with those from remittances and foreign direct investment. It then examines why governments give development assistance and finds a variety of motivations, which are not always altruistic. The first unit then examines the allocation and distribution of development assistance, before concluding with a look at international agreements on aid effectiveness and development that have shaped donor operations.

Unit 2 begins by defining growth in relation to GDP, and the drawbacks of using this measure, then examines theories about growth, economic

development and development assistance. In considering whether development assistance contributes to economic growth, it highlights some of the methodological problems involved in such an analysis and examines some academic literature that has evaluated the impact of aid on economic growth using a framework of various generations of research.

Unit 3 is about global poverty. Various monetary definitions of poverty, known as 'poverty lines', are presented. Non-monetary measures such as the UN's Human Development Indicator are also discussed. Evidence is presented on the reduction of global poverty since 1990 and on the substantial numbers of people living in poverty in middle-income countries such as India. The relationship between inequality, economic growth and poverty is analysed. The role of development assistance in poverty reduction is considered and the aid modalities of randomised controlled tests (RCTs) and direct cash transfers are debated.

Units 4 and 5 are concerned with the use of ODA to influence the policies of recipient countries. Aid has always been used by Western donors partly to encourage a particular macroeconomic stance – balanced budgets, small state, privatisation – and was also used to generate loyalty to one or other side of the Cold War; in more recent years it has been used to influence individual policies. Unit 4 looks at environmental policy and climate change. Donors have used the funding of projects in this area to impose conditions on financial support. Unit 5 is about democracy and governance, looking at how donor governments have used conditionality and direct funding for democracy promotion and, *in extremis*, have imposed aid sanctions where recipient countries have had a military coup or committed human rights violations.

Unit 6 is about humanitarian assistance. A lot of ODA is implemented in response to humanitarian crises caused by natural disasters or by war and the displacement of people. There are international agreements about how this work should be done and how resilience to disasters can be built and maintained. This unit shows examples of how humanitarian assistance is designed and delivered: applying the Sendai Framework in Ethiopia, responding to the Nepal earthquake, providing aid for Rohingya refugees in Bangladesh, and European efforts to rebuild Syria. It also asks when cash payments to disaster victims are the best response – a theme that recurs throughout the module.

Unit 7 analyses the aid agencies by using the principal–agent model, which draws attention to the incentives that agencies operate under in relation to their donors, their employees and the recipients of their aid. This is related to problems of aid fragmentation, ownership and harmonisation. These problems of aid effectiveness were addressed in the High-Level Forums in Rome (2003), Paris (2005), Accra (2008) and Busan (2011). One method of delivering aid, namely general budget support, was designed to overcome the

incentive problem; the effectiveness of this modality is debated. The causes and effects of the low predictability of aid are discussed. Another aid modality designed to overcome incentive problems is that of payment by results, which is defined and discussed. The unit ends with a discussion of how best to manage the internal operations of aid agencies.

Unit 8 is about 'new' development assistance: aid given by countries other than members of the OECD Development Assistance Committee. It looks at the actions of the BRICS grouping and Turkey, considering whether their policies and practices differ from those of the DAC member countries and whether they do represent a 'new development assistance'. It finds that ODA from these countries includes the pursuit of strategic advantage, payment for votes in the UN and national economic benefits – not very different from the history of development assistance from other countries.

5 Learning Outcomes

When you have completed your study of this module, you will be able to:

- define what is meant by development assistance and its constituent parts
- outline the main trends in development assistance
- gauge the growing role of NGOs, private foundations and other non-DAC (OECD's Development Assistance Committee) organisations in the provision of development assistance and identify the sources of their funding
- discuss some of the theory of economic growth, and the role and effectiveness of development assistance in promoting it
- explain the definitions and measurement of poverty, and the recent reduction in global poverty
- analyse the relationship between growth, inequality and poverty, and be aware of the role of development assistance in contributing to the reduction in poverty
- assess the extent to which development assistance is successful in influencing recipient governments' domestic policies, with respect to environment, climate change, democracy and governance
- describe what makes for successful and unsuccessful humanitarian assistance, including the relationship between immediate disaster relief and longer-term reconstruction and development assistance
- assess the role and incentives that aid agencies face; be familiar with the recommendations of the High-Level Forums for improving aid effectiveness and evaluate the extent to which these have been carried out
- analyse the effectiveness of general budget support and payment by results as aid modalities designed to improve aid effectiveness

- judge whether relatively new entrants to the development assistance field are different from previous players.

6 Study Advice

You will have your own motivation for studying this module: you may work for a government that gives aid, or for one that receives it – or a government like South Africa’s that does both. Or you may work in an agency such as the World Bank or an NGO, whose function is to engage in development assistance through loans or grants. In each case, your employer will have its own policies, procedures, and analytical and assessment tools for disbursing or receiving development assistance. While this module will look at some of the administrative tools and devices used in the process, it cannot be a training course in particular organisations’ procedures. Rather, it offers materials and evidence to enable you to make your own judgements about the effectiveness of the aid effort, what works and what does not work, why weaknesses occur in the processes of designing and delivering aid, and how the processes could be improved. In making those judgements, you are invited to review a wide range of written materials, as we described above.

We recommend that you complete the reading during the study sessions in which the module is live. The constraint of producing two assignments, after Unit 4 and Unit 8, will focus your reading. If you do not manage to complete the whole of the reading during the eight weeks, we recommend that you put aside time before the examinations to review what you have already read and complete the remainder. In both the assignment and examination assessment, your examiners will be looking for evidence that you have engaged critically with the materials provided.

We understand that some students are more comfortable learning theories first and then applying them, while others prefer to start from examples and look at theory later. We hope that whatever your preferred learning style, you will be able to benefit from studying this module with its mixture of theoretical and empirical material.

We encourage you to use the VLE to discuss the module with your classmates and your tutor. You will have fellow students who are directly involved in the issues this module covers, and your learning can be enhanced by sharing your professional experience.

7 Warm-up Questionnaire

To warm up for the module, we would like you to answer the following questions, which will give you a summary of what you think about some aspects of development assistance. We will ask you to complete the

questionnaire again when you have completed the module, so that you can see whether your ideas have changed.

The numbers range from 'strongly agree' at number 1 to 'strongly disagree' at 5, with degrees of strength at 2 and 4, and 'don't know' at 3.

Proposition	1	2	3	4	5
1. It is the moral duty of the governments of rich countries to devote part of their revenue to help poor countries					
2. Development assistance can significantly improve economic growth in poor countries					
3. Governments in receipt of aid can spend the money as they wish					
4. Governments who give aid have the right to demand good governance and democracy in the countries they give money to					
5. Governments only give aid to gain access to resources from which they would otherwise be excluded					
6. Freedom from poverty is a human right that applies to all people					
7. All aid flows should bypass governments and go direct to NGOs, civil society organisations and individuals					
8. Aid should never be given to countries ruled by dictators					
9. Most aid goes to the poorest countries					
10. Humanitarian assistance generally develops the capacity of the people affected by disasters					