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The British Debate on International Development Aid

A Former Diplomat's Perspective

Edward Clay

Strengthening Africa's economic performance

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Executive Summary

The United Kingdom's Department for International Development (DfID) enjoys a reputation for effectiveness as an aid agency. Its commitment to delivering development assistance to a number of African countries is undisputed, with Africa receiving a handsome 44 per cent of all UK aid. Yet, as DfID commits itself to increasing its development aid target to 0.7 per cent of the UK's Gross National Product (GNP) by 2013, the department has come under sharp public and political scrutiny. In 1970, the world's strongest economies pledged to give 0.7 per cent of their GNP to Official Development Assistance (ODA) through a UN agreement, yet very few of the signatories have ever reached this target. The UK, through DfID, pledged itself in 2010 to achieve this ODA international standard – if it is successful, it would be the first country in the G20 to actually meet the target. In fiscally challenging times, however, the UK faces acute tensions between its domestic priorities and international commitments in the development sphere, especially when hard questions are being asked about where and how wisely its foreign aid is being spent.

This Discussion Paper draws on the written testimony and oral evidence submitted by Sir Edward Clay, a distinguished former British diplomat, to the UK House of Lords' Select Committee on Economic Affairs (EAC)'s inquiry into 'The Economic Impact and Effectiveness of Development Aid'. Clay was Head of Mission in Uganda (1993–97, and non-resident Ambassador to Rwanda and Burundi for parts of that period), and Cyprus (1999–2001). While High Commissioner to Kenya (2001–05), a major recipient of UK assistance, he gained renown in 2004 with his public denunciation of corruption by senior Kenyan officials. Since his retirement in 2005 he has continued to call for greater accountability over how British aid is disbursed and used. Clay's contribution to the Lords' Select Committee – and this Paper – very much reflects his personal experience.

This Paper, firstly, questions the utility of the 0.7 per cent aid target. It argues that if the target was reached, it would produce more ODA than developing countries could efficiently absorb. The fixed target, which even some supporters doubt should be enshrined in law, may hinder DfID from effectively evaluating the recipients and the methods through which it aims to disburse funds, in the interest of a crudely quantitative approach.

Secondly, the Paper examines the approach to development aid adopted by DfID and its Secretary of State. The approach fails, in Clay's view, to meet the requirements of due accountability and transparency demanded by a fiscally-constrained British public. He calls on DfID to be less timid in demanding action on corruption in recipient countries by using the leverage its aid affords. A major donor like the UK is, after all, an important stakeholder in the success or failures of the governments it supports.

Thirdly, the paper explores how development assistance should engage with security concerns in failed or failing states. Evidence suggests that conflict in societies impedes development, proving that simply increasing the amount of aid (as per the UN Millennium Development Goals) will not necessarily produce the desired end. Indeed, not all aid is good – some has been positively damaging to states' development.

In conclusion, he urges the UK to devise 'aid contracts' that demand more transparency from recipient countries that have fallen well short in governance and the rule of law.

Is the Aid Consensus Cracking?

The UK gave bilateral development assistance to 78 countries … Africa got the biggest slice, 44 per cent

The Department for International Development (DfID), the United Kingdom's aid department, enjoys a worldwide reputation for effectiveness as an aid agency, and for the leadership it gives in development matters. The UK gave bilateral development assistance to 78 countries in 2010/11, of which 37 received direct financial assistance. Africa got the biggest slice, 44 per cent, though only one of the three top recipients – Ethiopia – is in Africa (the first was India and the third Pakistan).

The British are given to dubious claims of moral leadership in the international system. Aid, however, is one sector where this claim has some legitimacy; the UK has put its money where its mouth is. In 2010, DfID employed 2 385 members of staff in 60 countries. Its budget will have increased from £2.2 billion in 2000/01 to £7.8 billion in 2011/12 to over £11.1 billion in 2014/15. In contrast, then Prime Minister Tony Blair's vaunted Year of Africa in 2005 was also the year in which the Foreign and Commonwealth Office (FCO) cut its African directorate by 21 per cent. The contrast between a FCO that has been starved of funds and a well-padded aid department arouses some concern about the coherence and cohesion of the UK's international posture.

DfID and the Foreign and Commonwealth Office's differing spending patterns show the UK's conflicted approach to the developing world. In 1970, the world's strongest economies pledged to give 0.7 per cent of their GNP to Official Development Assistance (ODA). Wealthy governments have reaffirmed their pledge to the 0.7 per cent target in a number of United Nations agreements. The UK, through DfID, pledged itself in 2010 to maintain this ODA international standard. Yet, in fiscally challenging times, the UK faces tensions between its domestic, security and other needs and the pledge to give a fixed amount of foreign aid.

Despite the consensus on its quality, and agreement by all major parties to increase it to 0.7 per cent of GNP, Britain's overseas aid is currently under intense public and political scrutiny. This is unexpected at a time when the Conservative Party thought they had buried the notion of their party being perceived as the 'nasty party' by consenting to the 0.7 per cent target. Partly it has to do with popular unease about giving vast sums of money to countries with famously poor governance, and suspicion about the UK government's motives. And partly it has to do with the economic downturn, which leads to grumbling about the immunity of the growing aid programme to cuts when public expenditure on most other things is being slashed.

The government itself has sought to pre-empt criticism about its pledge to go on increasing aid until the 0.7 per cent target is reached. They have carried out a review of bilateral aid programmes and, despite significant misgivings, decided

Unease persists about the size of the aid budget, particularly in the context of increasing job cuts in this department

to continue to give aid to India, a country with plenty of resources and a space programme. They have professed to do more on conflict, and on governance. The Conservative Secretary of State for International Development, Andrew Mitchell, has established an Independent Commission for Aid Impact (ICAI), whose most iconic member is John Githongo. He is the 'graft-buster' President Kibaki of Kenya first appointed in 2003 to investigate government corruption and then, with sinister irony, betrayed. I shall return to this later in the paper.

Mitchell appears dismayed that sceptics have yet to appreciate the significant changes his department has implemented in the past 18 months. In a recent earnest, personal exchange with me, the Secretary of State accused me of not giving him 'credit for the significant changes we have made' in DfID. It *is* early days but he will need to be very determined indeed to correct the institutional biases of his juggernaut of a department.

Unease persists about the size of the aid budget, particularly in the context of increasing job cuts in this department. Eyebrows rise over the promise to increase aid sharply during a time of severe budgetary constraints. DfID gets praised for well-conceived and executed programmes, but this standard will be impossible to maintain as the pressure to disburse money runs way beyond the capacity of a dwindling staff to see it spent wisely.

Writing in Britain's *Daily Telegraph* primarily about Zimbabwe, David Blair made an important point in showing how aid may have the perverse effect of underwriting the indefensible spending priorities of a bad leadership. DfID would justify that on the basis that the poor should not be denied aid just because their leaders misallocate their own national resources. On the other hand, some aid-receiving countries could do without aid if they re-ordered their own spending priorities. The trouble is that a rising UK aid budget needs outlets for its expenditure. So DfID go on making indefensible spending decisions in effect to sustain the mismanagement of national budgets in countries like Zimbabwe (or Kenya, or Uganda, or Tanzania, you could add). In the long run, that is not a service to the poor nor does it encourage good governance.

The British are generous people – their record in subscribing to private collections to relieve suffering following disasters and in supporting charities is virtually unsurpassed. Yet, in these hard times, they are asking hard questions without embarrassment about the utility of the large British aid programme.

How useful is the UN target of rich countries giving 0.7 per cent of GNP in ODA?

The House of Lords' Select Committee on Economic Affairs (EAC), comprising high-powered Lords from the three main parties, and crossbenchers (independents), is asking the hardest questions yet. They include two heavyweights from the era of Prime Minister Margaret Thatcher (1979–90): Nigel Lawson (her Chancellor for six years), and Committee Chairman John MacGregor (Chief Secretary to the Treasury, and later holder of other Cabinet posts). This Discussion Paper draws on the written testimony and oral evidence I wrote for submission to this Select Committee's inquiry into 'The Economic Impact and Effectiveness of Development Aid'.

My own interest and qualification to address the subject was as a former diplomat. I was Head of Mission in Uganda (1993–97) (and non-resident Ambassador to Rwanda and Burundi for parts of that period), Cyprus (1999–2001) and Kenya (2001–05). I had worked over many years with colleagues in DfID and NGOs, and I am now involved as a trustee of several NGOs. Therefore, my contribution to the Select Committee – and this Paper – very much reflects my personal experience.

Three Crucial Questions

I have focussed on three of the Committee's key questions: the utility of aid targets, the quality of aid, and the relationship between development and security. They turned out to be even more topical in the light of unrelated events in the following fortnight. These included British Prime Minister David Cameron's visit to South Africa and Nigeria in July 2011. In Nigeria, Mr Cameron made a strong appeal for development through trade while maintaining his commitment to a sharp increase in overseas aid. Meanwhile, on the other side of the continent, a severe shortage of food was turning into famine and a full-scale disaster was afflicting the Horn of Africa.

This takes us directly to the first of the three key questions:

The Utility of Aid Targets

How useful is the UN target of rich countries giving 0.7 per cent of GNP in ODA? If the target was reached, would it produce more ODA than developing countries could efficiently absorb?

While reiterating his commitment to the 0.7 per cent target at the gathering in Lagos, the Prime Minister was implicitly rebuking his then Defence Secretary, Dr Liam Fox, who had leaked a letter to the Prime Minister in which he opposed this target.

defence and development are both crucial to the UK's international posture and national security

The discussion Fox began was unsatisfying for two reasons. First, defence and development are both crucial to the UK's international posture and national security. Second, while senior military officers and the heads of some of the over 40 blue-chip NGOs in Partnership Programme Agreements (PPAs) with DfID were prominent in the debate – the air was thick with special pleading – we heard nothing from the much more aid-dependent of DfID's clients, like the World Bank and European Commission (who take all together over one third of DfID's budget), nor the governments in receipt of Budgetary Support.

Most official aid goes to and through governments. Yet official propaganda understandably uses individuals to tell the story of the transformative value of an aid project. Such testimonies are affecting and persuasive, but don't cover three gritty questions: Did the projects established through the aid money significantly change their lives for the better? Has their government used the aid money effectively? How has aid affected fairness and inequality in their society?

Some of us who support giving more aid nevertheless believe the 0.7 per cent benchmark is out of date. Since the target was first declared in 1970, global aid has increased. The character of aid and number of its donors and recipients has changed, with China and, soon, India becoming donors. We now understand better what makes or keeps countries poor, particularly in respect of conflict and its many facets. *The Economist* (13 August 2011) argued in a leading article that the appearance of emerging economies as donors required western development agencies to re-examine their objectives and re-focus their policies.

The 2011 crisis in the Horn of Africa reminds us of three things:

- Political and economic events in donor countries can dramatically alter their undertakings towards developing countries.
- Providing humanitarian aid for unforeseen emergencies takes money away from mainstream development budgets; and those emergencies – earthquakes, floods, government collapse, conflict, etc. – impede development.
- Violence, conflict and the failure of states are the major causes of under-development and famines. On 25 July 2011, *The Guardian* quoted the Somali Deputy Prime Minister as saying, 'the fundamental cause of the famine was the fragility of the state and enduring conflict that has hindered the provision of basic services.' He also blamed insurgents who have blocked lifesaving aid. As governments and NGOs try to bring help to the afflicted, they consider soliciting the co-operation of the very forces which have created or aggravated the problem. Meanwhile, the symptoms of Somalia's desperate condition spread to other frail countries, such as Ethiopia and Kenya. As the *Financial Times* observed on 21 July 2011: 'This spreading crisis provides another reminder

that the consequences of state failure in Somalia – piracy, terrorism and hunger – cannot be ring-fenced. Nor, because these problems are intractable, can they be ignored.'

It is unlikely that the requirement for development assistance from rich countries would neatly coincide with 0.7 per cent

These facts undermine the relevance of the 0.7 per cent target. Even some who support it as a target doubt the value of enshrining it in law, as the British government intends. It is unlikely that the requirement for development assistance from rich countries would neatly coincide with 0.7 per cent of their GNPs. Just having a target may stop DfID re-considering whom and how it aids in the interest of a crudely quantitative approach. We might need more, or less, or different objectives, and the 0.7 per cent requirement may rise and fall with respect to the total GNP as it does with respect to individual recipient country programmes.

Never Mind How Much: Why Give Aid At All?

People increasingly ask the prior question of why the UK gives development assistance, and what the purposes of aid are or should be. The present consensus would probably reply: help for the poorest, help for growth, building up governments' capacity to govern effectively, promoting human rights and countering corruption. In addition, aid has to be *seen* to be effective.

According to the law, the single objective of DfID aid should be to reduce poverty. But they pursue many other objectives, too: not just increasing the income of the poor, but improving life expectancy, reducing maternal and child mortality, improving education and civil rights, water, climate and environment. This means that aid can be *whatever* DfID says it is!

The purpose of aid depends on the international posture the donor wants to adopt. The International Development Assistance Act planted DfID's standard firmly on the ground of 'aid for aid's sake'. But a big spending department cannot be indifferent to the other objectives the British government must achieve in its international policies.

I believe the UK government should pursue two purposes with aid programmes:

- To build resilient and responsive *societies* with institutions that afford the citizens security and welfare; the kind of societies they would wish to remain in.
- To increase the responsiveness and the responsibility of *governments* towards their citizens and the robustness of their institutions. We should be reducing inequality and unfairness. I doubt we are achieving this aim.

The contrast between DfID's large, increasing and ring-fenced aid budget, and the relative starvation being suffered by departments managing other instruments the UK's international policy appears to lack coherence

of international policy causes unease. Judging by the resource profiles of all these departments, the UK's international policy appears to lack coherence. For example, having forced cuts upon the BBC World Service, the government was swiftly obliged by the 'Arab Spring' to pay to maintain some services that cater to Arabic-speaking audiences. While the rest of Whitehall is adapting to huge changes in the world with less resources at their disposal, DfID ploughs its own uniquely well-funded furrow.

Aid Accountability and Transparency: Seen Through a Glass Darkly

Governments must be accountable to their citizens for the way they raise and spend taxes. Aid is invisible to most British voters, particularly the means of assessing its effectiveness. DfID's rapid rise in funding has increased the pressure on the department to spend, while its capacity to design, administer and monitor complex programmes has not expanded commensurately. Hence the creation of partnership NGOs: a quick way of disbursing a lot of money to familiar partners.

The share of NGOs in DfID's programmes is minor when compared to the huge sums delegated to multilateral agencies. Some of these grants are much less open to rigorous domestic scrutiny than other sectors of UK government expenditure. The International Development Secretary is increasingly sensitive to charges of unaccountability levelled by sceptics.

Budgetary Support to poor governments is another way of minimising transaction costs to DfID and of spending a lot of money quickly. Its total value is more than DfID funding to NGOs. Budgetary Support is vulnerable to criticism because it lies outside ordinary oversight in the UK. And it becomes more difficult to demand transparency once the aid reaches the recipient country's treasury.

The danger in this is not necessarily that aid funds are misappropriated. That happens, but more commonly aid creates headroom for national treasuries to be robbed. That is, corrupt recipient governments may misappropriate their own taxpayers' resources while foreign aid gives them resources to sustain domestic development programmes. Aid in this respect gets in the way of recipient government's accountability to their own peoples. That should worry donors, as it outrages citizens.

Experience suggests making the 0.7 per cent target a legal requirement will both sharply increase the pressure on DfID to meet its obligation to spend, and aggravate its difficulties of ensuring that aid monies are wisely spent.

This unwavering commitment to 0.7 per cent will overstretch the absorptive capacity of many poor countries with weak administrations. It is observable each year how much aid voted to particular programmes is not spent. The Kenyan

Aid accounts for more than the UK spends on policing, or the 2012 London Olympics, more than the UN spends on global peacekeeping, and a little bit less than the amount we already collectively give to charity

National Taxpayers Alliance put out a List of Shame in June 2010 enumerating large sums voted to Kenyan ministries that were unspent by the end of the financial year: £472 million. To put this figure into perspective: in education, the surplus could have given two new classrooms for every one of the 21 000 primary schools in Kenya; and, in infrastructure development, the money could have built 31 000 km of heavy graded roads.

For UK taxpayers, the 0.7 per cent target means an increasing share of their taxes is committed forever to aid. Voters generally don't like the target. Malcolm Bruce, MP of the ruling Coalition's Liberal Democrat party and chair of the International Development Committee, once justified the ring-fencing of the rising aid budget by saying that it wasn't really all that much to spend; spread around other sectors of government, no-one would notice the difference.

If only it were so. In removing the very large aid budget from the discretionary area of its activity, the government is tying its hands. Aid accounts for more than the UK spends on policing, or the 2012 London Olympics, more than the UN spends on global peacekeeping, and a little bit less than the amount we already collectively give to charity. It will be more than the $11 billion the mooted Indian aid agency will disburse – this is a large sum considering that India, as a new donor, has about 20 times the UK's population and is itself also a recipient of UK aid.

Indeed, it was only the 29 November 2010 announcement of the UK government's response to worsening economic prospects that brought to light the fact that DfID envisaged overshooting the 0.7 per cent target in 2013. The Chancellor (Minister of Finance) said that, as part of his tough, additional measures, he would ensure DfID did not *exceed* the 0.7 per cent. Many taxpayers would say 'I should think so, too'.

The 0.7 per cent aid target fuels public anger, when the UK government tells its citizens they cannot afford other desirable things; and when taxpayers feel denied the right to make a judgment on government's stewardship of aid. It is at odds with the electorate's sense of priority and fairness.

The 0.7 per cent target reinforces a quantitative approach to aid, measuring activity, instead of properly assessing what outcomes have been useful. It should worry the British government if the 0.7 per cent target becomes so unpopular in the UK that it reduces public support for aid or reduces the revenues of NGOs from their own fundraising, or causes the generous British private response to humanitarian causes to shrivel.

Given weak administrations in many aid-receiving countries, could there be too much aid for them to effectively marshal?

'Never Mind the Quality, Feel the Width'

The wisecrack from the 1960's sitcom about a Jewish and an Irish tailor is a suitable introduction to the second key issue: how the British government might improve the effectiveness of its development aid. UK Parliament's Economic Affairs Committee worried over a range of issues related to effectiveness. If aid increased and personnel remained the same, would aid be as well administered and evaluated as it is now? Common sense replies, 'no'.

Given weak administrations in many aid-receiving countries, could there be too much aid for them to effectively marshal? The answer is a resounding 'yes'. Manpower shortages limit absorptive capacity in receiving countries, constraining their ability to use aid properly.

Leaving aside the dreaded question of the consequences of reducing aid, parliamentarians were keener to know if aid could do more to help the private sector – the real engine of development. Was untying aid (the form of aid that allows recipient countries the freedom to purchase goods from any part of the world) a good thing? Did poor people in aid-receiving countries understand that untying British aid meant it did not have to be used to buy British goods?

Most people interested in development agree that untying aid is right, especially if one believes in free, competitive markets: it enables poor countries to get the goods they need at the best price and it hinders companies in donor countries from becoming aid-dependent. If the choice was clearly understood, I believe poor people would probably prefer untied aid, too: at least it intrudes less on their already-restricted economic sovereignty. However, only policy experts appreciate these advantages. The contrary example of China simply overwhelms our altruistic policy, since Chinese aid invariably requires recipient countries to purchase Chinese goods and expertise.

Backing Losers: Fragility, Fraud and Failure

Poor governance is the single-greatest hindrance to development assistance from achieving its objectives. Even though many of the world's problems derive from corruption, some countries with sub-optimal governance progress and achieve economic growth and improved welfare. *The Economist* of 23 July 2011 gave the title Middle Income but Failed or Fragile States (MIFFS) to countries which are growing lustily but whose governance causes anxiety about their political stability, their ability to provide security and services for their citizens, and to uphold national and international laws. These countries are sometimes big enough to pose risks to their regions or the world.

Even though Nigeria, Pakistan and Yemen worry us all, their problems may not be susceptible to anti-poverty aid from donors. They may indeed not care about receiving aid at all even though beneath their increasing middle class subsists a swelling bottom layer of very poor people.

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Stable India caused British aid policy-makers much agonising in 2010: should a country with so much dynamism, a space programme and its own mooted aid programme receive aid for its large numbers of very poor people? The compromise was to direct aid at a few Indian states for specific anti-poverty purposes. Does the populist campaign in India against corruption, led by the country's best-known anti-corruption activist Anna Hazare, make that reasonable decision ill-timed?

There are fragile states with smaller international footprints that produce decent growth (often, but not always, thanks to natural resources), yet they are on the brink of failing as states. They typically don't provide services to their own citizens to a level matching their revenue: examples include Equatorial Guinea, Kenya, Angola, Uganda, and South Sudan. If aid is about simply removing poverty, the question is how do we then bypass defective governments to help the poor directly? What if such governments feel sufficiently rich or arrogant not to want the aid?

Chronic poverty and deepening inequality cannot be overcome without confronting the debilitating effects corruption has on the institutions of a state. Those effects include obstacles to private direct investment as well as to governments' ability to deliver services to their citizens. Our development assistance programmes operate in both those areas; but they are less effective in tackling the underlying rot of corruption.

My DfID colleagues used to downplay the significance of corruption by reducing it to only one consequence of poverty. That denial that corruption caused or aggravated poverty was an alibi for leaving it alone. Meanwhile, Andrew Mitchell protests that he has changed DfID's approach and is ready to confront recipients' failings in governance. He points to drastic action against Malawi in July 2011 when he said general budgetary support would be ended following the Malawi government's continued defiance of British concerns over economic mismanagement and poor governance. The money released at the expense of ordinary Malawians will, however, quickly have to find fresh outlets. Driven by a rising budget, cutting off one recipient must mean donors re-directing the funds saved to less well-prepared and lower-priority programmes elsewhere.

Biting the Hand That Feeds: DfID's Own Watchdog Shows Some Teeth

The Independent Commission on Aid Impact (ICAI), which he himself set up, urged Andrew Mitchell to adopt more measures to ensure the effectiveness of aid.

One of its first reports in November 2010 criticised DfID's performance on anti-corruption. It said the commitment to spend 0.7 per cent of GNP on aid and give more of it to states in conflict increased the risk of corruption and fraud. DfID's present approach was incapable of meeting the challenge. They added that it was hard to assess DfID's risk management because the department made no attempt to quantify losses due to corruption.

the commitment to spend 0.7 per cent of GNP on aid and give more of it to states in conflict increased the risk of corruption and fraud

Our problem is that aid programmes can breed in donors a kind of dependency: in the past, donors have been seduced by charismatic, seemingly well-intentioned leaders of recipient governments. It was understandable that in the 1990s we felt a surge of hope with the so-called new generation of African leaders – Meles Zenawi, Isaias Afewerki, Yoweri Museveni – who seemed to have the resolve to pull their wrecked countries back together. Rwanda's Paul Kagame was the *Nyerere de nos jours* – the one above criticism. The UK government has been committed deeply to them. For example, the UK quickly made its backing clear for what appeared to be a reformist government elected in Kenya in 2002. The UK had likewise welcomed the opportunities for reform presented by the end of the regimes which had subsisted since independence in countries like Tanzania, Malawi, Rwanda and Zambia. This commitment to countries even extended to a personal bond on the part of the British ministers for some of the new African leaders.

But as the corrupt or darker side of these new leaders surfaced, the UK government seemed too ready to indulge them. It appeared unwilling to extend the influence which it had over the recipient countries' social and educational programmes to the more sensitive domain of governance.

The British aid programme should strengthen the UK's ability and resolve to intervene. The British are, after all, stakeholders in aid-receiving governments' successes – and, though the country may not like it, the UK becomes associated with the recipient countries' excesses or failures.

A Fool and His Money are Soon Parted: The Risks of Corruption

The Public Accounts Committee of the British Parliament – the country's fiercest and most-feared watchdog over public expenditure – also criticised (in October 2010) the aid ministry for its carelessness over risk. Its chairperson said:

> *The Department's ability to make informed spending decisions is undermined by its poor understanding of levels of fraud and corruption. Its current approach is too reactive and it needs to develop a sound framework for making sure funds are spent properly on the ground …*

> *The Department's current plan is to spend more via multilateral organizations and less through bilateral programmes. This poses a risk to value for money because the Department will have less oversight than it does over country-to-country programmes. Indeed, we are concerned that the strategy has more to do with the fact that it is easier to spend through multilaterals than go through the process of assessing value for money of bilateral programmes.*

we had the right to disapprove of leaders to whom we were so deeply committed in our aid programmes and who were also implicated in robbing their public's purse

Subsidising Crime – or Fighting It?

The Lords' Committee gave generous attention to corruption, including the grounds for my public denunciation in 2004–05 of the Kenyan government. They probed my methodology and motives, and the wider issues involved.

In Kenya, the defining character of politics had for long been corruption. This had infected every institution of the state. For many years, donors called for meaningful action against it. It was widely known by citizens, who recognized some of its pernicious consequences but felt powerless. The government of President Kibaki promised to slay the dragon. It not only failed, but fed the beast.

In 2004, having ample evidence to justify such an action, I called for the British government to express its indignation. As long-standing partners of Kenya, we had the right to disapprove of leaders to whom we were so deeply committed in our aid programmes and who were also implicated in robbing their public's purse. The Foreign Office supported my call. So did DfID's staff in Kenya. However, DfID in London were unsure.

Kenya's leaders were so mired in self-enrichment that they failed to meet their own people's expectations of government: for peace, security and service delivery. Of the top heads implicated in charges of corruption in 2004, three were key ministers in our bilateral relationship. Thus, the good that our aid had done was tainted by these implicated ministers' association with British support. Despite the corruption, it was not clear in 2004 that Kenya was so near failing as a state. But it nearly collapsed four years later under the weight of its leaders' unscrupulous rivalry and cupidity.

Michela Wrong's book *It's Our Turn To Eat* (2009) describes more fully DfID's indignation subsequent to the disclosures made by John Githongo. After my retirement, I criticised the last government's decision to call off the UK's Serious Fraud Office's (SFO) inquiries into BAE Systems' business in Saudi Arabia. Following that public argument, the Kenyan government, sensing vulnerability, joined in and declared me *persona non grata.*

That decision to halt the SFO's inquiry contradicted our long-standing call for African countries to uphold the rule of law and due process, and to suppress

DfID prefers to bury the problem lest it get in the way of their 'relationships'

corruption. It is a decision both Labour and Conservative politicians have said they would make again, notwithstanding the Bribery Act (which implicates commercial organisations which do not prevent their employees from using bribery on the company's behalf) the Labour government passed, and the Coalition enacted in July 2010.

DfID do not altogether deny the phenomenon of corruption. There is some wriggling over whether we should stop accepting a certain measure of corruption as a necessary price for giving aid to poor countries. DfID prefers to bury the problem lest it get in the way of their 'relationships'. They say conditionalities do not work. They think that shooting the messenger is a better way of suppressing concerns about collusion in corrupt regimes.

But the UK cannot just pretend to have no leverage. Eighteen months ago, DfID for the first time suspended aid to the Kenyan Ministry of Education because of fraud in its expenditure. The action was a severe shock to the Kenyan government, even its top leadership. Consequently, the Kenyan government had to repay DfID. Yet, to date, there has been no resolution of this widespread and deeply damaging scandal. No-one has been charged. The UK government accepted the repayment but is complicit in sustaining the culture of impunity.

When British aid seems to buttress corrupt governments or individual leaders, the UK risks being tarred by the regime's questionable reputation. The UK's policy analysis needs to be able to recognize and respond to the failings in the contract between the leaders and the led – which had long been broken in parts of the Arab world and finally led to the Arab Spring. How should information gained in the UK's policy analyses affect its relationship with the recipient government? Can donors help the citizens? If so, how?

An example of how the UK might improve accountability is by administering aid as part of a contract: each instalment would be given on conditions that, if met, will allow the next *tranche* to be given. The first instalment could be a loan, but need not be repaid if the recipient kept the bargain. As the good performance became an established trend, success could be rewarded by more and larger grants promised for longer periods. Alternatively, the UK could refuse to conduct an aid programme through ministries or ministers with a record and reputation for corruption.

In Kenya, I calculated that the cost of corruption to the economy in the first 18 months of the first Kibaki government overshadowed the value of all aid to Kenya.[1] It exceeded by far annual remittances from overseas Kenyans ($382 million in 2005, according to the Central Bank of Kenya). The Permanent Secretary in Kenya's Ministry of Finance said as recently as November 2010 that he lost one-third of his revenue to graft – that is about $2 billion a year (the Central Bank of Kenya estimated remittances were worth $900 million in 2011). So cutting corruption will itself release significant domestic resources. It will strengthen confidence, encouraging remittances and inward investment. Aid would go further. It would strengthen the country's sense of self-worth and economic sovereignty, engaging for development the optimism and national pride that remain distinguishing characteristics of Kenyans, despite everything.

the citizens of African countries who have been marginalised at the hands of venal leaders should expect solidarity from donor countries

With many African leaders downplaying the value of British aid by comparison with China's (which conveniently lacks conditionalities that affect domestic affairs in the recipient country), the scope for exercising leverage may seem limited. Yet the citizens of African countries who have been marginalised at the hands of venal leaders should expect solidarity from donor countries.

A Moral Tale

Here is a single story demonstrating some wider issues.

On the day of Prime Minister Cameron's speech in Lagos, the International Development Committee (IDC) of the British parliament discussed how BAE Systems should pay the nearly £30 million it had been compelled to refund to Tanzania following the plea bargain the company made with the Serious Fraud Office (SFO) over allegations of corruption in its business dealings in Tanzania, and elsewhere. (The IDC advised the company to pay the government. That government, incidentally, shared some responsibility for the corrupt deal, yet had not punished or even prosecuted anybody for it.)

To many, Tanzania is a quintessential aid recipient. Yet, there is a seamier side of Tanzania, as the following case illuminates. It concerns foreign private investors who deserved British government support against Tanzanian official and non-official ill-treatment.

The Silverdale Farm case serves as a classic example of how Tanzania has squandered aid: When Tanzanian Benjamin Mengi, with the help of Tanzanian senior government officials, violently intimidated and ousted British investors Sarah Hermitage and Stewart Middleton, Tanzania's President Kikwete failed to uphold the rule of law. Subsequently, diplomats have taken this case up with the government of Tanzania. But it has evoked no engagement from British parliamentarians and ministers, save one backbench MP. The essential elements of this case include alleged fraud, breaches of the rule of law including intolerable harassment, physical and other threats against the investors, who are an expatriate couple. They had in good faith – and following the proper procedures – invested in land in Tanzania for agricultural development. The Silverdale Farm case demonstrates abuse of power and Tanzanian leaders' refusal to exert their proper authority under pressure from powerful Tanzanian businesspeople.

The Silverdale Farm case demonstrates abuse of power

DfID has firmly held to the tenet that development will come primarily from private enterprise, including domestic and foreign investors.[2] This requires developing countries to create the conditions to encourage foreign and domestic investment. The Silverdale Farm incident is a glaring example of how not to do it. It will instead deter private investment from Tanzania. In the process, a British couple has been damaged financially, physically and morally. Their treatment has been outrageous. Their story is not unique.

The indifference of British MPs and current ministers to the Silverdale Farm case demonstrates how discomfiting these dilemmas are for them. Andrew Mitchell claims that ministers are fearless in having honest conversations about governance and in following through with decisive action, and ministers now tell civil servants to be tough on governance. Yet they themselves still back off in the face of duplicity and defiance.

Development and Security: Indispensable but Awkward Bedfellows

The third key issue concerns whether and how development assistance should engage with security concerns. Interest in this, of course, concerns the application of development assistance programmes in failed or failing states, and their appropriateness in countries like Pakistan, Iraq and Afghanistan where security concerns are dominant. It is tricky because security lies outside what purists regard as the scope of aid. They see this only as part of foreign policy.

DfID is very sensitive over its monopoly of wisdom in defining aid. They deplore the argument that the International Development Act of 2002, which enshrined the objectives of the British assistance programme as being the reduction of poverty, has left DfID with a slightly narrow scope of activity.

The World Bank's most recent World Development Report contains an argument that constitutes an earthquake for the aid scene. It says that the main obstacle to development is conflict in societies. We know that societies that are breaking down will not achieve the Millennium Development Goals (MDGs). Meanwhile, these very MDGs have been dictating the thrust of the UK's development policy for more than 10 years now and they will not be achieved in 2015. Former Prime Minister Gordon Brown, speaking at the Royal African Society in 2010, went so far as to say that in Africa they will not be achieved for 100 years. It is as if we are actually pursuing a bus that is accelerating away from us. We need to re-think how we could better use the large amount of money we devote to trying to make the world a better place.

There has arguably been improvement in relevant departments forging a joint approach to conflict. Development assistance, however, still finds it difficult to help with some critical security issues which arise in states that have either failed or are on the brink of failing. These longer-term security issues include:

There has arguably been improvement in relevant departments forging a joint approach to conflict

Crime: Criminality may derive from social causes like youth unemployment that could develop into political or other more recognisable security phenomena. The *World Development Report* said:

> *one in four people on the planet, more than 1.5 billion, live in fragile and conflict-affected states or in countries with very high levels of criminal violence … But because of the success in reducing interstate war, the remaining forms of conflict and violence do not fit neatly either into 'war' or 'peace', or into 'criminal violence' or 'political violence'.*

Where criminality and politics overlap, governments may be exceedingly allergic to outside interference and frighten donors off. Social alienation causing conflict and criminality can lead to conflict becoming political. Donor countries typically have no clear policy in response to these internal and metamorphic conflicts.

Rule of law: Law and order institutions can be so enfeebled by chronically bad governance that they fail to provide their own citizens with proper security. How do donor countries assist to improve matters without condoning, for example, bad behaviour by a demoralised police, or failings by an under-resourced prison system, or injustice at the hands of a corrupt judiciary? If the UK decides to get involved in helping put things right, can they effectively insist upon better governance in these sensitive areas? The UK can only work through the state. Any government – particularly a bad government – will keep close control over what donors try to do.

Police Services: In late-April and May 2011, the Ugandan police – which we had helped train – showed itself as the oppressive arm of government. That is ironic because Museveni had declared when he won his Bush War that 'the people of Uganda would be in charge of their country's governance' (*Sowing the Mustard Seed*, Y K Museveni). How do we help states which have collapsed to re-establish public security without giving governments the means to clobber their own people?

Donor governments have had much sharper reasons in the last decade for wanting poor countries to have effective forces of law and order so that they can be effective partners in international action against, for example, transnational crime,

The government has conjured up resources for this equipment while their old aircraft lie mostly neglected and unserviceable. And yet, the government relies on aid for important social programmes

such as terrorism, drug-human-trafficking. How does the UK help poor countries become allies in common causes which affect directly its own interests, without putting instruments of repression into the hands of bad or weak governments? Indeed, do the interests the UK wants to promote or defend impossibly overstretch the poorer partners whose help the UK needs? How can the British government best protect its citizens' interests while helping weak states develop sound institutions and increase their accountability to their own people?

Security Sector Budgets: The Opium of the Ruling Elites

In the mid-1990s, representatives from the World Bank, myself and diplomats from other donor countries joined to challenge falsification and concealment in the Ugandan defence budget. The Bank was certainly reluctant then to interfere in the sensitive area of defence. As a group our approach was arguably too timorous, considering how much we contributed to Uganda's budget (as we still do). It was, after all, an unprecedented *démarche*. Events proved our suspicions were well-founded, though we lacked, at the time, sufficient evidence and resolve to press the matter. Later conflicts in the Great Lakes demonstrated Uganda's ability and will to demonstrate their relative military might. It is remarkable to see that low-income country equipping itself with state-of-the-art military aircraft. The government has conjured up resources for this equipment while their old aircraft lie mostly neglected and unserviceable. And yet, the government relies on aid for important social programmes. Uganda has its priorities out of alignment, and these are the very inconsistencies that the unchallenged and unjustified 0.7 per cent aid target perpetuates.

In Kenya, the corruption of institutions during the last Moi and first Kibaki governments has arguably been worst in the security sector. Arguments of 'national security interests' were employed to prevent proper scrutiny of budgets, while senior officials were too busy 'eating' to do their jobs. Defence contracts have repeatedly been the source of embarrassment when their details emerged by accident. All the main security organisations, with huge and unaccountable budgets, were grouped under the Office of the President. The corruption itself damaged Kenya's ability to function properly in the security sector. The damage went to the top. One example is that of the then Chief of Police, who has been in the International Criminal Court in connection with the police's behaviour during the post-election violence of 2007–08. The way corruption flourishes under spurious national security cover elsewhere underlines the apprehensions South Africans feel about the controversial Protection of State Information Act passed by the country's lower house of parliament in November 2011.

Conclusion: All Change?

As this Paper has shown, aid-givers need to confront the flaws in their approach. The UK's obsession with keeping to the MDGs has shortened and narrowed the country's vision, and has limited its capacity to effect lasting and positive change in developing countries. One challenging paper[3] published in 2010 argued:

> *Taken as a whole, the institutions of the aid sector … resist changes in the analysis which might lead to their exclusion from opportunities … this includes the overseas development ministries, the vast UN system, the World Bank and other intergovernmental bureaucracies, some … NGOs and the businesses that benefit from ODA funds. In developing countries, this includes politicians and bureaucrats and their clients, as well as NGOs and all others benefiting directly or indirectly from the current system. This web of vested interests creates a massive inertia, preventing those within it from seeing things clearly and devising more appropriate approaches.*

The UK's obsession with keeping to the Millennium Development Goals has shortened and narrowed the country's vision, and has limited its capacity to effect lasting and positive change in developing countries

One answer is to insist upon an aid contract which includes agreements on a specific quality of governance between governments that give development assistance and governments that receive it. It may be necessary to attach specific and rigorous conditionalities on governance to individual programmes. Assistance, if it is to be effective, needs to go beyond DfID's remit. It needs to connect more robustly with the people it is intended for, and be less deferential to governments that fail them in important respects. It needs to come from donors who themselves have a strong claim to probity, social cohesion and good policing.

The UK needs to demonstrate that British government policy is sensitive to this; will rise to its responsibilities in a co-ordinated way; and will follow an international policy in which official aid, cultural, military and diplomatic activity, and private commercial and charitable endeavours make a consistent, coherent and positive impact in poor countries.

Those policies must be consistent with the UK's means, and with the recipients' ability to work with the UK on their side of the bargain – to deliver on the things that are in their power to do. DfID needs to be hard-headed. Not all aid is good; some is positively damaging. Britain's support for its aid programme should ultimately rely upon its huge budget being used to demonstrably better effect in international development than on other public goods. In the process, the UK needs to engage more with peoples, not only governments.

Written submissions to the Committee are accessible at – http://www.parliament.uk/documents/lords-committees/economic-affairs/DevelopmentAid/DevAidEvidenceVol.pdf. The corrected transcript of the oral evidence session is at – http://www.parliament.uk/documents/lords-committees/economic-affairs/DevelopmentAid/cEAC20110705Ev3.pdf.

Endnotes

1 Statistics quoted by author in a speech to the British Business Association of Kenya, 13 July 2004.

2 That is the message of a wide range of other commentators, including the Brenthurst Foundation's own Greg Mills in his latest book, *Why Africa is Poor – and what Africans can do about it* (Johannesburg: Penguin, 2010).

3 'Working with the Grain to Change the Grain' (International Alert, September 2010).