

Roger C. Riddell's "Does Foreign Aid Really Work?"
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Anyone who ever had to work with foreign aid related publications can only have the highest respect for Roger C. Riddell. Providing a comprehensive account of foreign aid's performance is a truly daunting task. But, as quickly becomes clear, Riddell definitely knows his way around the aid industry: After the first few chapters the reader will without doubt be impressed by the thoughtful presentation of the history of foreign aid and his in-depth knowledge on the donor agencies involved. Unfortunately, this practitioner's perspective gets in the way when addressing the question posed in the book's title. The discussion on foreign aid's overall performance draws heavily on donor agencies' own publications, is often contradictory, and draws some largely unfounded conclusions.

The book's first two parts provide a thorough overview of the history of foreign aid, the actors involved, and their motivations. This material should be required reading for anyone interested in the topic. The discussion is objective, dispassionate, and provides the kind of in-depth context that can usually not be found in the more academic literature. The book is especially strong in its treatment of the byzantine world of bilateral donors, discussing many of their individual peculiarities: The number of different agencies involved in each country, their relative importance and the degree to which aid giving is influenced by different political motivations. One learns many important details as, for example, that Italian aid is administered by agencies reaching all the way down to the municipal level.

The part on motivations for aid giving further expands on this topic. The importance of commercial and political self-interest on part of donor countries is clearly addressed and numerous examples, as well as empirical evidence, are provided. This is followed by a careful discussion of the moral case for foreign aid. One of the book's biggest merits is to include chapters on NGOs and humanitarian aid (here largely synonymous with emergency aid). As with official aid, Riddell demonstrates his extensive and detailed on the ground knowledge. The potential, but also the pitfalls, of NGO provided aid are well illustrated, and the discussion on humanitarian aid is particularly systematic.

These chapters alone would have made an excellent book. Unfortunately, Riddell does not stop here and instead sets out to provide a comprehensive evaluation on foreign aid's overall performance. Nor can he resist the temptation to come up with his own big plan how to change the way aid is provided. It becomes evident that, despite the previous discussion on aid's numerous problems, he strongly believes in foreign aid's potential to "*contribute to growth and development*". His repeated references to the role of aid in filling different kinds of gaps, which presumably hold countries back, furthermore, attest to a rather traditional view of development. At this point the book sorely lacks a thorough discussion on the aims foreign aid could reasonably achieve,

such as whether it actually can be expected to play a role in economic development (understood as putting countries on a sustainable growth path) or should merely be focused on easing human suffering. One cannot escape the impressions that Riddell desperately tries to construct the case that foreign aid does work after all. But given the constant mentioning of poor data quality and other caveats his argument is deeply unconvincing.

The book's biggest shortcoming is an overreliance on aid industry publications. There is an almost complete lack of reliable and comparable foreign aid data at the project level. Instead, researchers have to content with the available data at the aggregate level of donor and recipient countries (most importantly the OECD-DAC database), which in addition is of doubtful quality. The result is a relatively small amount of rigorous academic research on the impact of foreign aid. While he acknowledges these data problems, Riddell tries to get around them by relying heavily on reports and evaluations produced by donor agencies themselves. We learn, for example, that UNDP in its 2003 annual aid effectiveness report concluded that 84% of the 400 projects evaluated have been successful, which is similar to the figure provided by USAID for 2004. Based on such numbers one of the chapters concludes that *"the available evidence suggests, ..., that the clear majority of official aid projects achieve their immediate objectives"*.

A second, and related, problem is that the academic evidence available is given short shrift. Cross-country regressions admittedly have to be taken with a grain of salt. Riddell goes so far as to discard their evidence as altogether useless. Given that most academic research has to work with country level data the result is an argument based solely on literature produced by donor agencies themselves. The author also shows some unfamiliarity with econometric methods when he states that *"statistical relationships between aggregates tell us nothing about causality between variables..."*, apparently being unaware that many cross-country studies take identification very seriously.

The final two chapters read mostly like a donor agency's report. Affirming that *"Aid works, but not nearly as well as it could"*; Riddell presents his own proposal to increase aid efficiency. This would add a number of new acronyms to the already thick alphabet soup of international organizations: Aid would be centrally administered by a new "International Development Aid Fund" (IDAF), to be overseen by an also newly created "International Aid Office" (IAO). The IAO could then disburse monies either directly to recipient country governments or, alternatively, through a specifically created "National Aid Implementation Agency" (NAIA) to be set up in the recipient country. Implicitly, and in best foreign aid tradition, it is assumed throughout that the recipient country's financial needs can be objectively determined. To his credit, Riddell also proposes some improvements in the availability of public information on foreign aid- unfortunately in the form of yet another newly created UN based agency in charge of carrying out impact studies. It is quite surprising that, after beginning each section on aid effectiveness in the book with a warning on the poor data quality, he doesn't entertain the thought that this lack of transparency on part of donor agencies might be at the root of foreign aid's

problems. It is still more surprising, but maybe bears witness of his intimate familiarity with the world of donor agencies, that a few pages after proposing a wholesale change in the architecture of international organizations he finds that his modest ideas for enhanced transparency are “*very difficult to envisage*”.

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