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Aid Effectiveness and Development - Studies and Experiences

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In a public lecture at the Qatar Faculty of Islamic Studies Dr. Masooda Bano a professor at Oxford University gave a lecture titled: "Aid Effectiveness and Development: Studies and Experiences"¹, which is based on her book *Breakdown in Pakistan*. Dr. Bano discussed her research findings on foreign aid and developments, and demonstrated how aid is actually crowding out altruistic behavior. During the lecture she presented possible suggestions to improve aid as well as make it more effective. She also offered suggestions to the emerging donor countries and how to effectively utilize their available resources.

Dr. Bano started the lecture by discussing the developments and evolutions that aid witnessed since the post-colonial era, during the 1940's till the 1970's. While the power relations were changing between the colonial and colonized countries, Dr. Bano argued that colonial governments sought for different forms to remain engaged with their former colonies. In addition, she noted the establishment of the Bretton-Woods institution as well as the World Bank and the IMF, to which she maintained that these institutions still play an important role in the current context, despite the structural adjustments that occur. Dr. Bano finds that during the initial period, aid was often directed towards the state, in order to develop the infrastructure of the state, as well as allow for the state to modernize; however, in the 1980's the shift that occurred emphasized the importance of macro-economic reforms. As the understanding was that economic growth can lead to the improvements in human life, by tackling issues such as poverty. Despite many developing countries imposing structural adjustments in terms of macro-economic reforms, the studies revealed that the impact was rather limited.

Dr. Bano attributed the limited impact as well as the low success rates of both the World Bank and the IMF, to the fact that they are lending agencies, and not an aid agency in the strict sense of the term. However, they are often considered in such a manner, because they offer large concessional grants at a low interest rate; thus, they operate on a moral authority. In addition, Dr. Bano argued that countries are probably better off without them, as taking a loan from the World Bank or the IMF would ultimately mean that the World Bank and the IMF can influence the policies of the country. Nonetheless, Dr. Bano finds that if the country taking the loan, can manage to effectively generate the economy, then the loans from the World Bank and the IMF would be considered cheaper

¹ This seminar was organized jointly between the Center for Islamic Economics and Finance and the Center for the Study of Contemporary Muslim Societies at the Qatar Faculty of Islamic Studies, Hamad bin Khalifa University.

than if the country choose to take a loan from a private bank; however, this is often not the case, as the loan becomes a long-term burden to the government.

This leads Dr. Bano to shift towards the second phase in the development of aid trends, which began during the 1990's. Dr. Bano finds that during this time there is a realization that giving aid to governments or state-actors is not fulfilling the purpose of the aid given. The search for non-governmental organizations was to find a head-on strategy that can tackle poverty and the basic human needs as the trickle down effect was deemed as ineffective.

Therefore, institutions such as the World Bank or the Department for International Development (DFID) began looking into non-state actors such as non-governmental organizations and their role in the development field. To which Dr. Bano finds that almost 30% of developmental aid is being channeled through non-governmental organizations. She argued that this low rate could be due to the fact that institutions like the World Bank and the IMF primarily work with governments, while other institutions such as DFID have more leeway in choosing who they work with.

Dr. Bano also added that other factors influenced the shift in aid, such as the increased importance of development studies, as well as the East Asian miracle, which are countries that were able to move from one economic level to another. According to Dr. Bano the East Asian miracle revealed that investing in people through, for example, education has an impact upon developing the economy as well as promoting growth. As she refers to one school of thought, which argues that by having an educated labor they will consequently be able to compete better in the global market. Despite the aforementioned factors, Dr. Bano noted that participatory projects were taking place during the 1970's and are emerging organically in various communities, without the support of donor aid. She gave an example of a participatory program in Bangladesh, in which a Bangladeshi support program started a teacher training program in one of the communities, and in five years the program was reaping the benefits. Hence, participatory programs exhibit more promising results as opposed to the previous approaches, to which Dr. Bano explained that the concept becomes integral to the field of development. Despite the positive impact participatory projects have had on communities, Dr. Bano argued that 20 years later the evidence and results conducted on the impact of participatory projects are mixed. Nonetheless, the assumption of involving the community continues to be believed as having a better overall impact on the community. However, not all participatory projects succeed in involving the community, as Dr. Bano recalled either the donor fails to mobilize the community, or in the case the donor does succeed it is only for the duration that the donor is present, or in the worst case scenario the donor breaks down the local networks.

While participatory projects were deemed to a certain extent as effective, Dr. Bano found that the term NGO has become tarnished, as well as being known as rather elitist. This is partially due to the involvement of elites in Western development aid in order to

gain some form of professional benefit. Nonetheless, Dr. Bano identified five factors that have led to the changes in development aid. The first reason she highlighted was the importance of project design, in terms of understanding and listening to the community before designing or implementing a project. According to the World Bank by listening to the community before designing any policies, will lead to more participatory solutions; however, Dr. Bano finds that what often happens is the projects are designed without consulting or listening to the community. She used the example of a design project that she is working on in Nigeria, and argued that by knowing the local context and specifically of the schools in Nigeria, allowed her to design a project that is locally sensitive.

Another factor that Dr. Bano discussed was the incentives that can drive donors or institutions into developing or implementing projects. For instance, she argued that Western donors often perceived that in order to mobilize people from the community they need to pay them; hence, limiting the incentive scope to the financial realm, without examining into say other forms of incentives, such as the social or the religious. Regardless, of the incentives, Dr. Bano finds that by overemphasizing the financial incentives “donors end up crowding out the social incentives”, as she argued that one internal motivation comes at the cost of the other. As the financial incentives can destroy the internal motivations and incentives of the local community; therefore, Dr. Bano and others in the field are researching to find non-financial incentives, in order to not destroy the local incentive structure. She also mentioned that incentives cannot be excluded as humans are incentive-driven; therefore, it is necessary to build incentives that can allow the people in the community to be engaged in the project.

Dr. Bano also emphasized that for aid development programs to actually have an impact on the community the projects need to be implemented for the long-term, as any project that is less than three years ceases to succeed or be sustainable. In addition to the fact that the project does not succeed in the short-term, Dr. Bano argued that it merely wastes donors’ money into a project that the community may not benefit or have an impact in the long-run. Another related aspect that Dr. Bano highlighted during her talk, was the importance of identifying local leaders in the community. In order to have community participation sustain for a long-term as well as have an impact, local community leaders are needed; however, Dr. Bano argued that despite the importance of the local leaders, they can also hinder the project, as a result of their traditional views. Therefore, as Dr. Bano discussed earlier in her talk, that speaking and listening to the community can help the donors identify the local leaders; nonetheless, she claimed that more work still has to be done in order to find a more effective mechanism in identifying the local leaders that donors can work with.

Dr. Bano also discussed the current discourse regarding aid in countries either during or post the conflict. As she presented that in such cases you are not only seeking to rebuild the infrastructure of the country, but also the community which has been destroyed during the conflict. However, the integral question is how can development projects develop both the community as well as the state, as they are deemed as either

fragile or failed states. In addition, Dr. Bano engaged with the argument, that giving aid to failed or weak governments does not allow for the dynamic between the state and the people to develop, as well as destroying any potential for local reform. She also argued that there are no recent records to demonstrate that a weak state was able to develop because of aid. This allowed her to demonstrate another shift in aid, which started by arguing that developing the economy is essential, to which Dr. Bano argued that currently the focus is strengthening and reforming governments in order to develop. On the other hand, Dr. Bano also mentioned that the situation is not always this grim for communities that have been destroyed by violent conflicts, as these communities are often more eager and motivated to rebuild their communities, thus, their projects are far more effective when compared to projects in peaceful countries.

Apart from the various shifts that took place in the field of aid development, Dr. Bano discussed the major flaws in the structure of aid development. As she argued that the structure being used today has been developed for a different context, and therefore, fails to address the current context. She also argued that most of the aid money often remains within the Western countries, as a result of paying the technical advisors quite heavily, which means that the funds have been consumed before the project could even be implemented. On the other hand, she also highlighted the politicization of aid, and in most cases institutions and professionals are wary of being associated with the donor institutions, as she gave an example of an institution like USAID which is politically motivated.

Dr. Bano also added that in some cases the institutions would misreport the findings on the ground as a form of maintaining the funds, or to merely project that the project did not fail. However, this can be misleading to future project designs, as Dr. Bano asserted that the most important lesson is to learn from the mistakes that have occurred, in order to prevent repeating them in the future. Nonetheless, she argued that in most cases these studies are merely done for the sake of conducting a study, and presenting tangible evidence, which in her opinion could potentially be wasting the donors' money on studies as opposed to the project itself. Despite her doubtful view towards institutions wasting money on conducting studies, she does argue that long-term studies in the development field are not possible, due to being methodologically difficult. However, according to Dr. Bano current studies are focused on finding if certain modes of development intervention are more successful than others.

Dr. Bano concluded her talk by discussing the potential the emerging donors have in the international arena, and in particular she argued that the Gulf countries generally do not present themselves as development players, despite having the funds and the scope to be recognized as such. According to Dr. Bano, to be recognized as a development player in the field, the institution as well as governments, should note that labelling themselves as Islamic donors may marginalize the work and projects they implement. Therefore, it is not only necessary to present the donor organization or government to the existing institutions, but to also ensure that are not perceived as solely Islamic, to which

Dr. Bano advised that the emerging donors should be familiar with the current development discourse in order to assert themselves in the field. As then this would not only pave their way to be known internationally, but Dr. Bano asserted it will also allow them to be recognized by the academic field of development studies. In terms of the Arab states, Dr. Bano recognized that they have been contributing to development aid for several years; however, the informal processes and mechanisms prevents them from becoming known in the international arena. She also advised that institutions in Qatar should reach out as well as collaborate with those who are in the development field, as they can better assist them and facilitate the dialogue as well as their prospect in being known in the international development field.

Dr. Bano also added that for the Arab countries and particularly the Gulf countries, they have the advantage of being not only familiar with the language, but also have a common religion as well as culture with regionally communities. Therefore, making their role in projects more welcoming, as well as enabling the Gulf donors to be able to deliver projects which are locally sensitive. For instance, she mentioned that when DFID attempted to propose madrasa projects in Pakistan, the madrasas refused to allow DFID, as the madrasas distrusted their role in the project. However, she predicted that if a donor from the Gulf region were to propose the same project, the madrasas would have accepted it. She used a similar example to demonstrate that countries that share a common cultural or religious background are often more keen to see the other country develop from the aid project; for instance, the Marshall plan, to which she argued because of the relations between the U.S. and Europe, the commitment to allow Europe to develop was evident, as opposed to delivering aid to other countries where the commitment and motivation levels may vary greatly.

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Speaker Bio: Dr Masooda Bano, Associate Professor in International Development, Principal Investigator, Changing Structures of Islamic Authority, and Associate Professor, University of Oxford. Masooda Bano's primary area of interest rests in studying the role of ideas and beliefs in development processes and their evolution and change. Her work focuses on the dynamic interplay between material and psycho-social incentives and the consequences of this for individual choices and collective development outcomes. She has researched the emergence and growth of female Islamic education movements across the Muslim world since the 1970s, the demand for secular versus Islamic education among teenage girls in Pakistan and Nigeria, the impact of development aid on community-based collective action, and existing education choices in the northern states of Nigeria. Bano received an MSc from the University of Cambridge and a DPhil from the University of Oxford.

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