

Utilising Aid Effectiveness to Address Global Poverty and Pandemics for Inclusive Growth in Developing Countries

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Abstract

The global community encounters and addresses global extreme poverty and pandemics like Ebola, COVID-19, Mpox, etc. Global poverty has reduced because of the growth achievements made by India and the People's Republic of China (PRC). However, extreme poverty persists in Africa where this researcher hails from. In Africa, poverty is a widespread phenomenon, with about a third of the continent's population living in extreme poverty. The World Bank predicts that Sub-Saharan Africa will be home to the majority of the world's poor by 2030. The COVID-19 pandemic deepened poverty across all countries and regions. However, the global economy is predicted to grow. Africa now faces yet another pandemic, the Mpox that seems to be under control. Official Development Assistance (ODA) is significantly helping Least Developed Countries (LDCs) to cope with growing development demands from citizens. ODA impacts extreme poverty in numerous ways, although empirical evidence is required to claim causality. However, the fundamental question is not whether ODA works, but rather how can it be made more effective and efficient? Without peace and stability, fragile states cannot grow their economies to embark on sustainable development. Stability cannot be guaranteed amidst widespread poverty. Pandemics add even more worries to poverty situations when they occur. The extreme poor really suffer the most during pandemics. Therefore, pandemics, instability, fragility, and poverty seem to be positively correlated and they are symbiotic. Hence, they need to be addressed urgently and expeditiously as a global public good. Thankfully, global attention concertedly focused on ending the COVID-19 and the most recent Mpox pandemics so that states return to a linear development trajectory. Advanced economies need to forgive poor countries' debts because some of the debts have made no quantum impact on national, regional, or global development. In some instances, political elites benefit from donors' monies more than the poor people themselves. Developed States that provide ODA need to increase their share to assist LDCs and Middle-Income Countries (MICs) to achieve strategic pro-poor and inclusive growth to help alleviate extreme poverty and engage in wealth creation. The provision of development assistance does not mean that developing states must singularly rely on ODA. They need to become innovative to grow their own economies and remain accountable and or transparent in handling

development assistance. In some instances, donors need to deploy their citizens or nationals and companies in poor states to implement infrastructural development projects and to address economic growth challenges in receiving states so that the assistance does not easily get corrupted. Receiving countries need to supervise the project and program implementation processes by those foreign individuals and companies to mutually prevent corruption. In line with the Sustainable Development Goal (SDG) 16, institutions are deep determinants of growth. To alleviate poverty, developing states need to build inclusive and effective institutions that will protect the rule of law, property rights, ensure macroeconomic stability, as well as provide public goods and services, and invest in health, education, food security, peace, and infrastructure development to achieve sustainable growth. Both donors and recipients need to target development assistance towards economic growth corridors to help enhance and ignite economic growth. This might better serve the needs of the most excluded and vulnerable.

Keywords: Inclusive Growth, Global Poverty, Aid Effectiveness, Developing Countries, Global Pandemics

1. Background

This research article examines how the global community can utilise Aid Effectiveness to address global poverty and pandemics to spur inclusive economic growth in developing countries. Global aid effectiveness faces daunting challenges that are perceived differently by different people, groups, and states. Therefore, this article used the qualitative research to conduct the study. This paper will be delivered at the International Conference on Engineering, Economics, Management & Applied Sciences (ICE2MAS 2024) in Bangkok, Thailand. This article provides a critical analysis of how ODA has advanced international, regional, and national development; how it has helped countries to address global pandemics; and the challenges facing ODA. The research advances suggestions on how ODA could be made more effective and efficient for inclusive growth in developing countries going forward. The essay begins with a definition of ODA; the views of some scholars that have discussed ODA's effectiveness and failures; how ODA has advanced development globally; and it offers some suggestions on the future of ODA regarding what donor and recipient states should do to maximize the positive impact of aid now and in the future.

2. Definition of Terms

ODA or Aid is divided into three components. The first is humanitarian Aid, which is provided in response to catastrophes and calamities like the Ebola Virus Disease (EVD) outbreak in West Africa, flus, earthquakes, and tsunamis (Riddle, 2014). The COVID-19 pandemic that ravaged states and their economies, the Mpox and other pandemics have attracted humanitarian AID. The second type of ODA is charity-based aid, which is disbursed through charitable organizations to the needy (Moyo, 2009). This aid usually comes through religious groups and philanthropists. And the last is 'systematic Aid that constitutes payments made to recipient states through bilateral or multilateral channels and agreements' (p. 7). Aid sometimes provides a fiscal space for cash transfer programmes that help states to reduce extreme poverty in LDCs (Kaydor, 2021). Generally, Aid is a post-World War II phenomena that allows rich countries to give poor countries support and assistance to combat development challenges (OECD, 2014). Aid began with the Marshal Plan aimed at Europe's reconstruction (Ibid.). ODA and Aid will be used interchangeably in this article.

Following the reconstruction of Europe, the Organization for Economic Cooperation and Development (OECD) was founded in 1961 by European states to help newly independent and poor countries in Europe undertake long-term development programmes (OECD, 2014). Besides the OECD countries in Europe, states like Brazil, Russia, India, China, and South Africa (BRICS) rose up to the occasion to

begin providing development assistance to developing countries of which they themselves have been a part (Lukyanov, 2024). The sixteenth annual BRICS summit was held in Kazan, Russia, on October 22-October 24, 2024 (Ibid.). The membership of BRICS has grown from Brazil, Russia, India, China, and South Africa to now include Egypt, Ethiopia, Iran, and the United Arab Emirates (Ibid). Despite the unprecedented wealth being created by China and other BRIC members, the country still considers itself a developing country based on the Breton Woods Institutions definition of developing countries.

According to the United Nations (2024), LDCs are countries that exhibit the lowest indicators of socioeconomic development across a range of indexes. All LDCs have a gross national per capita income (GNI) of below USD\$1,018 compared to almost \$71,000 in the United States and \$44,000 in France. LDCs have low scores on the indicators for nutrition, health, school enrolment, literacy, and high scores for economic and environmental vulnerability, which measure factors such as remoteness, dependence on agriculture and exposure to natural disasters.

Presently, there are about 46 LDCs with the vast majority of about 33 in Africa. The list is reviewed every three years by the UN Economic and Social Council. Six countries have graduated from LDC status between 1994 and 2020. So, has the world failed or succeeded very badly in the fight against global poverty in terms of Aid effectiveness? This research has determined that the world has not failed so baldly in utilising Aid to fight global poverty and pandemics. Do donors and recipient countries need to target aid towards programmes that directly get the extreme poor out of absolute poverty and narrow the inequality gap between countries? The research suggests that ODA needs to be made more effective to gain the desired outcomes.

Previously, the world applied several ways to address poverty alleviation. First, the Basic Services Approach or the Basic Needs Theory (1970s-1980s) was applied. After this, came the Structural Adjustment Programs (SAPs) set up by the Breton Woods Institutions. The Basic Needs Concept argued that when the basic needs of the people are addressed, then extreme poverty will come to an end. However, the world found it quite expensive to fund basic human needs. Therefore, development institutions like the International Monetary Fund (IMF) introduced SAP. The SAP replaced the basic needs concept from the 1980s to the 1990s. Later, the Washington Consensus that was mainly for Latin American countries (Williamson, 2005; Haynes, 2008) was instituted. After this, came the Millennium Development Goals (MDGs) as part of continuous efforts to combat global poverty (MDGs, 2000; Annan, 2000). When the MDGs expired by 2015, a new global development agenda, the Sustainable Development Goals (SDGs), was developed (United Nations, 2016). Interestingly, this researcher was the youngest Lead or Chief Negotiator for the Republic of Liberia at the Eight Rounds of Inter-governmental Negotiations on the Post-2015 Development Agenda, now the SDGs.

Developed countries continue to provide aid to help developing countries. This effort is intended to help LDCs, and MICs overcome extreme poverty. As already indicated, developing countries themselves engage in South-South Cooperation policy. South-South cooperation refers to the technical cooperation among developing countries in the Global South. It is a policy tool used by the states, international organizations, academics, civil society, and the private sector to collaborate and share knowledge, skills and successful initiatives in specific areas such as agricultural development, human rights, urbanization, health, climate change etc. The foreign assistance from rich countries in the Global North to poor countries in the Global South is traditionally called Aid or Official Development Assistance. Therefore, "Aid is a total of concessional loans and grants given to poor countries" (Moyo, 2009, p. 7). "Concessional loans are monies lent at below market interest rates for longer periods than ordinary commercial loans, while grants are monies given for non-repayment in return." (pp. 7-8).

This researcher, however, has an alternative definition of ODA. The three types of Aid indicated above are traditional and there is a need to add to them a new definition to arrive at a contemporary definition of Aid. For instance what happens to poor countries or LDCs and MICs that give financial and or material assistance to other poor states under South-South Cooperation? What happens if rich states give rich countries aid? Several poor countries go to the point of voting for rich or poor countries at national and international fora. Such Act is not counted under the traditional definition of ODA, but it gives authenticity to the decisions that the rich or powerful countries use to continue to be powerful. Another scenario has got to do with the People's Republic of China (PRC).

Before any Government or State gets assistance from China, it must accept the One China Policy. The One China principle is the position held by the People's Republic of China (PRC) and the ruling Chinese Communist Party (CCP) that there is only one sovereign state under the name China, with the PRC serving as the sole legitimate government of that China, with Taiwan is an inalienable part of China. This means that all states that recognize the sovereignty of Taiwan cannot obtain aid from PRC because they do not subscribe to the One China Policy.

How can countries' recognition or nonrecognition of another be a precondition for receiving Aid? This, in the researcher's view amounts to the subtle subversion or overthrow of state sovereignty. Although China is not overtly coercing states to recognize Beijing, the issue of not getting Aid from China due to the recognition of Taiwan confirms a covert coercion in some sense. Another issue has to do with advanced or powerful states that exploit the resources of poor countries without remorse. Sometimes, the resources taken away from poor countries are more valuable than the Aid Provided by those rich countries (Aljazeera, 2021). Hickel, Sullivan, and Zoomkawala, (2021) argued that rich countries drained \$152b from the global South since 1960. They argue that imperialism has never ended and that it just changed form (Ibid).

Although one might counterargue that the poor countries use their weak systems to contract their resources out to the richer countries, poor countries really negotiate from a usually weaker and unfair position. How can a poor man fairly negotiate with a rich man in terms of help? Exploitation of the weaker side will eventually occur. Therefore, Aid should rightfully be defined in contemporary times as any tangible and intangible support or assistance conditionally or unconditionally given by one state or non-state actor to another. By this, the definition of Aid could be more inclusively objective in the view of the researcher.

3. Research Method

According to Patricia Leavy (2017), qualitative research is mainly "characterized by inductive approaches to build knowledge focused on generating meanings" (p. 10). Researchers use qualitative research approach to explore, examine, or investigate and learn about social phenomenon to unpack the meanings people ascribe to events, activities, situations, etc. Qualitative research gives researchers a depth of understanding about some dimension of social life. The exploratory research design has been utilized during this research. The "values underlying qualitative research include the importance of people's subjective experiences and meaning-making processes and inquiring" (Ibid).

Qualitative research is indeed appropriate when one's primary purpose is to explain, explore, and or describe. In view of these, the qualitative research method has been used to undertake this research drawing from secondary sources mainly academic journals, books, online sources, etc. The qualitative research has been applied in this domain to provide answers to key research questions like (1) how has

ODA impacted poverty reduction globally? (2) Are there areas in which ODA has been effective than others? And (3) What improvements could be made to make ODA more efficient and effective?

4. Some Theoretical Debates on Aid Effectiveness

Dambisa Moyo (2009) argues that aid “imposes unbearable debts which become a silent killer in poor states, make governments ‘dull’, and increase corruption amongst elites” (p. 56). She contends that governments use aid to “fund public sector employment and replace national revenues thereby leading to a ‘vicious cycle of aid whereby recipient countries become dependent as donors enslave poor countries through foreign debt” (pp. 48-50). Moyo (2009) contends that “aid breeds civil wars, diminishes social capital, undermines the effectiveness of civil society, investments and reduces savings, causes inflation, chokes exports, and provides resources for corruption by public officials” (p. 52). For his part, Jeffery Sachs (2005) contends that developing countries are caught in a poverty trap, physical geographic trap, landlocked country trap, fiscal trap, governance trap, cultural barriers or traps, geopolitical trap, lack of innovation, and demographic trap. He argues that ‘poverty itself is a trap caused by a lack of capital per person’ (p. 56).

This means that the poor do not save enough physical and human capital because their entire income is spent on survival. This means that their consumers’ surplus is low and limited. Sachs (2005) further argues that ‘before the poor can get out of the poverty trap, they need a “Big Push” financed mainly by increased foreign aid (p. 246). Although Sachs (2005) recommends increased aid to address global poverty, he downplays concerns about recipient countries’ ability to effectively manage aid, hence the need for aid effectiveness for the globe to achieve aid effectiveness for inclusive growth and development. If ODA is predicted to be mismanaged and cannot be used to reduce poverty in poor countries, then there should be no need for aid, but the reality remains that ODA provides services that more often provide an opportunity for economic growth. For instance, ODA is used to sometimes build critical infrastructural projects that help to reduce poverty and enhance growth.

William Easterly (2006) dismisses the concept of poverty trap arguing that over the last 50 years, GDP per capita in sub-Sahara Africa has increased despite high fluctuations in growth rates. He maintains that poverty traps are not an outcome of zero growth in low-income countries, and that “poor countries have experienced positive growth between 1950 and 1970 at 1.9% annually but have failed to utilize said growth for inclusive growth and poverty alleviation” (p. 11). Therefore, it is not the lack of resources that keeps poor countries poor; weak institutions and corruption do. This means that Easterly puts the blame on weak institutions and corruption in poor states. Poor countries usually become less innovative in growing their economies. The “stagnation of the poorest countries has more to do with awful government than with a poverty trap” (pp. 42-43).

For instance, countries with high corruption levels grow 1.3% less than those with low corruption levels (Easterly 2006). This simply means that corruption is positively correlate with underdevelopment. The lack of effective socio-political and economic institutions leads to elevated levels of corruption and state failures in poor countries. Poor states must therefore build effective institutions to achieve growth and reduce extreme poverty as required by SDG 16. If developing countries must hold rich countries accountable to meet their obligation under SDG17, then they (developing countries) must fulfill SDG16 because effective institutions will allow the “poor states and their people take initiatives without experts telling them what to do’ (Easterly 2009, pp. 77-79). However, home grown initiatives and the innovative ideas of the poor often perish due to the lack of physical capital to start up. Hence, the poor really need more aid to start up and get out of poverty (Sachs 2005).

Paul Collier (2007), for his part, adds his voice by arguing that over 980m people are globally “trapped in poverty and are heading towards a black hole” (pp. 6-7). Africa hosts “70% of these poor; hence the continent (Africa) is the core of the problem” (p. 7). The “bottom billion are caught in either one of four poverty traps including conflict trap, lack of natural resources trap, bad governance trap, and landlocked geography trap” (p. 5). These countries “have had no growth, and poverty cannot become a history unless the bottom billion grow” (pp. 11-12). Collier (2007) agrees with Sachs’ poverty trap scenarios; hence the world needs to focus on helping poor countries develop policies that give the poor and their children voice, hope and make them to aspire for better life and the opportunity to gain experience and to prosper overall. However, such help must be effectively provided by developed countries, and efficiently or effectively managed by developing countries. This mutual accountability process must be assured if aid must have any significant impact on poverty reduction.

These foregoing arguments sound reasonable but tend to ignore the enormous contributions development aid makes to poor states including fragile ones. For example, “38% of ODA was devoted to fragile states while 31% was earmarked for all other countries” (Fragile States 2014, p. 24). Moyo’s argument also forgets the quantum role aid plays in humanitarian situations like the Ebola crisis, COVID-19, earthquakes, et al. Therefore, her proposal of cutting aid from fragile states would further drive them into misery and extreme human suffering. This would even add an insult to injury during pandemics. Therefore, Moyo’s (2009) argument of cutting or stopping aid should not be the reason to suffer to poor countries and their suffering citizens that are unfortunately caught into poverty. Conversely, aid should be enhanced, increased, effectively delivered, efficiently managed, and accounted for by investing in systems or mechanisms that would directly catapult the poor out of poverty.

Carol Lancaster (2007) contends that “foreign aid began as one thing and became another. It began as a realist response to the deepening Cold War between East and West” (P.212). While there were unabated efforts to deploy aid to fulfill mutually beneficial national interests, “aid eventually created the basis for a new norm in relations between states—that better-of-states had an obligation to provide aid to less-well-of- states to better the human conditions in the latter” (Ibid). She argues that the contemporary norm or notion about aid did not exist in the middle of the twentieth century; however, it was widely accepted and unchallenged by the end of the century (Ibid.). For those of a theoretical bent, “foreign aid must be understood through the lenses of both realism and constructivism” (Ibid) in her view. No one theory “can adequately explain this twentieth-century innovation in relations between states” (Lancaster, 2007; P.212). This argument makes sense because countries with their leaders decide whether to give aid and why. This brings about the idiosyncratic view of aid whereby some believe that the world view of leaders determines what their states and governments do.

5. Efforts to End Global Extreme Poverty and Pandemics

The developed world has used their International Financial Institutions (IFIs) like the World Bank and the International Monetary Fund to deliver ODA to developing countries. As earlier indicated, the basic needs strategy was adopted in the 1970s-1980s (Haynes, 2008) to address extreme global poverty. This strategy called for synergies between “national development policies, local community development needs, and international development assistance” (Ibid.; p. 29). It focused on the provision of sufficient food, clean water, adequate shelter, primary health care, and at least elementary education for the poor (Stewart, 2006). This strategy failed because it was subsumed into the Cold War ideological divide which made aid a political tool rather than a developmental one (Thomas, 2005). It also failed because there was misappropriation of aid by elites in the developing countries (Haynes, 2008).

The Structural Adjustment Programmes that were adopted in the 1980s-90s (Haynes, 2008) also failed. The SAPs “encouraged fiscal and monetary discipline, free trade, free capital flow and economic cooperation among states” (p. 30). During the SAPs, Aid was preconditioned on private sector led development, spending cuts on basic services, reduced wages, limited state intervention in markets, and trade liberalization (Haynes, 2005). The SAPs did materialise because “they were externally imposed on developing countries, and they had increased poverty in poor states” (Ibid.; 2008, p. 31). Most countries saw the SAPs as a foreign imposition on poor states by rich ones. The ‘Washington Consensus seemingly replaced the SAPs in the 1990s-2000’ (Thomas & Reader, 2001, p. 79).

The Washington Consensus assumed that growth and development are contingent on “good policies” and “good institutions” (Haynes, 2008). Good policies meant ‘stable macroeconomic policies, liberal trade and investment, privatization, deregulation of state-owned assets; while good institutions meant democratic governance, secured property rights, independent central banks and transparent cooperate governance’ (p. 33). The Washington Consensus arguably failed because it ignored the strategic role of the state and non-state actors in delivering human development goals (Haynes, 2008). It is good to note that Williamson (2005) argues that this was not a “global policy prescription, but rather a measure for Latin American countries that faced economic challenges beginning 1989” (p. 33). Notwithstanding, some components of the Washington Consensus like secured property rights, independent central banks, stable macroeconomic policies, et al. remain relevant to date, these are all not mutually exclusive in the domain of development.

The “MDGs were the predecessor of the SDGs in terms of efforts to reduce global poverty. In the MDGs, Goal eight called for global partnership for development” (Kaydor, 2024, p. 1461). The current “SDGs have Goal 17 that focuses on global partnership for development” (Ibid.). “Both in the MDGs and its successor global development agenda, developed countries commit to develop open, rule-based, predictable, non-discriminatory trading and financial system; address special needs of least developed and landlocked countries, and small island states, and deal comprehensively with developing countries debt” (Ibid.). At the end of the MDGs, “only four targets were met” (WB 2013, p. 4).

Thus, the successes and failures of the MDGs have sparked controversy. For instance, Munoz (2008) argues that “Africa failed to meet the MDGs because it had poor starting conditions including weak institutions, conflict, and inflexible assistance” (p. 1). This contention looks good because all regions had distinct levels of social, economic, environmental, and political conditions (Easterly, 2009). Therefore, the need to have disaggregated data for review arose. The need for targets based on the reality in regions and states under the SDGs became justifiable. However, poor starting conditions could be an excuse for Africa and other regions that did poorly in meeting the MDGs. Poor states or regions need to take responsibility of their own development priorities as agreed in the Accra Agenda for Action (2008) under aid effectiveness. Conversely, Poku and Whitman (2011) argue that the MDGs have significantly reduced global poverty.

Chen and Ravallion (2007) argued to that poverty reduced globally between 1980 and 2004 in that those living “below US\$1 daily fell from 40% in 1981 to 18% in 2004, then those living on US\$2 daily fell from 67 to 48% in said period” (p. 1). Without the MDGs, the current levels of global poverty reduction would not have been possible (Vandemoortele, 2011, Ratzan, S., 2010). The SDGs are still being implemented; therefore, one cannot judge their failures or success. However, “global poverty has reduced due to growth in China and India, and there were more the 700m people living less than US\$1 a day by 2015 but has drastically reduced (Chen & Ravallion 2007, pp. 1-2).

The COVID-19 pandemic increased global poverty across the globe when it occurred. The crises in poor countries are financed by groups supported by groups funded by rich states thereby supporting claims that developed countries exploit poorer countries whereby more resources leave developing countries to support development in rich states through the extractive industries and civil wars mainly supported and controlled by rich states For example, Health Poverty Action (2014) argued that “Sub-Saharan Africa receives US\$134b each year in aid, but US\$192b is the value of resources exploited from Africa; hence, a negative ODA balance of US\$58b” (pp. 5-6).

Most OECD countries have defaulted on the 0.7% of GNI committed to help developing countries (UN Millennium Project, 2006). Only Denmark, Luxembourg, the Netherlands, Norway, Sweden, and UK have met the target. The US, Germany, France, Japan, and the rest have defaulted (UN 2013; Santamaria 2014). This raises further questions about the developed countries’ commitment to help their poor counterparts. It has also sparked debate about the relevance of aid among scholars like Jeffrey Sachs, William Easterly, Paul Collier, Dambisa Moyo, Roger Riddle, et al. whose views on ODA were discussed earlier. Most of the scholars have called for increased. How can ODA be increased when the traditional donors are already defaulting on their commitments? This is one of the key reasons why aid effectiveness is a must for inclusive development in poor states and areas ravaged by pandemics.

6. An Analysis of Aid Challenges and Effectiveness

Some researchers argue that the IMF and the WB are our problem. In the view of this researcher, they are not. Poor states are their own problems. The kinds of leaders we elect determine the outcomes of their policies. Arguably, some might contend that the advice from these Britton Woods Institutions constrains growth; unfortunately, that’s not true. By the time one engages them, one may already have a problem, so the advice from Breton Woods Institutions is tailored towards solving that problem. If someone has some discomforts in his/her chest cavity and went to a medical doctor; and the Doctor diagnoses him or her and recommends that he or she stays away from eating meat and drinking alcohol, he is advising the client for his or her own (client) safety and good. The advice doesn’t qualify as being restrictive.

Equally, poor countries’ debt is different from the rich countries’ debt because poor states borrow to pay salaries while the rich borrow to invest in infrastructure that has high rate of returns to the economy thereby capacitating the rich states to be able to repay their debt. Unfortunately for developing countries, they use borrowed money to pay salaries, LDCs sometimes steal the aid and put it in foreign banks located in rich countries. Those banks then get high reserves which they lend to investors in developed countries that in turn invest in projects with high rates of returns in poor states. Some of the increased foreign bank reserves are also lent to developing countries at high interest rates. This keeps the cycle of using that money to pay salaries and stealing some of it even problematic as it becomes a debt burden on poor countries.

Despite the challenges associated with ODA, it has some positive and negative impacts in developing countries, though its correlation with poverty reduction still demands more empirical research (Kaydor, 2020). First, ODA avails funding to undertake discrete development projects like building of schools, clinics, hospitals, roads, bridges, the provision of electricity and safe drinking water, etc. (Riddell 2014). Second, aid is used to support refugees, internally displaced persons, fight diseases, and address disasters (Riddell 2014). Third, it sometimes funds parts of national budgets thereby bridging funding gaps for development programmes in poor countries.

In view of all these benefits, Riddle (2014) argues ‘that aid works, but neither reaches nor assists the poorest and most marginalized’ (p. 7). Moyo (2009) argues that donors continue to give aid amidst its failure arguing that the some “aid monies are being used to pay the salaries of at least 500,000 staff of WB, IMF, UN agencies and registered NGOs” (p. 54). Many times, aid monies are wrongly targeted towards priorities unimportant to recipients and therefore sometimes get corrupted (Moyo, 2009). This ties in with donors’ preconditions for aid, which compels recipient countries to agree with donor priorities instead of national development goals and agendas.

Another benefit of aid is that donors like the US, EU, WB, and IMF provide direct budget support to fund poor countries’ health sector (WHO, 2008, p. 4). The WHO sometimes provides vaccines. Also, ODA helps to build capacity of developing countries. For instance, the Australian Award scholarship trains citizens of developing countries to support their development initiatives (Australia Awards, 2019). Equally, ODA supports developing countries to meet global development targets (MDG Report, 2015; SDGs, 2016). Furthermore, donors support civil society organizations (CSOs) to undertake development projects, and advocate for transparency and accountability in poor countries (Riddell, 2014).

Conversely, multilateral management of aid undermines recipients’ ability to effectively monitor aid flows and develop national capacity to lead development programmes formulation and implementation (Riddell, 2014). Expatriates more often come in poor countries and earn astronomical salaries at the detriment of those poor. It therefore becomes difficult to collect “hard data to measure impact of aid on poverty reduction, thereby hindering evidence to determine whether development outcomes are caused by aid or other factors” (p. 8). Sometimes too, donors can default on funding pledges and commitments based on their domestic interest that sometimes arise unintended (Sachs, 2005). Therefore, Carol Lancaster (2007) is right to argue that “aid priorities are mostly dictated by donor countries’ national interests rather than the receiving states” (p. 212).

These problems associated with ODA increase the need for effective aid management. Donors themselves have acknowledged some of these challenges and have therefore initiated aid effectiveness strategies as agreed in the Rome Declaration (2003), Paris Declaration (2005), the Accra Agenda for Action (2008), the Busan Partnership Agreement (2011) and the New DEAL for fragile states (UNU, 2012). Both donors and recipients agree on the use of country systems and program-based approaches, demand driven capacity development, increased aid predictability and transparency of aid flows, donor harmonization to reduce aid fragmentation, and inclusion of private sector and businesses in aid coordination and delivery. The CSOs must hold both donors and recipients accountable in this premise.

However, CSOs themselves need to be accountable for donor monies they receive to fund some of their programmes. Furthermore, to make aid effective, three fundamental issues need to be addressed. First, aid must address current global poverty dynamics. In 1990, about 93% of the world’s poor lived in LICs and one-third lived in fragile states; but by 2010 three-fourth lived-in middle-income countries (MICs) while only one-third lived in LICs, and 23% in fragile states (Sumner, 2010). These figures have become even more troubling now because of COVID-19 that has increased poverty levels in all countries across the globe. These changes challenge the future design of poverty reduction policies and effective aid delivery mechanisms.

This heterogeneous poverty context demands that ODA is diversified to strategically meet the needs of MICs and LICs (Kaydor, 2024). The major problem of LDCs and MICs is not necessarily the lack of resources, but rather the equitable distribution of resources and the inability of governments to undertake pro-poor and inclusive growth, build effective institutions, and capacitate the poor (Ibid.). ODA to LDCs

and MICs needs to address social exclusion and inequality to ensure that the benefits of growth are equitably shared amongst all citizens including the extreme poor. Aid also needs to focus on social safety nets, social protection, and the determinants of growth including education, health, effective institutions, food security or agriculture productivity, technology transfer, export promotion and fiscal as well as monetary policy reforms (Growth Commission, 2008).

The emergence of non-traditional donors leads to competition in the aid market. Woods (2008) and Kondoh et al. (2010) argue that these new donors provide more aid alternatives for development. For instance, the Chinese Government sometimes grants aid to countries and ensure that Chinese companies implement the projects. This ensures that the projects are completed in real time. However, Naim (2007) argues that some of the new donors undermine aid effectiveness and promote bad governance, autocracy, corruption, et al. in developing countries where they send aid. According to Sato et al. (2010), this competition might crowd out old donors, and make aid less effective due to unconditional aid modalities by new donors. However, these arguments are contestable due to the following reasons.

First, no aid is unconditional. For instance, Chinese government aid is said to be unconditional, but it requires recipient countries to sever all ties with Taiwan. Using aid to restrict the sovereign powers of poor countries from recognizing Taiwan is more conditional than making democracy, gay rights, lesbian issues, and human rights a prerequisite to aid (Kaydor, 2020). Second, while net ODA was US\$134b from traditional donors around 2003, China's aid to Sub-Sahara Africa alone was US\$210.2b around 2013 same year (Kaydor, 2024; Xinhua Global Times, 2014). Most of China's aid as well as aid from India, Brazil, Russia, and other new donors help to fund infrastructural projects that traditional donors do not usually fund.

Most developing countries therefore favour the new donors who support such infrastructure projects that national budgets cannot undertake. Third, aid is based on moral, economic, and political persuasions; hence no country or group should control the aid environment. The traditional donors must see new ones as partners in development rather than competitors undermining the aid landscape. Both old and new donors need to build synergies and effectively deliver aid to poor countries as agreed under the aid effectiveness modalities. In the view of this researcher, all ODA is conditional. These are some of the reasons this researcher defines ODA as any tangible or intangible assistance conditionally or unconditionally provided by one state or non-state actor to the other.

Aid to fragile states needs to be used to mitigate humanitarian crisis and simultaneously address causes of fragility. Fragile states' governments do not have the capacity to deliver core state functions (Fragile States, 2014). Many are 'recovering from conflict and embarking on peace and state building processes. They are experiencing long term or recurrent conflicts, insecurity, or high levels of criminality and violence' (Ibid., p. 16). Back in 2014, the OECD reported that about 1.5b people live in fragile states, 70% of which have experienced conflicts since 1989. The COVID-19 pandemic worsened the situation by making the entire globe fragile when it occurred. Thankfully, the situations are reversing. This fragility undermined the capabilities of donors themselves to meet commitments made to developing states in line with SDG 17.

This means global poverty further increased immediately after the pandemic. This adversely undermined the achievement of the Sustainable Development Goals (SDGs). However, thank God that the global economic outlook looks better in 2024 as the world is predicted to experience economic growth gains mainly in fragile states and regions like Africa. Finally, fragile states lack transparent, and accountable systems to distribute resources, and they are many times forced to institute generous tax exemptions for

FDI attraction. Companies to benefit from those tax exemptions come from the global North. This process affects tax bases in the global South thereby undermining citizens' tax income. Poor countries equally experience distrust in governments, capital flight, prominent levels of corruption, criminal activities, money laundry, illicit drug trade and bribery. Stability and development cannot easily obtain amidst such challenges.

Therefore, donors and fragile states must focus more on peace building and state building goals, country-led and country owned transitions out of fragility, effective resource management, alignment of aid with development priorities addressing root causes of conflict, the building of trust with emphasis on legitimate politics, peace and security, justice, and economic transformation; this generally mean that countries in the global South must focus on the fulfillment of SDG 16 (promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels). If these suggestions are soberly considered by donors and aid recipients, the impact of ODA might far exceed what it presently is.

7. Summary and Conclusion

Poverty reduced globally due to the growth achievements made by China and India (Chen & Ravallion, 2007), but poverty is still increasing mainly in Africa and other regions (Collier, 2007). The COVID-19 pandemic helped to further deepen poverty across the globe. However, after the COVID-19 pandemic, aid is even becoming more essential to assist LDCs to cope with demands from citizens around the globe. Given the benefits of aid already discussed, it can be concluded that it positively impacts extreme poverty, though empirical evidence is required to further claim causality (Riddell, 2014). The “fundamental question is not whether aid works, but rather how aid can be made more effective” (p. 17). Although Moyo (2009) and others condemn systematic aid, their deliberate attempt to ignore the significant impact of humanitarian aid undermines such criticisms because there is no fundamental difference between humanitarian and systematic aid (Kaydor, 2024). The former addresses emergencies and fragility, while the latter consolidates development initiatives (Ibid).

Fragile countries cannot embark on sustainable development without peace and stability; stability cannot be guaranteed amidst widespread poverty. Poverty, instability, and fragility are therefore intertwined and symbiotic, correlated and therefore need to be addressed as a universal or global public good. It was so urgent and important that global attention was focused on ending the COVID-19 pandemic. Now states can get back on development tracks and global financial institutions (IFIs) have predicted global economic growth in 2025. In view of this good news, developed countries need to cancel poor countries' debt.

Some of the debts had no quantum impact on national development. The wealthy states need to provide more aid to help MICs and LDCs to achieve strategic pro-poor and inclusive growth to globally alleviate extreme poverty. The provision of ODA does not mean that developing states must rely on ODA, corrupt borrowed or AID monies, and go free. They must be accountable and transparent in handling the development assistance that is given to them. In fact, donors should use their nationals and companies to implement infrastructural projects in receiving states so that the aid does not get misapplied. This practice has paid off already in many states.

Institutions are one of the deep determinants of growth (Rodrik, 2003, Easterly, 2006, and Acemoglu & Robinson, 2012). Therefore, to alleviate poverty, developing countries must build inclusive and effective institutions that will protect property rights, law, and order, ensure macroeconomic stability, provide public goods and services, and invest in education, health, food security and basic infrastructure to

achieve growth (Kaydor, 2020; Kaydor, 2024). Strong and effective institutions guarantee freedom for the poor, and freedom helps them achieve their capabilities and functioning (Sen, 1999). Donors must therefore support the building of effective and inclusive institutions in poor or developing countries. Donors should diversify aid delivery to LICs, MICs and fragile states on a need basis. Traditional and new donors need to build synergies to effectively deliver aid, while developing countries' governments must target aid towards projects that directly impact the lives of the extreme poor and marginalized.

Finally, "it is observed that financial and economic resources would be limited if countries do not invest in economic growth opportunities" (Kaydor, 2021, p. 9). It is therefore strongly recommended that "a combination of social cash transfer and social services provision needs to be backed by sustainable economic growth and development processes so that the resources are made available to alleviate extreme global poverty" (Ibid). Indeed, the world has not failed so terribly in using aid to reduce global poverty, but donor and recipient countries need to target aid towards economic growth corridors to spur economic growth. This might help to reduce extreme poverty. By so doing, vulnerable and excluded people can be captured in an inclusive global poverty alleviation paradigm.

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