

REAL AID II KEY MESSAGES, FACTS AND STATISTICS

What is Technical Assistance?

Technical Assistance is spending by donors on consultants, training and research. It accounts for one quarter of official aid, or roughly \$20bn per year. Yet ActionAid's new 'Real Aid' report shows that this area of spending is failing to deliver for poor people.

What is wrong with the way official donors provide Technical Assistance?

ActionAid's research shows that much of the Technical Assistance provided by official donors is:

- **Expensive**, with costs of consultants often in the region of \$200,000 per year;
- **Ineffective** in building capacity and reducing poverty
- **Pushing the wrong solutions**, based on the assumption that 'west knows best.'

- 1) Much TA is over-priced, and spent on expensive western consultants
 - a) ActionAid's research found that the costs of a typical consultant were in the region of \$200,000 per year, or \$1,000 per day. In low-income countries, the average income is only \$500. This means that a typical western consultant will be earning twice as much in **day** as the average person living in that country lives on in a **year**.
 - b) According to the OECD's Development Assistance Committee (DAC), the official donor club, in typical cases more than half of this cost will include elements such as cost of living and hardship allowances, school fees and child allowances, travel, rent and other expenses. These are all costs associated with expatriate consultants, and would not need to be paid if local consultants were used.
 - c) In Cambodia, for example, consultants' fees of \$17,000 a month were found to be several hundred times higher than government salaries of \$40 a month.
 - d) In Ghana, even relatively inexperienced consultants could earn in a day what government officials earn in a month.
 - e) ActionAid found that donors still prioritise their own nationals in awarding consultancy contracts:
 - i) 80 of the top 100 firms used by USAID in 2000 were US companies, with the remainder nearly all multinationals with offices in the US or International Financial Institutions.
 - ii) In Germany, even large tenders are only advertised in German speaking newspapers.
 - iii) In the UK, despite the official policy of untying aid, at least 80% of contracts awarded by DFID HQ in 2005-06 were UK firms. A total of £101m was awarded to big 5 consultancy firms by DFID (PWC, KPMG, Deloitte and Touche, Ernst and Young and Accenture) between 2000 and 2005. Adam

Smith International received contracts worth £22m in 2005, the majority in Iraq and Afghanistan.

- 2) Technical Assistance is ineffective in building capacity and reducing poverty.
 - a) In 2005, the World Bank admitted that its capacity building efforts have had a 'limited impact.'
 - b) The OECD found no positive relationship between TA provided and economic performance.
 - c) In Cambodia, after \$6.5m of donor money was spent on attempts to build economic management capacity, with average consultants costs in the region of \$200,000 a year, the Cambodian government concluded that the capacity built was 'unlikely to be used [and] might have only a 'limited impact.'
- 3) TA is donor driven, with governments given limited say over how TA is provided.
 - a) In Tanzania, officials accused donors of 'giving what they have rather than what Tanzania needs.'
 - b) In Cambodia, it was found that Terms of Reference for IMF consultants were prepared without the involvement of the Cambodian Government.
 - c) ActionAid's research showed that donor also use TA to back up World Bank and IMF loan conditions. In a study of 6 low income countries, we found that in all cases, donors were providing TA to make sure that conditions would be implemented. The conditions being applied included trade liberalisation in Vietnam, water privatisation in Rwanda, and power sector reform in Bangladesh.
 - d) UK funded Technical Assistance was also crucial in pushing Tanzania into privatising water in the largest city, Dar es Salaam, a reform which failed after less than two years and left millions without water.
 - e) TA is used to push inappropriate northern solutions based on a western 'expert' model
 - i) In Tanzania, Japanese funded advisors installed expensive irrigation pumps from Japan, rather than the gravitational irrigation that is used in other farms in Tanzania. But because the price of diesel is so high, the cost of irrigation is now three times the cost of other areas of Tanzania where gravitational irrigation is used. Only one of the three pumps is now in use because the cost is so high, and because no-one is available to repair the pumps.

What should be done?

ActionAid is calling for radical overhaul in the way that TA is provided, so that

- a) Donors stop trying to control poor countries through their use of TA, but instead let them determine their own pathways to development.
- b) Donors stop pressuring poor countries into identikit reforms designed in Washington.

- c) Donors stop assuming that western experts have better ideas about reducing poverty than those experiencing poverty first hand.
- d) Poor countries have more choice over how TA funds are spent, and are able to spend money on other capacity building or poverty reduction priorities if they so choose.

Real Aid

ActionAid's first 'Real Aid' report, launched in 2005, showed that more than half of all donor aid fails to effectively target poverty but is instead spent on other donor priorities.

This year's report, an update of the first 'Real Aid' report, found that while real aid levels had increased over the past year, there was still much more to be done. In particular, we found that:

- 1) Almost 50p of every pound of donor aid fails to target poverty, but instead aims to meet other donor priorities. Aid which is not real is called 'phantom aid' by ActionAid. This includes aid that is double counted as debt relief, tied to goods and services from the donor country, allocated to middle income countries out of proportion to the poor people living in those countries, spent on over-priced and ineffective Technical Assistance, and spent on refugees in the donor country.
- 2) Rich countries contributed only 0.14% of their combined income in real aid in 2004, a total of \$42 billion, or less than one dollar per person per week. This means that they will have to increase real aid fivefold to meet the UN target level of 0.7%.
- 3) The best donors when it comes to real aid are Luxembourg, Norway, Sweden, the Netherlands and Denmark, all of which provide high levels of real aid. The worst donors are the US, Italy, Spain, Austria, Greece and Japan, all of which have very low levels of real aid.