Foreign Aid, Development Strategies and Poverty Reduction

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Globalization brings the suffering of the world's poor directly to the attention of those fortunate to have been born non-poor in high-income countries. And there is plenty of suffering. In 2004, an estimated 969 million people – more than 18% of the world's population – lived on less than roughly $1/day per person and were thus classified as "extremely poor" by global standards (Chen and Ravallion 2007). Indeed, outside of China, the developing world has not enjoyed any sustained progress over the past quarter century in reducing the number of extremely poor people. Meanwhile, in some regions the number of extremely poor people has increased significantly. In sub-Saharan Africa, even in the face of population growth, the extreme poor have consistently accounted for 41-48 percent of the sub-continent's residents since good estimates began around 1980.

For Christians especially, Jesus' injunction that "Whatever you do to the least of my brethren, you do to me" (Matthew 25:40) reminds us that to ignore the suffering of others is an offense against God. Hence the Christian's natural instinct to provide aid to the poor. However, good intentions and good deeds do not always translate into favorable results, as the checkered history of foreign aid makes clear.

Foreign aid – the transfer of government resources to poorer countries – has long been deemed an essential part of any strategy to reduce poverty and hunger. It encompasses both short-term relief of suffering resulting from natural disasters and war, as well as longer-term development to end chronic deprivation. The modern era of foreign aid began with post-World War II reconstruction, in particular the Marshall Plan, when the United States devoted 2-3 percent of its national income annually to restore war-ravaged Europe. Once European recovery was well underway by the second half of the 1950s, Europe's former colonies in Africa and Asia began achieving independence and became the new foci for foreign aid. Over the intervening half century, aid has become an industry, professionalized in United Nations agencies, multilateral development banks and a vast network of non-governmental organizations (NGOs) committed to humanitarian relief, long-term development, or both. Cassen (1987), Mosley (1987) and Tarp (2000) provide excellent histories of foreign aid.

Humanitarian response to disasters

One important impetus for aid is disaster response. The Gospels call Christians to emulate the Good Samaritan, to tend to those who suffer misfortune. Such suffering occurs on a large scale. Over the past quarter century, roughly two million people died and five billion were affected by some 7,000 natural disasters due to geophysical or hydrometeorological events such as droughts, earthquakes, floods, hurricanes, tsunamis and volcanoes.[1] Extreme natural phenomena strike developing countries more often than developed ones. Moreover, the consequences, as measured in terms of human mortality and displacement rates per disaster, are far greater in the poorest countries due to lower quality construction, public health and

[1] These figures come from the Emergency Events Database (http://www.emdat.be/) developed and maintained by the Centre for Research on the Epidemiology of Disasters (CRED) in Belgium.

emergency response systems and the affected populations' meager private resources for financing response and recovery (Stromberg 2007).

As a result, humanitarian response is typically most effective per dollar spent in poorer countries. Yet awareness of disasters that strike the poorest places tends to be lower for various reasons.[2] Lower awareness typically leads to markedly weaker humanitarian response to disasters in low-income countries by aid agencies and private donors. For example, flooding in 2001 in Angola, Brazil, Poland and Thailand killed 30-100 people in each country and affected tens of thousands (up to 450,000 in the case of Thailand); yet Poland received $15 million in international relief assistance, Brazil received $230,000 while Angola and Thailand each received less than $100,000 (Stromberg 2007). The same type of event, the same year, elicited markedly different responses for a range of reasons related to media coverage, geographical distance, sociocultural ties, etc. (Alesina and Dollar 2000). Although relief aid appears to respond to the severity of the emergency, many other factors come into play as well, often impeding the effectiveness of aid to provide relief to victims of disasters.

Aid for development: hypotheses and successes

Although disaster relief draws the most attention, the overwhelming majority of foreign aid flows go not for emergency response, but for investment in longer-term development. The basic, original hypothesis motivating foreign aid for development was that capital access constrains investment in developing countries, and thus that foreign aid flows can stimulate development by relaxing those financial constraints and thereby fostering faster economic growth, allowing the recipient country to reach its steady state growth rate faster than it would otherwise. This is crucial for long-term poverty reduction since economic growth appears necessary for sustained poverty reduction (Ravallion and Chen 1997). That original hypothesis has been supplemented in the past few decades by a corollary hypothesis: that aid can change a country's steady state growth rate by introducing improved technologies, markets, policies or institutions. This refinement has led to some reconsideration of how and where to use aid to advance development objectives. In particular, this latter view encourages investment in global public goods that can potentially change the growth trajectories of nations and improve standards of living among the world's poorest peoples. Unlike conventional aid to developing country governments or to non-governmental organizations operating in such countries, aid for global public goods to benefit the poor is invested wherever important new technologies, policies, markets or institutions are created; somewhat ironically, sometimes development assistance therefore flows to entities (e.g., research institutes) in developed countries.

Several of the best examples of highly successful foreign aid fall into this global public goods category. Aid has made possible historically unprecedented achievements in expanding food supply so as to reduce hunger and under-nutrition worldwide in spite of rapid population growth and an essentially fixed cultivable land area on Earth. The Consultative Group on International Agricultural Research (CGIAR) was formed in 1971 to foster research to find

[2] These reasons include: lighter media coverage of developing countries, high-income country residents' weaker personal identification with victims in low-income countries due to geographic patterns of migration and trade, and the generally lesser geopolitical importance of poor countries.

technical solutions to constraints impeding agricultural development in developing countries. The more than (1990 US)$7 billion invested in the CGIAR 1971-2001 delivered an impressive estimated internal rate of return of roughly 34% per year (Raitzer and Kelley 2008). While many of the benefits of improved agricultural technologies have accrued to small farmers in developing countries – and even to large farmers in high-income countries – most benefits have accrued to poor consumers through real food price reductions resulting from expanded food supplies and improved food quality, safety and variety (Evenson and Gollin 2003).

Aid has likewise played a central role in eradicating diseases such as smallpox and, soon, polio, and in reducing infant mortality through a suite of simple childhood interventions (growth monitoring, oral rehydration therapy to address diarrheal diseases, breastfeeding and immunization) developed for delivery worldwide with minimal need for context-specific adaptation. The resulting improvements in life expectancy, child health, school enrollment rates, etc. have been a boon to development in many low- and middle-income countries.

Recent years have brought renewed focus on global public goods in part because of the cross-border spillover effects associated with phenomena such as terrorism, infectious diseases and climate change. As threats to well-being have globalized in recent decades, so has foreign aid focused more on the production of global public goods to facilitate development and poverty reduction while simultaneously protecting higher-income nations.

This new trend is partly attributable as well to the rise of new actors on the global development stage. Private charitable giving, once relatively insignificant, has become influential. The CGIAR was funded largely by the Rockefeller and Ford Foundations in its early years. This pattern has been especially pronounced in recent years in health-related aid, which is now roughly one-quarter financed by private philanthropic groups such as the Bill & Melinda Gates Foundation. Foundations and private philanthropists devote a much larger share of development aid to longer-term technology development projects for new cultivars, drugs, energy sources, vaccines, water treatment methods, etc.

Another area of growing attention concerns peacekeeping operations. Because of the adverse spillover effects commonly associated with violent internal and cross-border conflict – due to refugee movement, infrastructure damage, and political uncertainty, in addition to the obvious direct consequences of violence – the economic returns to expanding peacekeeping and security guarantees appear substantial. Indeed, Collier (2007) argues that nearly three-quarters of the world's poorest people have been caught at one time or another in war and that the typical civil war costs around $64 billion. Preventing or shortening conflicts thus yields returns that dwarf those of conventional aid flows. Thus Collier (2007) claims that British military support for ending the civil war in Sierra Leone may be the most effective aid program in the United Kingdom's history.

Aid's muted effects on growth

A vast literature on the effects of aid on growth yields quite mixed results, however. Mosley (1987) long ago concluded that the overwhelmingly favorable evaluations of micro-level effects of aid could not be reconciled with macro studies that often struggle to find national-level evidence of aid's beneficial effects. Countering this, Dalgaard et al. (2004) conclude that most studies find a positive effect of aid on macroeconomic growth. Yet in perhaps the most persuasive recent study, Rajan and Subramanian (forthcoming) find little evidence of a robust positive relation between aid and growth. Needless to say, the relationship between aid and growth remains a hotly contested issue among researchers.

Why has the effectiveness of aid been so mixed, such that foreign aid seems to have underperformed relative to the expectations of the 1950s and 1960s? At least five distinct hypotheses exist.

<u>1. Aid Insufficiency</u>: One line of argument holds that aid has never lived up to its promise because donors have never given as promised. If the poor are caught in poverty traps, then small increments of capital are commonly insufficient to ignite rapid take-off, therefore large, discrete transfers may be necessary to spark development. Following this logic, Sachs (2005, p. 246) emphasizes, "foreign assistance is not a welfare handout, but is actually an investment that breaks the poverty trap once and for all." The problem of aid incrementalism gets further compounded because many aid commitments never get fully disbursed by donors and a large share, commonly estimated at roughly one-third, arrives late. For countries that depend on aid flows to finance basic government operations, the unpredictability of aid can impede investment in public goods and retard economic growth (Celasun and Walliser, forthcoming).

In 1970, the OECD countries committed to providing 0.7% of gross national income (GNI) as foreign aid. However, few donors have given at anything close to that level over the years; only the Nordic countries (Denmark, Finland, Norway, Sweden) and the Netherlands have done so consistently. Through the early years of the 21st century, average aid flows from the high-income countries were consistently around 0.25% of GNI.[3] This share has increased to 0.30-0.33% in the past few years as global political leaders, persuaded by arguments such as Sachs' (2005), made high-profile commitments to increase aid flows, especially to sub-Saharan Africa in the 2002 Monterrey Consensus and the 2005 Gleneagles Declaration. The United States is the world's largest donor, consistently accounting for roughly one-quarter of total aid flows from the OECD countries, except for a period in the 1990s when US foreign aid fell sharply, especially relative to Japan. Yet relative to the size of its economy, the United States has typically trailed the rest of the donor field, giving only about 0.1% of GNI throughout that past quarter century.

The weaknesses in the aid insufficiency argument are several. First, the developing countries that have enjoyed the fastest growth over the past two or three decades – such as Botswana, China, India, Mauritius, Vietnam – have enjoyed rapid poverty reduction without any significant inflow of foreign aid. Rather, the real engine was a sharp, new commitment to homegrown

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[3] Unless otherwise indicated, this and all other aid figures in this chapter come from the *Statistical Annex of the 2007 Development Co-operation Report* issued by the Development Co-operation Directorate of the Organisation for Economic Co-operation and Development.

reforms to get institutions, infrastructure and incentives for private investment right. These countries made key, strategic investments in public goods and services to "crowd in" private investment, including foreign direct and portfolio investment that ultimately dwarfed aid flows.

Second, aid has always been and will always be tiny relative to overall income, to external trade and, in recent years, to private commercial financial flows. Most developing countries receive aid amounting to only about 3 percent of their GNI (Tarp 2006). It would take more than $200 billion annually, in order to bring every sub-Saharan African up just to a modest $2/day per person standard of living, a sum more than ten times present aid flows to the continent (Barrett et al. 2007). Plainly, aid cannot close the gap on its own; it must crowd in private investment in capital accumulation and job creation.

Net private financial flows to developing countries increased more than ten-fold 1991-2006, to $195 billion, surpassing official aid flows in volume. Less than $15 billion of this was private giving; foreign direct investment accounted for nearly $130 billion and portfolio investment another $60 billion. These flows are concentrated disproportionately in developing countries, such as China and India, enjoying the fastest economic growth and poverty reduction. Separating cause from effect is exceedingly difficult, but the core point is that private financial flows are strongly associated with growth and, in successful cases, far more substantial than aid.

<u>2. Self-serving aid</u>: The second explanation of why aid has not generated greater growth in recipient developing country has to do with the self-serving nature of much foreign assistance. In some instances, this has been for international self-promotion, contrary to the Gospel directive "when you give to the poor, do not let your left hand know what your right hand is doing" (Matthew 6:3). Furthermore, a large share of aid is driven by donor country commercial or geopolitical concerns, not an authentic and focused concern for the poor, as would be more consistent with Matthew 25:40. For example, Egypt and Israel – and, more recently, Iraq – have long been the primary recipients of United States government aid not because of acute poverty or need but for diplomatic reasons. Other donors behave similarly. France lavishes aid on its former colonies to the exclusion of other, needier nations, while most donors allocate funds in response to poor countries' voting patterns in the United Nations (Alesina and Dollar 2000). Throughout the Cold War, aid was often given to rulers supportive of the donor in geopolitical contests, even when those leaders were known to be corrupt, ineffective, or both. Aid revenue squirreled away in private bank accounts overseas obviously had negligible growth or poverty reduction effects for the recipient country as a whole. But this consideration was often trumped by political concerns. The geopolitical drivers of aid flows also help explain why when the Cold War ended, global aid flows – especially from the United States in the 1990s – fell precipitously.

Perhaps most disturbingly, much foreign aid is "tied" to the purchase of goods or services from the donor country; they are not unconditional gifts of cash. These restrictions reflect efforts by influential interest groups to siphon off foreign aid funds justified to the donor country taxpayers – and many legislators – on the basis of helping combat poverty and hunger abroad. The funds are still available for the ostensible purposes, but the fine print of the authorizing legislation obligates expenditures on particular activities or goods provided by a restricted set of providers. This generates profits for those who can manipulate the aid system, while rendering aid unnecessarily inefficient. For example, Barrett and Maxwell (2005) estimate that the United States food aid budget could provide for roughly twice as many hungry people with a few simple reforms to end the tying of food delivery to purchase of commodities in and shipment from the United States. Sachs (2005, p. 310) vividly explains that "in 2002, the United States gave $3 per sub-Saharan African. Taking out the parts for U.S. consultants, food and other emergency aid, administrative costs, and debt relief, the aid per African came to the grand total of six cents." The hijacking of aid flows by donor country profiteers is one of the most shameful features of the current system, and addressing this should be a high priority of Christians.

<u>3. Lack of donor coordination:</u> Third, there has been an explosion of donor agencies and aid-supported development organizations in recent decades. In the 1950s, the United States was the only donor of any scale and there were only a few large international development organizations (such as Catholic Relief Services, CARE or OXFAM). Coordination among them was relatively easy. The proliferation of donors and implementers each pursuing their own agenda – and often in direct competition with one another – poses serious management challenges for poor countries with limited technocratic capacity to manage aid flows and large-scale development programs. Widespread lack of coordination among donors has become an increasing problem as recipient country policymakers and their technical advisers have grown overwhelmed by a never-ending barrage of official missions and reporting requirements from donor agencies.

Even when funds flow to honest governments in needier countries, donors commonly "earmark" aid for their pet concerns, often disregarding both what recipients deem most essential to stimulating their own development and what other donors are funding. Donors overwhelmingly favor technical assistance and project funding over general budgetary support. The most recent example of mismatching relates to funding for HIV/AIDS, which is attracting the lion's share of health financing in development today although the disease accounts for fewer deaths or illnesses than malaria, waterborne diseases or hunger-related diseases.

This problem of lack of donor coordination has been magnified by the emergence of new donors from fast-growing middle income countries such as China, Hungary, Korea and Kuwait, as well as by the rapid rise of NGOs as key intermediaries in the aid business. As donors increasingly funnel resources through private NGOs, it constrains recipient country governments' ability to match flows to national priorities. Meanwhile, a decreasing share of foreign aid is being channeled through multilateral institutions such as United Nations agencies, the World Bank and the various regional development banks that are designed to address the multiple interests of different donors. Despite growing awareness of greater need for donor coordination amongst themselves and with implementing agencies and recipient country governments, little progress has been made in resolving this growing problem.

4. Ineffective forms of aid: The forms of aid most popular with donor country governments for political reasons are not always the most effective uses of scarce aid dollars in terms of developmental effectiveness. Perhaps the most current example is debt relief. This is also a topic of special interest to many Christians because of its roots in the Pentateuchal concept of jubilee years of debt forgiveness for the poor and because the Jubilee 2000 movement that ignited much of the past decade's high-level attention to the issue of debt forgiveness has explicitly Christian roots (Peters 1995, Smith et al. 2000).

Following twenty years' gradual emergence of a variety of debt rescheduling and forgiveness plans for developing countries, the leaders of the eight major industrial economies pledged in 2005 to completely forgive the debts owed by the heavily indebted poor countries (HIPCs) to a range of multilateral financial institutions and bilateral donors. In 2006, debt relief to low- and middle-income countries worldwide grew to just under $20 billion, accounting for almost 19 percent of the $104 billion in global aid flows. Of course, debt relief, like most other aid, is not targeted to the poorest countries. The largest beneficiary was Iraq, again underscoring the political roots of most foreign aid. Debt relief represents only 5-10 percent of total net aid flows to Africa. So in spite of the considerable attention it has received, debt relief plays a relatively modest role in foreign aid for the poorest countries.

Countries benefitting from debt forgiveness have indeed enjoyed a sharp increase in net aid transfers, from $8.8 billion in 1999 to $17.5 billion in 2004 (Gunter et al. 2008). Therefore, if well-used, debt relief can free up significant funds for investment in education, health care, infrastructure improvement, etc. But in order to be eligible for HIPC debt forgiveness, countries have had to demonstrate favorable policies and institutions, conditions that have been independently associated with significant growth in net aid inflows over the past decade. So whether added flows are really due to debt relief or merely come in the form of debt relief remains an open question. This also raises a question of sustainability: will donor countries be able to sustain present aid flows once the stock of forgivable debt has been run down over the coming decade or two? No one really knows for sure.

Moreover, there are serious concerns about whether debt relief benefits the right countries. It clearly does not benefit countries that sacrificed in order to service their debts on schedule so that they do not need debt relief. Nor does it help poor countries that do not meet HIPC criteria for other reasons, such as large fiscal deficits or political instability. The benefits from debt forgiveness programs have been concentrated on countries that did not meet their contractual debt repayment obligations but are now favored by donors, for whatever reasons, many of which reflect donor self-interest. HIPC-eligible countries are not uniformly the poorest countries. Indeed, Sanford (2004) argues that debt forgiveness is quite likely to divert scarce aid resources from the poorest countries to better-off beneficiary countries. If debt relief is ineffective in stimulating truly additional aid flows to poor countries, or if it merely diverts aid from better-managed or needier countries to more politically-favored ones, its efficacy in stimulating growth and poverty reduction will likely prove limited. [

5. Poor aid targeting: Just as Jesus reminds his disciples in the parable of the sower that seed must be sown in good soil to produce a good crop (Matthew 13:3-8, Luke 8:5-8), so is it widely believed that aid only works in hospitable institutional and policy environments. Burnside and Dollar (2000) present empirical evidence that aid only works in stimulating growth in countries that follow good macroeconomic policies. Their claim is that aid is ineffective in changing the policy regime in recipient countries and that inappropriate policies prevent aid from advancing growth and poverty reduction objectives, therefore that aid is only effective in a favorable economic and institutional environment. As a result, ex ante evaluation of prospective recipients' macroeconomic policies and institutional capacity has become central to aid allocation criteria in recent years.

The problems with this argument are several. First, it is exceedingly difficult to establish what constitutes "good policy". Second, the Burnside and Dollar (2000) results appear fragile to the econometric specification and to the particular data series used; others have easily overturned their empirical findings with only modest tweaks to the data, the model or estimator used, or some combination of these (Easterly et al. 2004, Hansen and Tarp 2001, Rajan and Subramanian forthcoming). While these critics agree that bad governance is indeed a constraint on growth, they disagree that growth has any added benefit in countries with favorable policies and institutions. Third, it is contestable whether it is quality of governance that drives economic development or vice versa. Sachs (2005) argues that corruption in Africa is more the product of that continent's poverty than its cause. Fourth, if policy and institutional criteria for aid eligibility orient recipient governments more towards donor concerns than toward those of their constituents, then state accountability and context-appropriate policymaking can suffer. Indeed, in its worst forms, aid may encourage outright corruption or have subtle but powerful effects that retard economic growth, as through distorted tax policies and real exchange rates (Adam and O'Connell 1999, Younger 1992).

Improving Aid Effectiveness

Given the mixed performance of foreign aid in stimulating economic growth and poverty reduction in the past, attention is increasingly turning to how to improve aid effectiveness rather than whether aid "works". Hence the growing chorus in favor of reducing general budgetary support to developing country governments and instead returning to financing projects, backed by rigorous project evaluation – often based on randomized controlled trials, much as in drugs testing – in order to get the implementation details right and to generate reliable benefit/cost estimates; then allocate scarce aid funding according to where it demonstrably generates the greatest benefits (Easterly 2006, Banerjee 2007). These arguments in favor of evidence-based policymaking, including aid allocation, appear indisputable.

The arguments in favor of renewed focus on project aid with demonstrable results may, however, prove naïve. Not all promising prospective interventions are amenable to carefully controlled study using randomized controlled trials, whether for political, logistical or ethical reasons. For example, it is effectively impossible to randomize reforms or most macroeconomic interventions (e.g., exchange rate policy). Large-scale infrastructure projects such as airport or bridge construction are not politically or practically amenable to randomization. And in the sphere of emergency response, randomization that requires withholding assistance from disaster-affected peoples would be simply unethical. Hence the limited scope for using randomized controlled trials to make aid work better by relying increasingly on rigorous research results.

Furthermore, project aid is largely fungible. Recipients can undermine donor intentions by shifting resources from areas supported based on the criteria donors favor into others that are more politically favored by the regime in power. Which brings us back to the Burnside and Dollar (2000) argument that growth and poverty reduction are driven primarily by the quality of policies and institutions in developing countries, which can be reinforced by aid but neither transformed nor superseded by development assistance.

Another, related development in recent years is greater emphasis on the role of aid in creating incentives for individuals to change behaviors in ways that foster long-term growth and poverty reduction (Easterly 2006). The most prominent current example are conditional cash transfer (CCT) schemes that pay cash to means-tested recipients if and only if they engage in pre-specified behaviors, such as keeping their children in school or vaccinating their family against infectious diseases. CCTs aim not only to provide immediate assistance to poor families, but also to force long-term investment that improves the likelihood that children get a better chance to break free of their parents' poverty. Originally introduced and carefully evaluated in Mexico, CCTs have generated significant payoffs by multiple metrics – child health, school enrollment, family income, small business creation, etc. – and as a result have rapidly spread to countries in Africa, Asia and elsewhere in Latin America and are now being adopted in the United States as well to tackle chronic urban poverty.

Towards a Christian approach to foreign aid for economic development

The moral imperative of the rich to help the poor compels a proactive approach to almsgiving and investment. The relevant question is not whether to give aid, but rather how, in what form, to whom and when? Although aid has achieved much in specific projects, it is clearly not a major driver of macroeconomic growth and poverty reduction, although it can play an important role in financing key strategic investments, perhaps especially in high-return global public goods, such as those related to agricultural or health technology development or in peacekeeping. Aid can also be used to underwrite programs (such as CCTs) that improve poor people's incentives to invest in behaviors that foster long-term development. Indirectly, aid can therefore have a significant effect on development even if the complex and often lagged pathways of its influence may be difficult to tease out in macroeconomic time series data.

It is equally clear that there are no 'one size fits all' approaches to stimulating development. Context matters and the devil is often in the details of the design, monitoring and evaluation of specific interventions and then scaling them up to larger populations. For Christians concerned about the well-being of those suffering material deprivation in low-income countries, it may be natural to have more faith in bottom-up approaches based on communities, firms, individuals and widespread experimentation than on top-down approaches run by large aid agencies. While there are some beacons of hope amid the general chaos of the bilateral and multilateral aid agencies, most have become bureaucracies with low performance standards and minimal creativity, as focused on international and internal politics as they are on the welfare of the poor they are chartered to serve. Creating incentives for people to come up with solutions to their own problems often proves more effective than trying to convince them to adopt approaches developed by outsiders.

Top-down approaches to growth and development, such as the financing gap models that motivated foreign aid from the 1950s through the early 1980s, minimize the role of human agency and give primacy of place to capital accumulation as the engine of growth and poverty reduction. This is an outdated model of growth and development that seriously underemphasizes the role of technological and institutional change arising spontaneously and creatively from individuals and communities within poor economies through innovation and adaptation (Easterly 2006). To Christians, the top down approach denies both the reality of individual and institutional sin, perhaps especially by those entrusted with power and resources, and the transformational power of human free will guided by God's grace.   The more natural Christian approach is to favor bottom-up approaches founded on channeling scarce aid towards creating and reinforcing incentives for the poor to lift themselves and their own communities from poverty through good governance, investment and institutional and technological innovation.

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Questions for Class Discussion

1) Does it matter how well aid performs in reducing poverty or stimulating economic growth? Isn't the giving enough? Explain why or why not.

2) Why might it be difficult to find clear macroeconomic growth effects of aid when so much of the literature finds strong project-level evidence of aid's positive effects?

3) Is disaster response assistance allocated fairly or effectively across countries? Why and what might be done?

4) In order to effectively advance economic growth and poverty reduction objectives, must aid necessarily flow directly to the countries one wishes to help or to their governments? What other pathways exist and how might these complement direct government-to-government assistance?