

REPORT ONE:

ARE THE “RICH” A WASTE OF MONEY?

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Its essential mission is to mitigate global poverty by introducing a new media system and social protocol free to anyone who wishes to use it to enhance their lives or start a business.idea

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REPORT ONE:

PREFACE

Because this report defines “rich” in a special way, we need to explain it is not talking about the literal rich and global philanthropy in general.

There have been and are millions of literally rich individuals who have donated billions of dollars in philanthropic endeavours both local, national and internationally. They do not come within this reports definition of “rich”.

The main distinction being it is their money not public money funding, schools, libraries, institutes for the care of special health needs, and global giving to help mitigate global warming or poverty.

Some individuals give billions of dollars making this a philanthropic business industry or as the “Bill and Melinda Foundation” had been dubbed “Venture Philanthropy”. Other dollar billionaires, like Warren Buffett, support the idea with increasing numbers of businesses, entrepreneurs and celebrities giving vast sums away.

The following list gives just a small indication of the support given to charitable causes by the literal rich.

Full acknowledgement to:

<http://www.looktothestars.org/news/221-oprah-tops-celebrity-philanthropy-a-list>

More information can be found at www.givingback.org

Ranking	Donor	Amount Donated or Pledged	Recipients
1	Oprah Winfrey	\$58,300,000	Oprah Winfrey Leadership Academy, Oprah's Angel Network, and other groups
2	Geoffrey Beene	\$44,000,000 (bequest)	Memorial Sloan-Kettering Cancer Center
3	Jack and Marie Lord	\$40,000,000 (bequest)	Hawaii Community Foundation
4	Barbra Streisand	\$11,750,000	Barbra Streisand Foundation, numerous civil liberties, environmental, and civil rights organizations "dedicated to democratic values"
5	Tiger Woods	\$9,500,000	Tiger Woods Learning Center, Earl D. Woods Sr. Scholarship Fund, and other Tiger Woods Foundation programs
6	Rosie O'Donnell	\$5,700,000	Katrina Relief efforts including Renaissance Village (a temporary shelter for Katrina victims), day care centers, a rehabilitation center in San Antonio, and a Habitat for Humanity sub division in Baton Rouge
7	Martha Stewart	\$5,000,000	New York's Mt. Sinai Hospital for a center on healthy aging
8	Carmelo Anthony	\$4,282,000	CAF Youth Center in Baltimore, AAU Basketball, Syracuse University Recreational Center, and other charities
9	Pat and Shirley Boone	\$3,000,000	Pepperdine University for the Graduate School of Education and Psychology Center for the Family

	LeRoy Neiman	\$3,000,000	The School of the Art Institute of Chicago to support a Master's class in figure drawing
11	Angelina Jolie and Brad Pitt	\$2,415,000	School and Community Center in Swakopmund in Namibia, Daniel Pearl Foundation, Namibian hospitals, Doctors without Borders, Global Action for Children and others
12	Nicolas Cage	\$2,000,000	Amnesty International for a fund to help child soldiers
	Dwayne "the Rock" and Dany Garcia Johnson	\$2,000,000	University of Miami to name new Alumni Center living room
	Paul McCartney	\$2,000,000	Adopt-a-Minefield
	Arnold Palmer	\$2,000,000	Pledged to the Arnold Palmer Foundation ultimately to benefit the University of Pittsburgh Cancer Institute
16	David Geffen	\$1,600,000	David Geffen Foundation
17	Susan Saint James and Dick Ebersol	\$1,300,000	The Gunnery to help pay for a new dormitory in memory of their son Teddy killed in a plane crash
18	Jeffrey and Marilyn Katzenberg	\$1,250,000	Boston University to renovate facilities
19	Andre Agassi	\$1,070,000	Andre Agassi Charitable Foundation
20	Tiki and Ronde Barber and family	\$1,000,000	University of Virginia to support the McIntire School of Commerce, the Virginia Athletics Foundation, Children's Hospital, a scholarship fund for African-American students, the Young Alumni Council, and to challenge young alumni to participate in the capital campaign
	Bob Barker	\$1,000,000	Georgetown University to endow a fund at its law school that will focus on the study of animal rights
	Gloria Estefan	\$1,000,000	Miami Paralysis Project
	Dr. Phil and Robin McGraw	\$1,000,000	Dr. Phil Foundation
	George Steinbrenner and family	\$1,000,000	University of North Carolina at Chapel Hill for Boshamer Stadium for baseball
	Tony Stewart	\$1,000,000	Victory Junction Gang Camp
	Denzel Washington	\$1,000,000	Save Africa's Children
27	Mike Sexton	\$560,000	Special Olympics, Paralyzed Veterans of America, Buoniconti Fund to Cure Paralysis, Children Inc., Wounded Warrior Project, Ohio State University, and other charities
28	Lance Armstrong	\$500,000	Lance Armstrong Foundation
	Dolly Parton	\$500,000	Fort Sanders Medical Center
	Elizabeth Taylor	\$500,000	New Orleans AIDS Task Force to purchase mobile medical unit for AIDS sufferers in New Orleans

The above and millions of others (most not rich) give their money, time, and encouragement to countless charitable organisations, most doing so with genuine compassion and commitment.

Some have suggested all this giving should be centralised to be more efficient; may this never happen! The greatest strength in individuals giving is they are often directly involved with accountability transparent to all.

The report now focuses on how public money (raised mainly from the taxpayers) is distributed by aid agencies and multinationals for the purpose of long term development projects, by the rich as defined on page 6.

INTRODUCTION

These reports introduce a free system to help ameliorate poverty wherever it is found.

Although designed for the literal poor, it can be used by anyone to quickly start a business of any type at nil cost with far less time involvement and greater certainty of success than traditional methods of creating an enterprise.

The headquarters of Startup Poor (and its partner site testmyidea.com) are located in the Punjab and trade in English, Urdu and Chinese, from the community business centre in Mian Channu, Pakistan.

Startup Poor is not a registered charity but its main mission is to firstly start up Pakistan then roll out to the rest of Asia, using a research team as the creative catalyst. (See “Creatives” link on www.startup-poor.com)

The project is privately funded by the founder with cash flow from the reports, education programs and owners of successful businesses it has helped to start or progress.

We recommend you read all the reports to fully understand the rationale behind the innovation which is specifically formulated to simplify the current, very complex problem of how to reduce global poverty quicker than the present aid distribution packages, plus related problems including the greatest crisis facing mankind – “Global Warming” and astonishingly how the poor are the key to mitigating its effects.

The reports and related “marketing primer program” is free to all members of TMI.

Enjoy reading, then start your unique business free within 15 minutes of understanding this system

www.startup-poor.com

www.testmyidea.com (TMI)

STARTUP POOR

Summary

The purpose of this report is to highlight the immense waste of time, money, resources and paper by millions of well intentioned people in the “industry” of **long term** poverty reduction.

It suggests that the focus needs to shift from top down administration of foreign aid funds to national governments, to a protocol and technological infrastructure of immediate and direct use to the poor, enabling them to enter world markets using initially only digital products as lead generators to wealth creation.

The already tested and proved system amounts to a revolutionary way to mitigate poverty much quicker than the current management systems, and development aid packages, both multi and bilateral.

It avoids most problems usually associated with global giving.

The report also suggests quickly increasing the poor’s ability to start sustainable business gives an enormous emerging market for “green” products and services making the poor part of the solution to mitigate global warming:

www.startup-poor.com is the blog www.testmyidea.com is the start-up platform.

Please read, and then try out the system which enables you to start a business in under 15 minutes.

It is free to you and the 4 billion poor.

Please add your comments to the blog.

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Report One: Are the rich a waste of money?

Report Two: How the poor mitigate the rich’s greatest problem

Report Three: The revolution – how the rich are gifting the poor the means to enter world markets

Report Four: TMI User manual

www.startup-poor.com www.testmyidea.com

START UP POOR

REPORT ONE

“THE DOCTORS PARTY SYNDROME”

We need first to define the word “rich” as used in this report. It embraces governmental aid agencies and organisations. The world bank; IMF (International monetary fund); foreign and fund managers; researchers; so called “think tanks”; most of the major charitable entities with high salaried staff; trust fund organisations dispensing contributions from governments and millions of individuals (some poor) by means of more management consultants including the academics....more on these below.

We exclude those NGO’s (non government organisations) run by founders and volunteers who work directly with the poor.

We include NGO’s which are owned by individuals and are black listed because of their misuse of contributions.

This first report is not intended as a sophisticated analysis of wasted aid money. It gives examples of the evidence residing in an immense body of research material readily available.*

If you come to the same conclusions as we did you will be interested in reading the related reports no 2, 3 and 4.

This is because the reports deal with the two gravest problems facing mankind. Climate change, and poverty, and presents an innovation making the poor **part of the solution** for both.

It is generally acknowledged some millions of aid intended for poverty relief and development, is wasted because of such factors as mismanagement, corruption,* fraud, Lost Accounting, Border Bribes, Warehouse Release Fees, Lost Transport, Stolen Food, High Consultancy Fees and Distribution Costsetc, with only a fraction received by the intended group.

Recent example: The Irrawaddy Flood Victims in Myanmar 2008.

What is generally not understood is the waste of resources is almost guaranteed by the way the whole system of poverty relief is run by the “Rich” and increasingly seen as for the “Rich”.

Just to get the record straight, StartUp Poor was founded and is funded entirely privately. See archives on startup-poor.com which blogs its progress. It is hoped it will be self funding by sale of educational material and voluntary donations.

* Enter keywords in search engines. Eg: “Aid Funds wasted”, then add one country at a time

Although it is true in general the main wastage lies with recipient governments who have often treated aid funds as bonus payments for favouring one donor government above another, by for example, allowing the favoured government (or Multinational) access to land and commercialisation of a previously sustainable agricultural system, often resulting in large profits for government officials and the multinational, with little benefit to the local farmers who cannot compete in world markets and finish up relying on foreign aid, and/or joining those in the poverty trap.

Other than governments there is a hidden problem rarely spoken about but may well be the main reason so little progress is made in solving world poverty – namely the “Rich”, part of which lets call the “Academics”.

This body of men and women are found in Universities, Business Schools, Research Organisations, Government “Think Tanks”, Aid Consultancies and include some Journalists, Writers as well as Editors, and owners of the Media.

These Academics are “Rich” in the sense they have collectively considerable influence on Government policies, (Media campaigns have brought down Governments and ousted Cabinet Members).

They are indentified (for the purpose of this report) by producing – In the field of helping to reduce world poverty – immense amounts of information including books, reports, white papers, articles, research data, surveys and, more recently, digital products, DVD’s, CD’s, Work Manuals, etc.

To promote these products, Conferences, Seminars, Work Shops, and countless talks are held which together with their salaries, travel, management needs and accommodation costs must total in the tens of millions annually.

It does not take much research to discover that much information is duplicated because most are too busy producing their portion to appreciate the whole foreign Aid giving business.

Whilst, no doubt, they all have love of mankind as their motive, we need to ask:

Do we need many more definitions of the problem?

Are the recent development programs any better than those produced forty years ago keeping in mind the vast increase in world poverty?

Are the “Rich Academics” simply self serving?

Can any of the Academics find one paper giving us any information on what the poor say they want and have helped fulfil that need?

Keeping that in mind, is foreign development aid wasted? On what Scale?

Is the money the “Rich Academics” produce to pay themselves wasted? Should they be giving more to the poor whose lives supply the content for their living whilst vast numbers die?

What essentially do the “Rich” want to achieve? Whatever aspect of this collective body you consider – raising funds, education, Consultancies, Journalism etc, one would hope their aim is to reduce poverty?

What does all the collective wisdom tell us? The Rich have defined the problem with many surveys giving great detail of how bad it is – It is doubtful the family of one of the million who died last week would be encouraged to know at 35, they have only five years left. It might be best not to give them the survey. It might depress them.

Many of the “Rich” are writing about the waste of Billions of foreign aid (they make money telling us so), however the biggest problem this “Rich” industry has, **They are serving the wrong market!**

The intended customers are – people who are poor? If we consider them as patients, and, in a sense they are, because malnutrition and poor resources leaves billions on the sick list, are we giving them adequate treatment?

THE DOCTORS PARTY SYNDROME

The current scenario of 40 years standing is like a party of doctors (the “Rich) who prepare and try out medicines themselves and continually think about ways to improve and administer them, including inventing devices and production methods, they make notes, ring and write to colleagues suggesting how best to research ways to improve the formula. From time to time they call their secretaries in to take notes and discuss management of the next Doctors medicine tasting party. The secretary reminds the Doctors they have patients outside dying and need medicine urgently. The response is to offer the medicine spoons and suggest they lick them. At least they have received a taste!

Although the above may seem an exaggeration let’s consider just one area of the rich, the “production” of highly educated “charity” managers/consultants. This extract informs us of their ultimate mission. It is taken from Harvard University Prospectus. It is typical of most mission statements in the fund management field.

The mission of the Center for International Development (CID) at Harvard University is to advance human well-being and social progress in the developing world by expanding the understanding of development challenges and offering viable solutions to problems of global poverty. CID’s three goals are:

- To build an interdisciplinary network at Harvard to analyze and address the challenges of developing societies.
- To improve the effectiveness of international development policies and institutions.
- To educate and train the next generation of leaders in development science and practice.

The industrial countries today enjoy a level of prosperity, health, freedom and security that would have seemed impossible 50 years ago. By contrast, much of the world’s population still lives in deprivation. While rapid progress is being made in some countries, especially in East Asia, ample regions of the world are falling further behind. In this age of plenty, what deprives people of adequate food, shelter, clean water, education, good health and enough income to live on with dignity? What can governments, international agencies, and non-governmental organizations do to make

the dream a reality? These are the questions that animate the work at the Center for International Development.

The leadership of CID recognizes that solutions to global challenges are possible, but will require breakthroughs in approaches at the cutting edge of the hard sciences, the social sciences, ethics and politics. The Center for International Development seeks to bridge the gaps between disciplines to address the world's most intractable problems. By convening Harvard's leading experts and engaging colleagues throughout the world, CID pursues the science of explaining the sources of and remedies for entrenched global poverty and the political and environmental circumstances that surround it.

CID's primary objectives are to:

- Enhance research and teaching on the fundamental implications of under-development;
- Advance the formulation and discussion of innovative development policy;
- Promote research-intensive interaction with the policy problems of individual countries;
- Strengthen the dialogue between the different social sciences on the issues pertaining to development;
- Serve as an academic resource for international organizations and policy makers; and
- Engage scholars and practitioners in a collective reflection on development issues.

<http://www.cid.harvard.edu/cidinformation/>

Harvard's objectives are similar to most universities/business schools in the area of international aid development. Do you consider they are part of "The Doctor's Party Syndrome"? Are the highly paid aid managers value for money?

The only way to quickly reduce poverty (with no increase of aid funding) is to solve the "Doctors Party Syndrome", which has grown progressively worse over the last forty years.

To answer the central question (Are the "Rich" a waste of money?), consider the above and the evidence from comment about the use of foreign aid in a number of recipient countries below

Examples of Wasted Aid Money

We see active fund raising, charitable events, gift aid, governments pledging billions and we kindly get involved, do our bit. However, where does the money go, who is accountable for how it is spent, who monitors how it spent? This section will look at examples of aid, donated by the tax payer, individuals and agencies and the outcome of this charity.

ABC News reported tonnes of food rotting in Haiti ports. Millions of Haitians are starving while containers full of donated food stack up the nation's ports due to government red tape. "So many times, by the time (the food) gets out of customs it's

expired and we're forced to burn it," said Susie Scott Krabacher, whose Colorado-based Mercy and Sharing Foundation has worked in Haiti for 14 years. "The food is there. It is available. It just can't get out to the people."

The Financial Times says, March 25th 2008, Afghan aid wasteful and ineffective. The international aid effort in Afghanistan is in large part "wasteful and ineffective", with as much as 40 per cent of funds spent going back to donor countries in corporate profits and consultant salaries, Kabul-based charities will say today. At the same time, the administration of Hamid Karzai has failed to tackle high-level corruption in a government that relies on international handouts for 90 per cent of public spending, a report by the Agency Co-ordinating Body for Afghan Relief (Acbar) says.

Oxfam pays \$1 million tsunami aid duty reported by BBC news. Paperwork had kept the 25 four-wheel drive vehicles idle in the capital, Colombo for a month. The Sri Lankan government told the BBC News website the aid had been duty-free until the end of April but was now needed to prevent "market distortion". Nearly 31,000 people died in Sri Lanka when the tsunami struck on 26th December. Half a million were made homeless.

Major donors failing Afghanistan due to \$10 billion aid shortfall, a headline from Oxfam's own website. As estimated 40 per cent of the money spent has returned to rich donor countries such as the US through corporate profits, consultant salaries and other costs, vastly pushing up expenditure. For example, a road between the centre of Kabul and the international airport cost the US over \$2.3 million per kilometre, at least four times the average cost of building a road in Afghanistan.

The report's author Matt Waldman, Afghanistan policy adviser at international aid agency Oxfam, said, "The reconstruction of Afghanistan requires a sustained and substantial commitment of aid – but donors have failed to meet their aid pledges to Afghanistan. Too much aid from rich countries is wasted, ineffective or uncoordinated."

Continuing on Afghanistan, BBC News reported, The country's 280,000 civil servants earn an average wage of \$50 per month, while approximately 50,000 Afghans work for aid organisations where support staff earn up to \$1000 a month. "Within six months of starting my job as finance minister, my best people had been stolen by international aid organisations who could offer them forty to a hundred times the salary we could," he says.

ODI workers on the ground say Mr Ghani has a point. They say Afghanistan is brimming with expensive foreign contractors and consultants who are often duplicating or replacing work that could be carried out by the government. "There is a tendency for UN agencies and non-government organisations to rush in with thousands of small projects, each requiring international staff and drivers," says Clare Lockhart, a research fellow at the ODI and a former advisor to the Afghan finance ministry.

These experts cost far more in overheads like living expenses and repatriation costs than in actual fees for their services, but with further lucrative work in the pipeline, it is not in their interests to pass on their skills to their Afghan counterparts, Ms Lockhart explains.

The GAO report found that in the past decade USAID awarded 40 grants or co-operative agreements totalling \$65m (£50.8m) and the State Department 4 grants worth \$8m (£6.25m) to support democratic progress in Cuba.

USAID provided 385,000 lbs (1174,635 kilos) of medicines, food and clothing, more than 23,000 shortwave radios and millions of books, newsletters and other informational material. But their report concluded that 30 per cent of the exile groups who received USAID grants showed questionable expenditures.

In the book, *White Man's Burden*, from the chapter headed, *The Rich have Markets the Poor have Bureaucrats*, it states, "Unfortunately there are large areas of aid efforts that do not meet the criteria for favourable opportunities for success, leaving power in the hands of the planners... Aid agencies will perform better when they can recruit dedicated professionals, and less well when there are political pressures to hire staff based on other criteria..."

Moving outside of projects, aid that promotes piecemeal reforms, in areas such as cutting red tape or ensuring better banking regulation, has visible result – such as the number of days it takes to start a new business, the number of new businesses started, or the number of bank failures.

We can hope for better results from piecemeal policy advice than from aid that promotes comprehensive reforms, where nobody can tell what is causing what."

Reported in the *New Statesmen* in an article called, "Why charity is a waste of money." If you don't know already, it all started with a heart-breaking report, which explained how tens of thousands of Romanian children, abandoned by families who cannot feed them, had been dumped in little more than filthy holding pens. *Blue Peter* set a target of £600,000 to build bright new orphanages; £6.5 million was sent in. Then it all went wrong. The charity to which this enormous sum of money was sent, the British-based Romanian Orphanage Trust (yes, I know, the acronym is ROT) disbursed the money to a local Romanian charity, *Pentru Copii Nostri*. *Newsnight's* Sue Lloyd-Roberts discovered only 12 substandard house had ever been built and that hundreds of thousands of pounds had gone AWOL. What made it all the more embarrassing for *Blue Peter* is that the programme sent out a team to report on progress. They came. They enthused. They were conned.

MSNBC Reports in "Millions wasted in Iraq reconstruction aid – Quarterly audit paints grim picture of fraud, frustration".

The U.S. government wasted tens of millions of dollars in Iraq reconstruction aid, including scores of unaccounted-for weapons and a never-used camp for housing police trainers with an Olympic-size swimming pool, investigators say.

The quarterly audit by Stuart Bowen Jr., the special inspector general for Iraq reconstruction, is the latest to paint a grim picture of waste, fraud and frustration in an Iraq war and reconstruction effort that has cost taxpayers more than \$300 billion and left the region near civil war.

U.S. officials spent another \$36.4 million for weapons such as armoured vehicles, body armour and communications equipment that can't be accounted for. DynCorp also may have prematurely billed \$18 million in other potentially unjustified costs, the report said. For example, money was cut from what had been originally planned for electrically, water, oil projects and transportation and communication so it could be used to help pay for such things as health care, elections, democracy programs and training Iraqi security forces.

Overall, the largest single expense was security. The total was spent in the following way:

- * 34 percent for security and justice
- * 23 percent to try to generate and distribute electricity. Still, the report noted, output in the last quarter averaged below pre-war levels
- * 12 percent for water
- * 12 percent for economic and societal development
- * 9 percent for oil and gas
- * 4 percent for transportation and communications
- * 4 percent for health care

Auditors has “significant concern” about the way ahead, partly because of the Iraqi government’s bad track record on budgeting for such projects, the report said. It said Iraqi government had “billions of budgeted dollars remained unspent at the end of 2006.”

A report “The Scandal of Phantom Aid Money” on Guardian.co.uk stated:

Well-heeled consultants and companies in the west are the beneficiaries of a global aid system which results in less than 40p in every pound helping to eradicate poverty in the developing world, according to a report out today.

Just over a month before Britain will make a doubling of aid a centrepiece of the Gleneagles summit, the charity ActionAid said the bulk of the money currently allocated was wasted, misdirected or recycled within rich countries.

It found that 61% of aid flows were “phantom” rather than “real” – rising to almost 90% in the case of France and the United States.

The report accused rich countries of “political grandstanding” and highlighted the ways in which they were disguising how real aid flows were even lower than they appeared to be.

The report adds: “Donors have signed up to numerous international agreements to improve the quality of their aid. Yet this agenda has made little headway. At the heart of this failure there lies a lack of accountability on the part of donors for either the amount of aid they commit, or the quality of that aid.”

Voice of America reports on Wasted Aid Money to Africa, a British based international agency says more than 120 million Africans face starvation and other emergency situations because the international aid system is failing to raise and spend money wisely.

Care International U.K.’s chief executive, Geoffrey Dennis, tells VAO he has just returned from drought-stricken north-eastern Kenya, where he met a herdsman named Joseph who had 70 cattle this time last year.

“All the cattle have died and he now needs emergency food, water, and shelter. If we had been able to get sufficient funds a year ago, this could have been avoided,” he said. “We could have provided fodder for his animals, we could have certainly worked on maintenance of existing boreholes of water, we could have helped him manage and

market better the animals he had got, and we would have also have suggested to him that he should get a mixed herd of camels, goats, and other large stock.”

During this year’s drought in Horn of Africa, donors paid for food distributions to help 11 million affected by the drought. But the reports says 83 percent of proposed initiatives to protect the livestock that people depend on for their livelihoods and other non-food measures were turned down by donors.

The agency says the funding of longer-term preventative initiatives as a crisis is developing is much more efficient than emergency relief.

The above information was collated by StartUp Poor, 10th January 2009

Food aid, a gigantic waste of money?

Pedro Sanchez, director of the Tropical Agriculture Program of the Earth Institute at Columbia University and 2002 World Food Prize Laureate, has some interesting numbers on the unsustainable costs of food aid. They show that the multi-billion dollar food aid industry is in a crisis because of rising costs. But there is a very positive side to this crisis: it has now become rational and profitable to invest in local farmers in developing countries - something that should have been done ages ago. The food aid industry has always had perverse effects, such as the destruction of local markets and farmers. But now, at last, there is a glimmer of hope that this inefficient and morally questionable industry can be phased out.

This hope is based on Sanchez' key metrics (representing 2007 data):

It costs about \$77 in fertilizers and hybrid seed for a smallholder African farmer to produce an extra ton of maize, based on our research at the Millennium Villages. To bring in the same ton of maize into Africa as U.S. food aid costs \$670, based on a Government Accountability Office report. Both numbers are as of April 2007, the latest I could obtain. If we assume that the cost of fertilizers, seed and food aid has doubled, then *it is about 10 times more expensive to "give people a fish and they will eat for a day" than "empower people how to fish and they will eat for a lifetime."* Since it may now cost an African smallholder farmer about \$150 in inputs to produce an extra ton of maize, and she can sell it locally for \$250 to \$300, the farmer will generate income and begin the economic transformation from sub-subsistence into commercial entrepreneurs.

<http://biopact.com/2008/07/food-aid-gigantic-waste-of-money.html>

When it comes to the effects of large-scale aid programs in Africa, Easterly's argument is worth quoting:

Jeffrey Sachs and co-authors previously predicted that large aid increases would finance "a 'big push' in public investments to produce a rapid 'step' increase in Africa's underlying productivity, both rural and urban." Alas, we have already seen this movie, and it doesn't have a happy ending. There is good data on public investment for twenty-two African countries over the 1970–1994 period. These countries' governments spent \$342 billion on public investment. The donors gave these same countries' governments \$187 billion in aid over that period. Unfortunately, the corresponding "step" increase in

productivity, measured as production per person, was *zero*. Perhaps part of the reason for this was such disasters as the five billion dollars spent on the publicly owned Ajaokuta steel mill in Nigeria, begun in 1979, which has yet to produce a bar of steel.

<http://www.nybooks.com/articles/19374>

Scandal of 'phantom' aid money

Well-heeled consultants and companies in the west are the beneficiaries of a global aid system which results in less than 40p in every pound helping to eradicate poverty in the developing world, according to a report out today.

"Failure to target aid at the poorest countries, runaway spending on overpriced technical assistance from international consultants, tying aid to purchases from donor countries' own firms, cumbersome and ill-coordinated planning, implementation, monitoring and reporting requirements, excessive administrative costs, late and partial disbursements, double counting of debt relief, and aid spending on immigration services all deflate the value of aid," the charity said.

The report quotes a DfID official as saying that foreign experts giving technical advice in Vietnam, for example, are paid \$18,000-\$27,000 (about £9,900 -£14,800) a month, compared with \$1,500-\$3,000 for local experts.

Donors, it said, continued to restrict the ability of developing countries "to plot their own development paths".

And the rich get richer...

- Just 11% of French aid is genuine, says Action Aid. France spends nearly \$2bn on technical assistance and \$0.5bn on refugee costs in France. Debt relief, an accounting exercise, is 40%
- Of US aid, 86 cents in the dollar is phantom, largely because it is tied to the purchase of American goods and services. George Bush's Aids drugs plan excludes cheaper, generic drugs, so giving lucrative contracts to US pharmaceutical companies but treating fewer patients
- Of Japanese aid to Vietnam, 86% is spent on infrastructure projects because Vietnam is a key market for Japanese exports. These projects tend to be found in areas where Japanese firms operate
- In Cambodia, donors spent between \$50m and \$70m on 700 international consultants in 2002 - equivalent to the wage bill for 160,000 Cambodian civil servants
- UK DfID officials posted overseas get allowances for business class flights, which can be transferred towards holiday flights. DfID administrative costs, at 11.5%, are well above the 8% ceiling allowed by DfID in its funding agreements with NGOs

<http://www.guardian.co.uk/business/2005/may/27/development.debt>

Another issue that is being largely ignored by the media favored presidential candidates is foreign aid. I suppose the topic is not very sexy, but at a time when we are

experiencing a credit crisis and Americans are losing their homes and will soon be wondering where their next paycheck is coming from, foreign aid seems like an important topic to discuss. It is also no small matter – since 1960, the rich countries of the world have transferred, sorry, I mean, provided 2.6 trillion dollars in aid to developing countries.

A wise man once said that "foreign aid amounts to taking money from poor people in rich countries to give it to rich people in poor countries". Former Nigerian President Olusegun Obasanjo has been quoted as saying, "Corrupt African leaders have stolen at least \$140 billion from their people in the 4 decades since independence." Corruption is the biggest, but not the only problem with foreign aid. There is also the problem of giving money to countries that do not have the infrastructure or educated work force to use it towards development. Since independence in the 1960s and 1970s the countries of Sub-Saharan Africa, have seen their food production fall by roughly 20 percent and per capita GDP fall at a rate of half of one percent annually. If foreign aid is successful, than what accounts for these statistics? I realize that a portion of aid money has always gone to education. As a teacher currently living in a recipient country, I can tell you first hand it has not worked in this area either. In Zambia, after 43 years of independence, schools are still woefully resourced, in many instances staffed by teachers who do not have college degrees and crammed with up to 50 students per class and Zambia currently is a success story both economically and politically on the continent.

The opposite extreme from Zambia is her neighbor to the south, Zimbabwe. Once the breadbasket of Africa, Zimbabwe has fallen on hard times in the last decade due to the wrongheaded policies of its dictator, Robert Mugabe. It has the highest rate of inflation in the world, currently at 100,000 percent. Unemployment is at around 80 percent of the work force. Shelves are empty and the people are facing starvation. Yet Zimbabwe currently receives about \$700 million a year in international aid (source: all Africa.com- "Zimbabwe: Mugabe's Last Stand"). Where does the hard international currency go? As recently as the 1990s Zimbabweans would drive down to Harare to do their shopping. Now Zimbabweans come to Lusaka to live.

The fact is that foreign aid does not work and is a waste of money. While there have been some success stories in the developing world since independence movements swept across the globe in the 1960s and 1970s, those countries probably would have become successful without foreign aid anyway. Many developing countries in the world are one coup or fraudulent election away from dictatorship. As we have seen in Zimbabwe, years of foreign aid have been wasted and permanent development has become an elusive pipedream. The British government estimates that Zimbabwe will now need three times the \$700 million a year in international aid it currently receives to help it back on its feet. If granted, what is the guarantee that we won't be having this same conversation about Zimbabwe in 20 years?

At a time when the United States is 10 trillion dollars in debt, it is preposterous to continue giving aid to developing countries. We are throwing money we do not have down an open sewer and financing the opulent retirement of dictators around the world. Additionally, this is one more program that allows the Federal Reserve to print more dollars and further debase our currency.

Instead of foreign aid, our policy should be one of free trade and business deals. Lowering trade barriers would benefit all - American workers and companies and developing countries. Africa is mineral rich. In Zambia recent geological findings point

to oil and uranium reserves underground. The focus should be on American companies cutting business deals in countries like Zambia to extract oil, uranium and other resources from the ground. U.S. companies would benefit from such deals, but the bigger beneficiaries would be the developing countries which gain tax revenues, jobs, and infrastructure. The biggest winner of all may be the U.S. taxpayers who will no longer see their hard earned money go down the drain.

<http://www.nolanchart.com/article3388.html>

As for that money being wasted, some of it is. Aid has to go through two bureaucracies, ours and theirs, and a good deal of it disappears before it reaches the poor. Not all aid projects work, and a few are just plain stupid. Our tax dollars built a milk-processing plant in Iquitos, Peru, where, it turns out, there are no dairy cows. The plant was finally put to work bottling reconstituted dry milk imported from New Zealand, but then it was discovered that people in Iquitos don't drink milk.

http://www.sustainer.org/dhm_archive/index.php?display_article=vn503familyplanning

Iraqi money gambled away in the Philippines. Thousands spent on a swimming pool that was never used. An elevator repaired so poorly that it crashed, killing people.

A U.S. government audit found American-led occupation authorities squandered tens of millions of dollars that were supposed to be used to rebuild Iraq through undocumented spending and outright fraud. In some cases, auditors recommend criminal charges be filed against the perpetrators. In others, it asks the U.S. ambassador to Iraq to recoup the money.

Dryly written audit reports describe the Coalition Provisional Authority's offices in the south-central city of Hillah being awash in bricks of \$100 bills taken from a central vault without documentation. It describes one agent who kept almost \$700,000 in cash in an unlocked footlocker and mentions a U.S. soldier who gambled away as much as \$60,000 in reconstruction funds in the Philippines.

"Tens of millions of dollars in cash had gone in and out of the South-Central Region vault without any tracking of who deposited or withdrew the money, and why it was taken out," says a report by the Special Inspector General for Iraq Reconstruction, which is in the midst of a series of audits for the Pentagon and State Department.

<http://www.globalpolicy.org/security/issues/iraq/dfi/2006/0129squandered.htm>

CONCLUSION - NGO'S EFFECTIVE HELPERS OF THE POOR?

This paper brings forward one appropriate response to the important issue of whether NGO aid allocation is development oriented or whether it is influenced by strategic considerations, notably by their relationship with institutional donors. On the one hand, research on the motivations underlying aid allocation of donors has so far taken into account only bilateral and multilateral aid flows. On the other hand, the literature on nongovernmental aid has expressed concerns about the potential consequence of increased NGO funding by official donors as this could modify NGOs' priorities. This

paper complements both literature strands as we conduct an empirical analysis of European NGO aid allocation over 9 years and 78 recipient countries.

We test NGOs' aid distribution for variables representing the needs of the recipient country, such as poverty levels and life expectancy as well as for variables representing some potential strategic interest. In particular, we are interested in identifying whether NGOs are influenced by the funding source. We also test for militarization and the political state of the recipient country. Our findings indicate that NGOs are more likely to intervene in poor countries with low life expectancy. NGOs appear rather immune to strategic considerations, as the influence of the institutional donor that funds them is very weak, and as they don't really react to the commercial closeness between the recipient country and their region of origin. Less democratic and highly militarized countries are less likely to benefit from NGO aid. We identified differences in the motivating factors across regions.

On the whole, NGOs seem relatively immune to strategic interests and seem to keep up their promise of being advocates of the poor and vulnerable.

<http://www.imf.org/external/pubs/ft/wp/2006/wp0639.pdf>

Presenter

Alan Smith: Junior foreign office minister

Dr Al-Rashid: Islamic Relief

Jane Davis: Save the Children

Presenter: Today's debate explores the issue of foreign aid. I have with me in the studio Jane Davis from the non-governmental organisation, Save the Children, Dr Al-Rashid from Islamic Relief, also a non-governmental organisation and Alan Smith, the Junior Foreign Office Minister.

A report by the United Nations Development Program argues that the world's poorest countries are actually continuing to get poorer even though they receive the most aid. Jane Davis as a representative of a non-governmental organisation - should we stop giving foreign aid, if the countries that we're trying to help aren't developing?" Jane Davis: Save The Children promotes both types of aid. Our long term aid projects include working closely with local people to identify how we can improve standards of living. For example, we provide agricultural advice and training, clean water and health education programs. We see the role of long term aid as helping people to be self-sufficient.

Alan Smith: Well, there is evidence that a lot of aid given bilaterally, that is from one country to another, has been wasted by corrupt governments or misused.

Unfortunately the same can often be said of multilateral aid where money is distributed by international aid agencies such as the United Nations and the World Health Organization. Governments contribute funds, and the international aid agencies decide what to do with it.

Jane Davis: The problem with a lot of bilateral government aid is that it's tied and that the receiving country has to buy goods or services from the donor country. A good example is the Pergau Dam in Indonesia – Britain helped to fund the dam on the condition that Malaysia bought £1 billion worth of military equipment.

Presenter: A suggestion has been made by the African journalist Andrew Mwenda that countries like Uganda should not be given any aid at all. Mr Mwenda argues that aid does not help a country's development; it just encourages dependence on aid. He points out that Uganda had its debts written off in 1998 and then borrowed so much money that it's debt is now double what it was.

Presenter: Thank you to all our guests. In summary, there is a strong feeling in the studio that short term aid is essential to relieve the suffering that occurs in emergency situations.

The long term aid provided by non-governmental organisations helps people to be self-sufficient. There are concerns that governments sometimes spend money unwisely. Some African countries have received aid in the form of debt cancellation, yet remain poor; and many observers, both in Africa and the West, feel that the best way to help the continent is to make it easier for poor countries to trade their way out of poverty.

http://www.bbc.co.uk/schools/gcsebitesize/audio/geography/pdf/foreign_aid.pdf

20 percent of African government budgets have been used for "military hardware and other unnecessary luxuries." Unnecessary luxuries include Congo President Denis Sassou-Nguesso's recent hotel bill of more than \$300,000 and his \$7 million on Parisian homes for his wife and son.

http://www.projo.com/opinion/contributors/content/CT_boin22_07-22-08_QHAT7C5_v29.411f025.html

in Tanzania and Uganda other bodies have estimated that 20% of procurement expenditure is lost through corruption... an external audit of the Bank of Tanzania showed that US\$100 million had been misused, and in February 2008, Tanzania's prime minister and entire cabinet resigned after being implicated in corruption over an electricity contract.

<http://burningourmoney.blogspot.com/2008/06/more-aid-waste.html>

Despite more than \$15 billion of aid pumped into Afghanistan since U.S.-led and Afghan forces toppled the Taliban in 2001, many Afghans still suffer levels of poverty rarely seen outside sub-Saharan Africa... Spending on development is dwarfed by that spent on fighting the Taliban. The U.S. military is spending \$65,000 a minute in Afghanistan, Oxfam said.

<http://www.rawa.org/temp/runews/2007/11/20/too-much-aid-to-afghanistan-wasted-oxfam.html>

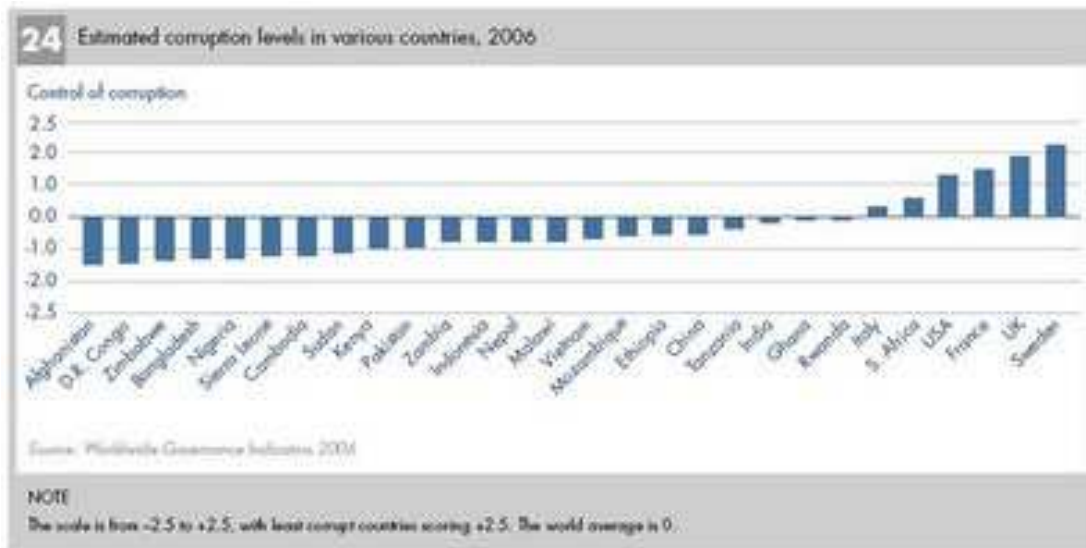
The international community has pledged \$25bn to Afghanistan since 2001 but has only delivered \$15bn... An estimated 40% of the money spent has returned to rich donor countries such as the US through corporate profits, consultant salaries and other costs, vastly pushing up expenditure

http://www.oxfam.org/en/news/2008/pr080325_donors_failing_afghanistan

Not including World Bank loans, which in some years totaled as much as \$1 billion, Nigeria took in \$3.5 billion in aid from 1980 to 2000. That was a few hundred million less than Sani Abacha has been accused in news reports of stealing in the five years he ruled Nigeria as a military dictator before his death in 1998. Dismayed, donors pulled back or out. Aid in 1999 totaled half the 1990 level. Later audits disclosed scores of botched projects financed with hundreds of millions of dollars in international loans. Nigeria's government never even cleared the site for an \$18 million construction project. Millions were spent on paper mills that never produced any paper. Eighteen projects costing \$836 million were never completed; another 44 either never operated or were quickly shut down, the Nigerian Finance Ministry reported. Of 20 other projects started between 1985 and 1992, more than half had little impact or were unsustainable, the World Bank concluded.

<http://www.nytimes.com/2005/07/06/international/africa/06lagos.html?pagewanted=all>

More Aid Waste



Into the darkness goes our cash

We've done a few posts recently on overseas aid (eg [here](#) and [here](#)). Our conclusion so far is that very large chunks of the £5bn pa we taxpayers now spend on aid is totally wasted, **going mainly to support the international aid industry.**

Today the [Public Accounts Committee published its report](#) on one rapidly growing component of the UK aid programme - so-called "*budget support*". That's where instead of spending money directly on specific aid projects, like building a new hospital, the Department for International Development (DFID) simply hands over a wad of folding money - currently **£0.5bn pa** - to the governments of favoured developing countries, so they can spend it themselves, as they decide.

What! you say. What! That's bonkers isn't it? Surely everyone knows those people are as corrupt as hell. Won't the money just go walkabout, or at best, get flushed straight down the toilet?

The answer is that the wide-eyed fools at **DFID have no idea**. But the PAC reports:

*"DFID has not estimated how much funding through developing governments is wasted or used for corrupt purposes, but the estimates of others are worrying. For example, in Tanzania and Uganda other bodies have estimated that 20% of procurement expenditure is lost through corruption. In 2006–07, **DFID provided £90 million and £40 million** respectively in budget support funding in these countries. More recently, an external audit of the Bank of Tanzania showed that US\$100 million had been misused, and in February 2008, Tanzania's prime minister and entire cabinet resigned after being implicated in corruption over an electricity contract."*

It's a **complete and utter shambles**. DFID is doling out hundreds of millions of **our money** on this scheme every year, and yet:

- It has **not established the effectiveness** of budget support relative to other types of aid, or been able to conclude whether, as currently implemented, it represents value for money.
- Its budget support objectives and monitoring have **significant weaknesses**.
- It **rarely attempts to quantify** the impact of weaknesses in systems for risks to DFID's funds.
- It provides budget support expenditure in countries where expenditure and output data are so weak that it **cannot monitor progress effectively**.
- It claims that budget support allows it to shape national policy but at other times claims that using **leverage rarely works**.
- The **financial risks** of putting UK funds through weak national systems are often high.

Of course, DFID makes all kinds of wild arm-waving claims, but like so much of the aid industry, it's wholly unable to substantiate them. Most are pure untestable assertion, although the PAC has at least had a go.

For example, DFID asserts its budget support has increased the supply of public services, like primary school enrolments, to the poor in recipient countries. But as the PAC points out:

"...such improvements cannot be attributed solely to budget support, but also reflect the efforts of the governments of the developing countries, other donor projects and prevailing economic conditions and growth rates. Many countries receiving budget support have increased their primary enrolment rates significantly, but so have some countries which have had no budget support. In addition, the modest increase in Ghana's enrolment rates and the decrease in the rate in Vietnam [both recipients] show that the pattern of benefits from budget support is by no means simple."

"By no means simple", which translates as "there's no relationship whatsoever". No wonder other countries spend so much less on *budget support* - as a proportion of our bilateral aid programme, we do more than **three times any** other donor.

<http://burningourmoney.blogspot.com/2008/06/more-aid-waste.html>

Report: Afghan aid money wasted

Afghanistan is highly dependent on foreign aid, but a new study says that much of it is being wasted.

The Agency Coordinating Body for Afghan Relief, an alliance of 94 international aid agencies, said in a report on Tuesday that a vast amount is spent on expatriate staff's high salaries, security and living arrangements. Since 2001, 40 per cent of Western aid worth \$15 billion have been spent on projects that return money to donor nations through fees to contractors and salaries to employees from those countries.

The study says that Afghanistan's biggest donor, USAID, allocates close to half of its funds to five large US contractors and that "it is clear that substantial amounts of aid continue to be absorbed in corporate profits."

The five companies are KBR, the Louis Berger Group, Chemonics International, Bearing Point and Dyncorp International, the report said.

The report, which was written by Oxfam, a British charity, said the cost of a full-time expatriate consultant working in Afghanistan is around \$250,000. It is some 200 times the average annual salary of an Afghan civil servant, who is paid less than \$1,000 per year.

<http://english.aljazeera.net/news/asia/2008/03/2008525132547267363.html>

Why charity is a waste of money

Malcolm Clark

An appeal is launched - for Mozambique or Romanian orphans - and cash pours in. Malcolm Clark thinks we should take more care over its destination

There was a time when the only hint of scandal about *Blue Peter* was the penchant, on the part of the team's Labrador, for crotch-sniffing. Now, after the problems about presenters spending too long in the loo (from sniffing to snorting, in one fell swoop), the programme's most venerable institution is suddenly in disgrace. No, not the sainted John Noakes, but the annual fundraiser. I can't wait to see how they explain this one to the kids.

This event is the daddy of all TV charity events. The revelation that its most successful appeal wasted millions on non-existent orphanages is not only a coming of age for children's TV, but a sign of the times in a country that appears to be in thrall to charity.

If you don't know already, it all started with a heart-breaking report, which explained how tens of thousands of Romanian children, abandoned by families who cannot feed them, had been dumped in little more than filthy holding pens. *Blue Peter* set a target of £600,000 to build bright new orphanages; £6.5 million was sent in.

Then it all went wrong. The charity to which this enormous sum of money was sent, the British-based Romanian Orphanage Trust (yes, I know, the acronym is ROT) disbursed

the money to a local Romanian charity, Pentru Copii Nostri. *Newsnight's* Sue Lloyd-Roberts discovered only 12 substandard houses had ever been built and that hundreds of thousands of pounds had gone AWOL. What made it all the more embarrassing for *Blue Peter* is that the programme sent out a team to report on progress. They came. They enthused. They were conned.

As one TV charity appeal departs, in humiliation, another one arises to take its place. The floods of Mozambique, the intrepid journalists of ITN tell us, require us to throw millions of pounds in a roughly southward direction. The credit-card hotlines are already buzzing and a charity infrastructure is being constructed almost as quickly as the waters of the Limpopo are receding.

Perhaps three years ago Clare Short, a bold new overseas development minister, would have given this panic short shrift. She would have explained that the best way to use the limited resources available to her department was not in a mad scramble. She might have argued that news-fuelled hysteria tends to achieve very little, that it pours the wrong resources into tiny markets and often totally destroys them, doing more long-term damage to communities than even flood and famine. Now, I suppose, she realises that in moments of crisis, TV and charities conspire to mislead the public into believing that they really do live in a global village. So we come to expect that millions in aid will whizz through cyberspace much as it does in the financial markets.

Before I go any further, I had better explain that I too am a giver. I give left, right and centre. My money is busy building things all over the developing world, and saving lives, limbs and conquering diseases I have barely heard of and cannot begin to spell. But I can't tell you exactly how my money is being used, or even where.

I blame the BBC, which has been trying to convince us of the virtues of "charidee" for decades. It has inflicted on us that unpleasant orgy of self-congratulation called Children in Need, where extremely rich people give up some pin-money to encourage the poor to give money to the even poorer. But among the multiplying horrors of television afflicted with a conscience, *Blue Peter* has always been the charity showcase.

Even as an eight year old, I knew I was being brainwashed. Just as the *Blue Peter* formula of pets, plants, and making toys out of recycled household waste produced a nation that is obsessed with animals, gardening and DIY, so its heart-warming appeals for money, or used postage stamps, gave us the idea that charity is an unqualified good thing. There are, at the last count, more than 187,000 different charities in this country, with a combined turnover of more than £16 billion, and assets of more than £35 billion. This is almost an entire shadow economy. Yet, in our encounters with this vast sector, we take our cue from the people who taught us in the first place - we smile inanely like dumb *Blue Peter* presenters and thank them for being so kind as to take our money.

For one thing, we assume that someone is in charge, that, for example, there is someone making sure that charities do not uselessly duplicate their activities. As if. I first became critical of charities when I researched a programme about Aids charities in the early 1990s. It turned out there were almost as many registered charities devoted to Aids in Britain as there were people with Aids. One person's concerted effort is another's job-creation scheme.

Then we assume that the people who run charities will actually respect our hard-earned cash. Now, have I missed something? It has become a fundamental rule of economics, we are constantly being told, that if you get something for nothing you won't respect it. So how is it these charity administrators somehow manage to avoid being spoiled by our largesse? All they have to do is show us a few pictures of poor people and we send them millions through the post.

So, though we give our money in the vain hope that it will get to Africa, millions somehow get waylaid in Soho. It's not just the administrators, the managers and the lobbyists. There are the appeals letters, and the cinema adverts, and the carefully reconsidered rebrandings.

I hate to pick on the Aids sector again, but the leading HIV/Aids charity, the Terence Higgins Trust, can hardly be stuck for cash. It recently decided to spend hundreds of thousands on a campaign to combat homophobia. Posters in the London Underground announced: "It's homophobia that's queer!" How many people who gave the charity their legacies ten years ago, thinking it would go towards care, and counselling of people who were genuinely ill, ever thought that their money would be used to help balance the books of the Tube?

But at least the trust is what we would all think of as a real charity. I defy you to work out why we are all subsidising Eton or the colleges of Oxford or Cambridge. The latest wheeze is for yuppie sports facilities like Jubilee Hall in Covent Garden to claim that they, too, are charities. They promote fitness, you see. Lift those cheques. I mean cheeks. What do you mean you don't give them money? We gave £2 billion in tax subsidies to charities last year.

Now all this would be fine. We could put up with the excesses, the breaches of faith, and the high admin costs if we could be sure that most of our money eventually got to the people we wanted to help.

And you will be sure of that - if you think the Charity Commission, which is supposed to oversee the work of charities, is up to the job. But, I suspect, its mere existence fosters the illusion that the sector is properly regulated. It was alerted to the *Blue Peter* scandal over a year ago and decided to take no action. And when the Public Accounts Committee most recently looked at its work, it lambasted it. It turns out that a third of all charities provide no audited annual accounts. A quarter provide no returns at all.

So what's the common factor in a slew of recent news stories, from the trustees of the Princess Diana Fund spending £6,000 on a private jet to take them to the Isle of Man, or a local hospital charity that bought the trustees' wives new Golfs, or even the bizarre case of the innocuously named Trust of St Michael the Archangel, which claimed to be linked to the Catholic Church, but was really a fascist front organisation? They were not exposed by official regulators, but by journos looking for a scoop.

Now since there aren't legions of Sue Lloyd-Roberts flying around, canoeing up rivers and persevering with difficult questions, we are left with no choice but to take the charities on trust. And that's my problem.

Charities handle the most corrosive commodity we know - cash - and yet have the loosest regulation and a deeply secretive culture. The people who are most likely to

witness mistakes, and abuses, are those whom we wanted to help in the first place and who therefore are in no position to answer back. Should we really trust people who are attracted to a business like this?

I keep wondering: how did we all get so rich that we could afford to give money to charity anyway? Was it the saintly voluntary organisations that swept through slums freeing our grandparents from bondage while holding a hankie to their noses? Er . . . nope. It was big nasty things like economic growth, transfers of wealth, and real jobs that put money in our parents' pockets. When a charity says it's going to help provide those kinds of things, it is welcome to send me a begging letter.

<http://www.newstatesman.com/200003130008>

Paying Aid to Corrupt Regimes No Use to Poor

On UN International Anti-Corruption Day, John O'Shea Looks at the Greatest Barrier to Development

*By John O'Shea**

[Irish Times](#)

December 9, 2004

Of all the factors holding back the developing world and keeping its people steeped in abject poverty, by far the most crippling is that of corrupt politicians who see power as the means to personal wealth at the expense of the poor.

Take Frederick Chiluba who during his 10-year presidency in Zambia filched hundreds of millions from his country leaving his people among the poorest in the world. Chiluba is accused of 169 counts involving the theft of \$43 million (EUR 32.4 million) from the country's coffers, believed to be a fraction of what he is thought to have stolen. Recently the London High Court froze \$24 million of assets held in Britain by Chiluba and four cronies. When he left office in 2001 the Zambian people were among the world's poorest despite their vast copper mines.

Mohammed Suharto, Ferdinand Marcos, and Mobutu Sese Seko between them ripped off up to \$50 billion from their impoverished people in Indonesia, the Philippines and Zaire respectively. The West turned a blind eye to Suharto's activities because he was perceived to be a force against communism in Asia. He stole \$35 billion during three decades in power, but when deposed was judged too ill to stand trial.

Mobutu Sese Seko stole almost half of the \$12 billion in aid that Zaire received from the IMF during his 32-year reign, leaving his country (now the Democratic Republic of Congo) in a pathetic mess. Among the hall of shame are also: President Sani Abacha of Nigeria - took five years (1993-98) to enrich himself to the tune of \$2 billion to \$5 billion; Slobodan Milosevic - took \$1 billion from the people of Serbia between 1972 and 1986; Haiti's Jean-Claude Duvalier from 1971 to 1986 siphoned off \$300 million to \$800 million of public funds; Alberto Fujimori, president of Peru through the 1990s, was \$600 million richer when he left office; from 1996 to 1997 president Pavlo Lazarenko of Ukraine embezzled \$200 million; Arnoldo Aleman served one term as president of Nicaragua (1997-2002), but time enough to steal \$100 million.

Corruption is a major obstacle to democracy and the rule of law and, ultimately, if allowed to get out of control it will reach a point where society is no longer able to function. Peter Eigen, chairman of the corruption watchdog NGO Transparency International, put it starkly in his introduction last month to the 2004 TI Corruption Perceptions Index:

"Corruption robs countries of their potential. . ." he said. "Across the world, corruption in large-scale public projects is a daunting obstacle to sustainable development, tearing at the social fabric and contributing to civil unrest and conflict. It is a blow to the hopes of millions, one that results in a major loss of public funds needed for education, healthcare and poverty alleviation, both in developed and developing countries."

Corrupt politicians squander public resources on uneconomic "trophy" projects like dams, power plants, and refineries, at the expense of less spectacular but more necessary projects like schools, roads, or the supply of power and water to rural areas.

Over 27 years I have witnessed the effects of corruption on impoverished communities. It quickly pervades all strata of society, and graft and bribery soon become the norm, with far-reaching and devastating effects. If parents cannot afford to pay the teacher in the local school then a generation will go without education. If you cannot afford the bribe for access to the government clinic your child may well die.

In my experience corruption is the single greatest barrier to development, often leading to a sense of hopelessness in the civilian population. Development is often held back further by an exodus of the better educated and more honest who see more opportunities away from its economically debilitating effects. Even the natural environment suffers. Greedy over-exploitation of natural resources for personal gain by means of environmentally devastating projects sees hundreds of millions of what should be public money siphoned off.

In the seven years to 2002 sub-Saharan Africa received about \$114 billion in aid. Yet African countries have consistently been bottom of the UN Development Programme's Human Development measures of life expectancy, GDP per person, and literacy. Not all of this money has disappeared due to corruption; much can be put down to waste or atrocious management. But a considerable amount has over the years found its way into the pockets of very corrupt politicians and officials. A report to the recent summit meeting of the African Union in Addis Ababa estimated that corruption costs Africa at least \$150 billion a year.

In July Edward Clay, British high commissioner to Kenya, suggested that aid to Kenya should be suspended. He said officials were "behaving so gluttonously at the aid trough that they are now vomiting on the shoes of donors". I have been a long-time critic of the Department of Foreign Affairs for its reliance on bilateral (government to government) aid rather than other more reliable methods of helping the poor in these countries. Giving millions to regimes known to be corrupt and with dreadful human rights records is, at the very least, a waste of taxpayers' money and sometimes tantamount to collusion in criminal activity.

Irish Overseas Development Assistance money is paid to some questionable regimes. The government of Yoweri Museveni in Uganda, for example, is a favoured nation even though it has been immersed in an illegal war in neighbouring Democratic Republic of

the Congo (DRC) which has caused the deaths of five million people. There is much evidence to link the president, his family and the top brass in the Ugandan military to major crimes in DRC. Some governments have stopped providing aid to countries whose regimes are perceived as corrupt or involved in human rights abuses. The Dutch and Danes have both slashed aid to Uganda citing corruption, poor governance and poor human rights records.

It is GOAL's experience and that of numerous missionaries that bilateral aid rarely trickles down to the poor in the slums and villages of developing countries. Our Government should of course continue to assist the poor, but we must, for our own sake as much as theirs, ensure we get the best value for our contribution. There has been some debate recently about the Government's failure to reach the UN target of 0.7 per cent of GDP, but I am convinced that the manner in which the money is spent is infinitely more important to Irish taxpayers.

<http://www.globalpolicy.org/nations/laundry/general/2004/1209aidcorrupt.htm>

Third World Economy: Is Foreign Aid Destructive?

By Evans Munyemesha, with acknowledgements to Sepp Hasselbegger

Foreign Aid comes with a feel-good factor. We can be satisfied that we are - our countries are - contributing to the economic well-being of starving people in the Third World. Even if only a small percentage of our money goes to that aid, at least we did something positive. Or did we?

Zambian writer Evans Munyemesha does not think so. In an article titled *International Aid*, published in [The Zambian](#), he charges that development aid, "has financed the creation of monstrous projects that, at vast expense, have devastated the environment and ruined lives". Rather than getting down to "the hard task of wealth creation", Munyemesha says, "easy handouts" have been substituted "for the rigors of self-help", leaving the receiving countries economically crippled and their people worse off than before. If we look at results, African 'aid' has been an unmitigated disaster:

"[Africa] has lost self-sufficiency in food production that it enjoyed before development assistance was invented, and during the past few decades, has become instead a continent-sized beggar hopelessly dependent on the largesse of outsiders--per-capita food production has fallen in every year since the 1960s. Seven out of every ten Africans, are now reckoned to be destitute or on the verge of extreme poverty, with the result that the continent has the highest infant mortality rates in the world, the lowest average life-expectancies in the world, the lowest literacy rates, the fewest doctors per head of population, and the fewest children in school."

And the situation in other parts of the world does not seem much better.

You might say, that with all the money we're paying, there must be something wrong with the receivers of our aid. The temptation is to cast around for logical reasons why our good intentions don't bear fruit. Corruption ... lazyness ... hold it for a moment. Apart from the on-the-ground view of our Zambian observer (you can see the whole article further down) we have another witness - John Perkins, a highly paid economist formerly working for an international development consultancy. In his book titled [Confessions of an Economic Hit Man](#), Perkins describes how as a highly paid

professional, he helped the U.S. cheat poor countries around the globe out of trillions of dollars by lending them more money than they could possibly repay and then take over their economies.

"Basically what we were trained to do and what our job is to do is to build up the American empire. To bring -- to create situations where as many resources as possible flow into this country, to our corporations, and our government, and in fact we've been very successful. We've built the largest empire in the history of the world. It's been done over the last 50 years since World War II with very little military might, actually. It's only in rare instances like Iraq where the military comes in as a last resort. This empire, unlike any other in the history of the world, has been built primarily through economic manipulation, through cheating, through fraud, through seducing people into our way of life..."

said John Perkins when he was interviewed by Amy Godman. You can find a transcription and get the audio on Democracynow.org. Much of the responsibility for the disaster, says Perkins, is the World Bank's and the International Monetary Fund's, but he is also optimistic that the situation can be changed, saying *"I believe the World Bank and other institutions can be turned around and do what they were originally intended to do, which is help reconstruct devastated parts of the world. Help -- genuinely help poor people."*

Well, we certainly would have to find ways to make the 'aid' actually arrive at the people, and to help them become self-sufficient, not lead them into further dependency.

Thanks to [Neal Perochet](#) of *Environmental Restoration International*, for bringing the article of Evans Munyemesha to my attention. Neal has been working on the ground in Africa and elsewhere, to make communities self-sufficient through environmental restoration.

Here's the article, first published in *The Zambian*, which does go quite a way in shaking our feel-good factor on foreign aid or, as it's also mistakenly called, "development aid"...

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International Aid

by [Evans Munyemesha](#)

first published 20 October 2003 in [The Zambian](#)

With international 'aid' to soon reach \$100 billion a year (from \$60 billion), it will be the final kick in the teeth of the poor, crippling further their Third World economies. Indeed, (as I have found out after researching through reports and what-not), it's often profoundly dangerous to the poor and inimical to their interests to have 'aid' imposed upon them: It has financed the creation of monstrous projects that, at vast expense, have devastated the environment and ruined lives; it has facilitated the emergence of fantastical and devious bureaucracies staffed by legions of self-serving hypocrites; it has sapped the initiative, and creativity and enterprise of ordinary people and substituted the superficial and irrelevant showiness of imported advice; it has sucked potential entrepreneurs and intellectuals in the developing countries everywhere into non-productive administrative activities; it has created a 'moral tone' in international affairs that denies the hard task of wealth creation and that substitutes easy handouts for the rigors of self-help; in addition, throughout the Third World, it has allowed the dead grip

of imposed officialdom to suppress popular choice and individual freedom. Call it what you will--but I will call it for what it is: Noble Colonialism! Ain't that a 'female dog'?

'Aid' [they call it] has its defenders, not least the highly paid public-relations men and women who spend millions of dollars justifying the continued existence of the agencies that employ them. Such professional communicators must reject out of hand the obvious conclusions symbolized by the white elephants of international 'aid' agencies: that 'aid' is a waste of money and time, that its results are fundamentally bad, and that --- far from being increased--- it should be stopped forthwith before more damage is done.

Whenever such suggestions are made the lobbyists throw up their hands in horror and consternation. Despite some regrettable failures, they protest, 'aid' is justified by its successes; despite some glitches and problems, it's essentially something that works; most important of all ---the emotional touch, the appeal to the heartstrings ---they argue with passion that 'aid' must not be stopped because the poor could not survive without it. Such wealthy lunacy! The Brandt Commission provided a classic example of this thought as it loudly screamed and I quote: 'For the poorest countries 'aid' is essential to survival.'

Such statements, however, patronize and undervalue the people of the poor countries concerned. They are, in addition, logically indefensible when uttered by those who also want us to believe that 'aid' works. Throughout history and pre-history all countries everywhere got by perfectly all right without any 'aid' at all. Furthermore, in the 1950s they got by with much less 'aid' than they did, for example, in the 1970s--- and were apparently none the worse for the experience. Now, suddenly, at the tail end of almost sixty years of development assistance, we are told that large numbers of the same countries have lost the ability to survive a moment longer unless they continue to receive ever-larger amounts of 'aid'. If this is indeed the case ---and if the only measurable impact of all these decades of development has been to turn resolute and tenacious survivors into helpless dependents ---then it seems to me to be beyond dispute that 'aid' does not work. Despite the rich, flowing, and seductive language of the Brandt Commission reports, there is a stark lack of concession that prudent management of resources, a willingness to share responsibility and power among nations to fulfill common needs, ensure the right of personal livelihood, improve living standards, and guarantee the well-being of each and every individual in our global village are simply missing in the international 'aid' agendas.

Irredeemably out of touch with the poor, and the tedious day-to-day realities of their lives, it's little wonder that the dignified gangsters in the fraudulent scheme of foreign 'aid' for Third World development so unfailingly come up with bizarre and extraneous projects like donating huge supplies of slimming products and frostbite medicine to starving Somalis in the 80s---projects that are worthless, even harmful, to those they are intended to benefit. All that these projects do is meet the bureaucratic needs of the agencies themselves, the career needs of their staff, and the commercial needs of suppliers from whom equipment and services are procured.

It's not outside our grasp to note that the 'well-intentioned' efforts of our 'well-wishing' guests in the business of international 'aid' have been a sinking ship; a red-faced failure: This is clearly evidenced by the continued existence of the 'aid' agencies. If they were doing a good job of promoting development among the poor [which is what they actually tell us], then, presumably, they should have put themselves out of business by

now. Over fifty years they should have dealt systematically with the problems that they were established to solve, closed up shop and stopped spending public funds from developed countries. But, no, they want to discuss malnutrition in Uganda while having steak dinners flown in from London; they want to discuss irrigation in Kenya while scuba-diving along the Kenyan beaches; they want to eradicate tsetse flies in Mpongwe, Zambia while sipping Scotch-over-rocks imported duty-free from Wales.

In fact they have firmly planted their roots among the poor despite the rapid changes that have taken place over time. Most of them have grown from year to year with ever bigger budgets, ever more projects to administer (and then abandon) and ever more staff on their ever-expanding payrolls---all this in the name of helping the poor!

They never cease to seize a moment to plaster their faces in front of any visiting camera in sight while blabbing about the great mission they have embarked on in the interests of the lowly and deprived. The poor would be less poor if their foreign benefactors would not waste generously donated funds by good folks on over-priced Swiss shades, English biscuits, French vacations, Italian shoes, Japanese gizmos and German silk undies.

Still yet, if the statement that 'aid works' is true, then presumably the poor should be in much better shape than they were before they first began to receive it more than half a century ago. If so, then 'aid's' job should by now be nearly over and it ought to be possible to begin gradual withdrawal without hurting anyone. Right?

Of course, the truth and ugly reality of it all is that most poor people in the most poor countries most of the time never receive or even make contact with 'aid' in any tangible shape or form: whether it's present or absent, increased or decreased, are thus issues that are simply irrelevant to the ways in which they conduct their daily lives. After the multi-billion-dollar 'financial flows' involved have been shaken through the sieve of over-priced and irrelevant goods that must be bought in the donor countries, filtered again in then hundreds of thousands of foreign 'experts', 'professionals' (and whatever else cute foreign title you may call them by!) and 'aid' agency staff, skimmed off by dishonest commission agents, and stolen by glossy-bellied corrupt Ministers and Presidents, there is really very little left to go around. This little, furthermore, is then used thoughtlessly, or maliciously, or irresponsibly by those in power---who have no mandate from the poor, who do not consult with them and who are utterly indifferent to their plight. Small wonder, then, the effects of 'aid' are so often vicious and destructive for the most vulnerable members of the human society.

All this notwithstanding, what is to be said about 'aid's' much-vaunted 'successes'?

Of the Third World, Africa contains many lessons for the fraud of 'aid'. It has lost self-sufficiency in food production that it enjoyed before development assistance was invented, and during the past few decades, has become instead a continent-sized beggar hopelessly dependent on the largesse of outsiders---per-capita food production has fallen in every year since the 1960s. Seven out of every ten Africans, are furthermore, now reckoned to be destitute or on the verge of extreme poverty, with the result that the continent has the highest infant mortality rates in the world, the lowest average life-expectancies in the world, the lowest literacy rates, the fewest doctors per head of population, and the fewest children in school. Tellingly, after Africa became the most 'aided' continent in the solar system in the last decade, its Gross Domestic Product per capita shrunk by an average of 3.4 per cent per annum. Sob, sob sob!!!

In the other Third World countries (like Bangladesh, Mexico, etc.), the story is the same: Grim and pathetic! Thanks to 'aid'. Debts have consistently increased, and economic growth consistently decreased. All this spurred on by the one-size-fits-all foreign 'aid' policy. This sick and loathsome policy presumes not only that the 'aid' donors have a fairly good idea what growth-promoting policies are, but that these policies are the same everywhere. Excuse me, but this is a bunch of dung! What 'aid'? With deepening poverty in almost every Third World country where 'aid' had (and still has) its hand fittingly wrapped around the necks of the poor, it would seem official that it [development 'aid'] is neither necessary nor sufficient for 'development': the poor thrive without it in some countries; in others, where it is plentifully available, they suffer the most deplorable miseries. Such suffering furthermore occurs not in spite of 'aid' but because of it.

To continue with the trick of 'aid' seems to me to be generously absurd. Garnered and justified in the name of the destitute and the vulnerable, 'aid's main function in the past half-century has been to create and then entrench a powerful new breed of wealthy, privileged and accountable-to-one gang of foreign parasites. In this camp of screw-the-poor-out-of-existence made up of the World Bank, IMF, United Nations and other worthless behemoths of international mediocrity, 'aid'---and nothing else---has provided 'jobs for the boys' and has permitted record-breaking self-serving behavior, arrogance, paternalism, and fearless cowardice. At the same time, in the Third World, 'aid' has perpetuated the rule of incompetent 'important' fools whose leadership would be more appropriate at raising monkeys at the zoo; it has allowed governments characterized by momentous ignorance and irresponsibility to thrive; last but not least, it has condoned---and in some cases facilitated ---the most consistent and grievous abuses of human rights that have occurred anywhere in the world since the dinosaurs lived.

In these days of enlightened minds, the time is nigh for the 'Masters of Disasters' to depart. Their ouster is achievable only if and when the poor people are willing to rediscover ways to assist one another directly according to their needs and aspirations as they themselves define them, in line with priorities that they themselves have set, and guided by their own agendas.

Forget 'Aid!' Give them an equal opportunity!

http://www.newmediaexplorer.org/sepp/2005/06/04/third_world_economy_is_foreign_aid_destructive.htm

Robert Mugabe bank accused of stealing aid cash

Jan Raath in Harare

November 7, 2008

An international aid agency froze its donations to Zimbabwe yesterday after President Mugabe's central bank was found to have pilfered £4.5 million from funds meant to help millions of seriously ill people.

The missing money was part of a £65million grant from the Global Fund to Fight Aids, Tuberculosis and Malaria, one of the world's largest private organisations dedicated to helping poor countries to combat disease.

An audit by the fund last month discovered that its grant, deposited in the Reserve Bank of Zimbabwe, had disappeared. The money should have been used to train 50,000

people and buy drugs for a complex national anti-malaria campaign. Instead, only 495 people have been trained.

Aid agency officials said the loss of the money was a severe setback in the fight against a frequently fatal disease that affects 2.7 million Zimbabweans.

Global Fund officials cited internal correspondence from Zimbabwe's Central Bank in which Gideon Gono, the bank governor, stated that the money was used "for other national priorities". Mr Gono refused to meet the audit team while it was in the country to explain the shortfall. "It's theft, plain and simple," said a Western diplomatic source.

The global fund has now suspended its current operation in Zimbabwe and will not make the 2009 payment for £320million. At its meeting in Delhi yesterday, the fund's board withdrew the allocation. "We will not sign any new grants, even if the fund board approves future grants to Zimbabwe, unless that money is fully recovered," said Michel Kazatchkine, its executive director.

The brazenness of the "diversion" of the money has shocked health workers in Zimbabwe. The country's economic crisis has been accompanied by famine, one of the highest rates of Aids infection in the world and rampant TB and malaria. The country also faces a potential epidemic of cholera as urban townships wallow in rivers of raw sewage and mountains of uncollected garbage amid the collapsing infrastructure.

Mr Mugabe's Health Minister, David Parirenyatwa, tacitly admitted that the money had been misappropriated when he promised that it would be paid back, without explaining what had happened to it. He also appeared to be asking for extra time to pay, when he said repayment would be "in the next seven days".

Like all other aid agencies, the global fund deposited the cash in foreign currency accounts in commercial banks, but transferred into the custody of the central bank. The institution is "technically bankrupt", according to the International Monetary Fund, and has a publicly acknowledged policy of printing money to pay for state expenditure.

Shortly before elections in March, the accounts of the aid agencies and thousands of private businesses were systematically looted by the central bank.

Officials and businessmen trying to withdraw their foreign currency were politely told the bank was "unable to pay at this time", but that the cash would be released later.

"To my knowledge, not one has been repaid," said a senior commercial bank executive.

Since then, the Government has spent a fortune importing tractors, combine harvesters, limousines, plasma televisions and a range of other expensive items. These were handed out to Mr Mugabe's cronies, with cash used to bribe voters.

"We have never refused to acknowledge the liability," Mr Gono said yesterday. "Only cheap minds would go as far as to suggest that the money was used to buy tractors and TV sets."

<http://www.timesonline.co.uk/tol/news/world/africa/article5101838.ece>

Without a doubt the “Rich Industry” has the money resources and authority to quickly reduce poverty. The problem is an administrative and ethical one?

Can it solve them itself? Or are the alternatives suggested in report 2 and the innovation in report 3 the answer?

Other than the problem of World Poverty, Climate Change is a global crisis which will dominate every aspect of how trade is conducted in the future, with the need to revolutionise how the rich give to the poor so both poverty and Global Warming are ameliorated by a synergy of both. How this can be done is the central issue of report 2.

From the documentation above, you, the reader, can answer the question, “Are the Rich a waste of money?” One obvious truth emerges: The poor only receive a tiny fraction of the total aid funds intended to help them, especially from long term development agents.

There are many devoted individuals and organisations doing their best but obviously the aid industry is inefficient. We do not wish to add to the many critical reports but rather offer an alternative to help solve the two gravest problems facing mankind:

- Poverty and Global Warming

We suggest an innovation in technology and a social protocol to bring about a synergy between the rich and the poor to mitigate these problems to the mutual benefit of both. See report three which can be downloaded from <http://www.startup-poor.com/reports.html>

REPORT 2

“HOW THE POOR MITIGATE THE RICH’S GREATEST PROBLEM”

REPORT 3

“THE REVOLUTION - HOW THE RICH GIFT THE POOR THE MEANS TO ENTER WORLD MARKETS”

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