

EVAPORATING AID: DANGERS BESETTING NGOS IN SUB-SAHARAN AFRICA AND WHAT NGOS CAN DO ABOUT IT

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I. THE PROBLEM FACING SUB-SAHARAN AFRICA

The global economy has undergone radical transformation over past decades and poverty has changed with it. The World Bank now measures extreme poverty as living at or below \$1.90 per day, up from its previous figure and the UN's current standard of 1.25 per day.¹ Between 702 million and 1 billion people are estimated to be living in such extreme poverty, but this number has gone down in the past 25 years both absolutely and as a percentage of the total population.² The number of those in absolute poverty now represents roughly 10 percent of the world's population.³

Poverty has sharply declined in many parts of the world, but unfortunately, not all regions have been so fortunate. Most of the reduction in poverty has come from economic growth in East Asia and some in South Asia.⁴ Progress in Sub-Saharan Africa, on the other hand, has remained painfully slow. In this region, 40% of the population remains in extreme poverty.⁵ Surprisingly Sub-Saharan Africa, with less than 16% of the world's total population, is expected soon to account for half of the entire population of those in extreme poverty.⁶ Nearly one out of every

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¹ Press Release, World Bank, *World Bank Forecasts Global Poverty to Fall Below 10% for First Time; Major Hurdles Remain in Goal to End Poverty by 2030*, (Oct. 4, 2015), <http://www.worldbank.org/en/news/press-release/2015/10/04/world-bank-forecasts-global-poverty-to-fall-below-10-for-first-time-major-hurdles-remain-in-goal-to-end-poverty-by-2030> [hereinafter World Bank Press Release].

² Marcio Cruz, James Foster, Bryce Quillin, and Philip Schellekens, *Ending Extreme Poverty and Sharing Prosperity: Progress and Policies*, WORLD BANK GROUP (October 2015), 5–6 <http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/10/109701443800596288/PRN03-Oct2015-TwinGoals.pdf>.

³ *Id.*

⁴ *Id.* at 6–7.

⁵ Millennium Development Goals Report, United Nations, Department of Public Information, DPI/2594/5 (July 6, 2015), http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/backgrounders/MDG%202015%20PR%20Bg%20SSA.pdf [hereinafter U.N. Millennium Development Goals Report].

⁶ Marcio Cruz, James Foster, Bryce Quillin, & Philip Schellekens, *Ending Extreme Poverty and Sharing Prosperity: Progress and Policies* WORLD BANK GROUP (Oct. 2015), 6 <http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/10/109701443800596288/PRN03-Oct2015-TwinGoals.pdf>.

four people in Sub-Saharan Africa is undernourished.⁷ Though parts of Sub-Saharan Africa have improved their undernourishment rates, because of high population growth there are 44 million more undernourished people in Sub-Saharan-Africa in 2015 than there were in 1990.⁸ Central Africa has seen its undernourished population double in that time period.⁹

Sub-Saharan Africa has lagged behind while nations in every other region have been developing. The region remains stifled by violence, hunger, and instability in spite (and perhaps sometimes because) of being the intense focus of Western aid programs. In fact, in the minds of many Americans the quintessential characteristic of Sub-Saharan Africa is its poverty as AIDs, malaria, malnutrition, war, corruption, and state failure continue to afflict the people of Sub-Saharan Africa in ways that many regions of the world have escaped. The prevalence of such problems would cause many ideologues to despair for “the persistence of the dual crises of weak states and nascent or declining markets pose a classic dilemma for proponents of either market- or state-led economic development.”¹⁰

This Note examines why poverty has remained so consistent in this area despite millions of dollars and decades of enthusiastic help from wealthy nations and analyzes the shortcomings of many of the prominent types of aid from non-governmental organizations (NGOs). There remain, however, promising strategies and principles, which are discussed in Part III. This Note pursues the principles that NGOs can take to increase the likelihood of promoting long-term development.

A. *The Definition of Poverty*

Poverty is frequently defined as a level of income per day on which someone depends. This definition is helpful for quantifying the total number of people in poverty and tracking changes in poverty over time, but it would be a mistake to define poverty as merely a material condition. There is a poverty of being, spirit, and community that is intertwined with the lack of material necessities that makes poverty so pernicious.¹¹ Amartya Sen argues that poverty is “the deprivation of basic capabilities rather than merely a lowness of incomes.”¹² Mere “income deprivation” is

⁷ U.N. Millennium Development Goals Report, *supra* note 5.

⁸ *Id.*

⁹ *Id.*

¹⁰ J. Wagona Makoba, *Nongovernmental Organizations (NGOS) and Third World Development: An Alternate Approach to Development*, JOURNAL OF THIRD WORLD STUDIES, Spring 2002, at 53, 57.

¹¹ STEVE CORBETT & BRIAN FIKKERT, WHEN HELPING HURTS: HOW TO ALLEVIATE POVERTY WITHOUT HURTING THE POOR AND YOURSELF 51–53 (2009).

¹² AMARTYA SEN, DEVELOPMENT AS FREEDOM 87 (2000).

not the significant problem that demands social change.¹³ Real poverty often includes social and religious disharmony that material resources are unable to remedy.¹⁴ Giving income to someone in material poverty who has the ideas and capabilities necessary to run a small business and successfully engage his or her community, might spur that person out of poverty. On the other hand, additional income alone will only minimally help someone who, through years of poverty, has a poverty of spirit, is consistently taken advantage of, does not have strong community support, and does not have the initiative or ideas to invest his income in something that will bring a return. It is argued by authors such as Corbett and Fikkert that if a poverty alleviation program gives funding to the second kind of poor and does so in a way that exacerbates feelings of inferiority, such a program has created a divide between the donor and the recipient and likely done more harm than good.¹⁵ Such a situation unintentionally can communicate to the poor a self-fulfilling prophecy that their poverty is a permanent aspect of their inferior position.

II. NGO ACTION AND FUNDING DOES NOT NECESSARILY ALLEVIATE POVERTY

The conventional wisdom is that aid money and NGO action will cause or at least correlate with more people escaping poverty, but Sub-Saharan Africa proves that, in reality, addressing these problems is much more complex. Foreign aid from wealthier governments and a host of NGOs has poured into the region. The old adage “teach a man to fish and you feed him for a lifetime,” may be true in some cases, but unfortunately, the economic reality of poverty in Sub-Saharan Africa is much more difficult: people need more than just fish to survive and not everyone lives near a river. Little success has come of the flurry of NGO activity and mountains of foreign funding. The problems with conventional aid programs administered by NGOs are demonstrated by at least eight problems that swallow aid dollars or even cause additional harm to the people of Sub-Saharan Africa.

A. *Inept Ideas*

Unfortunately, Sub-Saharan Africa’s recent history is full of well-meaning, but poorly executed attempts to help. Too often multi-million dollar projects are nullified by fatal flaws. William Easterly documents the now common failure of decades of big plans to end or reduce poverty.¹⁶

¹³ *Id.* at 92.

¹⁴ CORBETT & FIKKERT, *supra* note 11, at 54.

¹⁵ *Id.* at 126–27.

¹⁶ WILLIAM EASTERLY, *THE WHITE MAN’S BURDEN: WHY THE WEST’S EFFORTS TO AID THE REST HAVE DONE SO MUCH ILL AND SO LITTLE GOOD* 6–7 (2006).

Easterly notes that “[p]oor people die not only because of the world’s indifference to their poverty, but also because of ineffective efforts by those who do care.”¹⁷

One of the classic examples of grand poverty alleviation schemes gone awry is a project, headed by Norway, to assist poverty stricken Kenyans through promoting fishing. Norway had a long history in fishing and it was a natural fit for Norway to take its fishing knowledge to a tribe on the shores of Kenya’s Lake Turkana.¹⁸ Norway spent over \$23 million to create the infrastructure surrounding a fish freezing plant completed in 1980.¹⁹ The nations behind the project hoped that commercial fishing opportunities would lift the tribe out of poverty and reduce the impact of frequent droughts in the region. Norway literally applied the old proverb and tried to teach the poor how to fish, but the effort became an “object for ridicule.”²⁰ The tribe people did not like the taste of fish, the cost of cooling the fish in the hot desert climate turned out to cost more than could be made actually selling the finished fish fillets, and production required more clean water than was feasible in Turkana.²¹ Even worse, a major drought hit and the lake started to dry up. This community had long survived in the harsh climate by moving their livestock to follow good grazing grounds. This time however, those who were attempting to work the fish plant found themselves stuck by a dry riverbank after sacrificing their ability to find good grazing for their livestock.

Not all projects are so monstrously disastrous but many projects fail because NGOs do not take account of the situations in the area where the aid project is supposed to be administered. Many projects achieve short term success, but in the long run the donated equipment and resources are left to rust in the fields once the foreign intervenors leave for another village.²²

B. Administrative Costs

Frequently resources raised or donated by NGOs are evaporated by administrative costs and only a smaller percentage of the resources

¹⁷ *Id.* at 7.

¹⁸ S. Pac. Comm’n, Twenty-Third Regional Technical Meeting on Fisheries, Noumea, New Calcedonia, 1 (Aug. 1991), <http://www.spc.int/DigitalLibrary/Doc/FAME/Meetings/RTMF/23/IP7.pdf> [hereinafter S. Pac. Comm’n].

¹⁹ *Id.* at 2.

²⁰ Evaluation of Norwegian Development Co-operation in the Fisheries Sector, NORWEIGIAN AGENCY FOR DEVELOPMENT COOPERATION 5 (Jan. 2009) http://www.imr.no/fishery_forum/filarkiv/norad-evaluation_report_6-2008_fisheries_Sector.pdf/nb-no.

²¹ S. Pac. Comm’n, *supra* note 18, at 2.

²² CORBETT & FIKKERT, *supra* note 11, at 141; ROLAND BUNCH, TWO EARS OF CORN: A GUIDE TO PEOPLE-CENTERED CULTURAL IMPROVEMENT 18–21 (1982).

actually reaches those for whom it was intended. Even short of embezzlement or corruption, it is expensive to pay and transport Westerners to administer a gift, or even just to send the equipment and supplies. As a result many host organizations and communities would prefer the volunteer teams to stay at home and just send what would have otherwise been the travel and administrative costs.²³ Charity Navigator, a U.S. organization dedicated to accounting for the efficiency of other charities awards their highest scores to charities who keep administrative expenses to 5%–15% of total expenditures and fundraising expenses at 10% or less.²⁴ This leaves only 85 cents out of every dollar to go to the actual mission of top-ranked charities in the United States. However, unfortunately, many charities are much less efficient than that. A Charity Navigator publication seemed quite optimistic to report that according to its data, seven out of ten charities spend 75% or more of their budget on their primary program and nine out of ten spend at least 65% on their primary program.²⁵ Sadly the inverse of this statistic means that three out of every ten charities spend more than a quarter of their budget just on fundraising and overhead and at least one out of ten spend quite a bit more than a quarter of their overall budget on these costs.

Some well-known charities that have been engaged in disaster relief and poverty alleviation enjoy high ratings according to Charity Navigator's rating system. These include the American Red Cross with 90% of its expenses going towards its programs, Samaritan's Purse at 87% (which enjoys a nearly perfect rating by Charity Navigator overall), Compassion International at 84%, and World Vision also at 84%. It should be noted however, that these numbers are for the organizations as a whole, not just for the funding spent on overseas programs. The overseas programs face increased logistics needs and thus even the relevant "program cost" probably includes funds needed to meet costs akin to overhead (rather than direct program investment) in order to meet these logistical and administrative burdens.

The American Red Cross is officially reported to spend 90% on its programs, but a scandal has emerged in 2015 regarding its inability to account for \$500 million that it had raised to aid Haiti after the 2010 earthquake.²⁶ Even many U.S.-based charities struggle with fundraising and administrative costs with dozens of charities that spend 50% to over 90% of their income fundraising for more income and very little going

²³ CORBETT & FIKKERT, *supra* note 11, at 171.

²⁴ Financial Ratings Tables, CHARITY NAVIGATOR, <http://www.charitynavigator.org/index.cfm?bay=content.view&cpid=48#.Vkah7rerTDc> (last visited Dec. 2, 2015).

²⁵ *Id.*

²⁶ Laura Sullivan, *In Search of the Red Cross' \$500 Million In Haiti Relief*, NPR (June 3, 2015), <http://www.npr.org/2015/06/03/411524156/in-search-of-the-red-cross-500-million-in-haiti-relief>.

towards their actual programs.²⁷ A notorious fifty charities were exposed to have raised nearly a billion dollars over ten years that went straight to their fundraising solicitors and less than 4% went to direct cash aid.²⁸ Likewise, even legitimate NGOs will pay their CEO a hefty six figure salary. In 2014 the median CEO salary was \$120,000 per year for all NGOs large and small that were studied.²⁹ NGO researchers like Charity Navigator point out that overhead and CEO salary are necessary investments in training and leadership to navigate the obstacles confronting the organization's mission.³⁰ Still, aid is hampered when substantial portions of the funding, from one fifth to one half, never leaves the NGO staff.

The pressure to keep overhead costs low can also limit the effectiveness of NGOs. Almost as bad as NGOs who remorselessly waste money on overhead are the legitimate NGOs who succumb to the pressure and reorganize their organizations to report such low overhead costs as to defy reason. A host of organizations reported that they incurred no overhead or fundraising costs whatsoever.³¹ Some organizations keep their reported fundraising and administrative costs minimal by forcing the majority of fundraising and administrative job duties on their dedicated program implementation employees.³² One example comes from an NGO worker who stated "charities hide overhead, like we did, in overburdened program staff, untrained volunteers, and external

²⁷ 10 Charities Overpaying their For-Profit Fundraisers, CHARITY NAVIGATOR, <http://www.charitynavigator.org/index.cfm?bay=topten.detail&listid=28#.VkdjinarTDe> (last visited Dec. 2, 2015); *America's Worst Charities*, TAMPA BAY TIMES and CENTER FOR INVESTIGATIVE REPORTING, (Dec. 2014), <http://www.tampabay.com/americas-worst-charities/>.

²⁸ Kris Hundley & Kendall Taggart, *America's 50 Worst Charities Rake in Nearly \$1 Billion for Corporate Fundraisers*, TAMPA BAY TIMES and CENTER FOR INVESTIGATIVE REPORTING, (June 6, 2013), <http://www.tampabay.com/topics/specials/worst-charities1.page>.

²⁹ CHARITY NAVIGATOR, 2014 CHARITY CEO COMPENSATION STUDY 3 (Oct. 2014), http://www.charitynavigator.org/docs/2014_CEO_Compensation_Study.pdf.

³⁰ *Id.* at 12; Art Taylor, Jacob Harold, & Ken Berger, *Letter to the Donors of America: The Overhead Myth*, BETTER BUSINESS BUREAU WISE GIVING ALLIANCE, GUIDE STAR, and CHARITY NAVIGATOR (2013), http://overheadmythcom.b.presscdn.com/wp-content/uploads/2014/10/GS_OverheadMyth_Ltr_online.pdf.

³¹ Thomas H. Pollack, *What We Know About Overhead Costs in the Nonprofit Sector*, URBAN INSTITUTE, Brief No. 1 (Jan. 31, 2004), <http://www.urban.org/sites/default/files/alfrescopublication-pdfs/310930-What-We-Know-about-Overhead-Costs-in-the-Nonprofit-Sector.PDF>; William Bedsworth, Ann Goggins Gregory, Don Howard, *Nonprofit Overhead Costs: Breaking the Vicious Cycle of Misleading Reporting, Unrealistic Expectations, and Pressure to Conform*, BRIDGESPAN GROUP (Apr. 1, 2008), <http://www.bridgespan.org/Publications-and-Tools/Strategy-Development/Nonprofit-Overhead-Costs-Break-the-Vicious-Cycle.aspx#Footnotes>.

³² Michael Hobbes, *Stop Trying to Save the World*, NEW REPUBLIC (Nov. 17, 2014), <https://newrepublic.com/article/120178/problem-international-development-and-plan-fix-it>.

consultants.”³³ Yet, this merely makes the costs *appear* smaller, while at the same time reducing the efficiency and effectiveness of the organization in pursuing its actual mission.³⁴

C. *Dependency and Debt*

There is often a positive association with the word “credit” and a negative association with the word “debt.” Nevertheless, both words mean the same thing. Parker Shipton notes that credit may be necessary at times, but studies show that it often has the potential to create increased burdens on those attempting to climb out of poverty.³⁵ This also remains true for microlending. There has been a considerable enthusiasm regarding this somewhat new tool for poverty alleviation, but even microfinancing has problems.³⁶

1. THE ORIGINS OF MICROCREDIT

Muhammad Yunus, an economics professor, popularized microlending as a potential tool for poverty alleviation in 1976 when he encountered a poor woman stuck in a poverty trap in a village in Bangladesh.³⁷ This woman was unable to purchase enough supplies to support her work weaving bamboo stools and had to rely on loans to get the supplies for the next day’s work.³⁸ Because she was unable to get a loan from a bank as the principal was too small and she had insufficient collateral, this woman was forced to rely on loan sharks to obtain the materials she needed to continue her business each day.³⁹ Accordingly, she received paltry profits because of exorbitant interest rates, and thus, the cycle continued since she was never able to save up enough to purchase materials in advance.⁴⁰ Neighboring villagers faced similar problems, so Yunus decided to lend the group money out of his own pocket.⁴¹ That year Yunus founded the Grameen Bank to carry out similar loans. These loans typically did not require collateral and were made essentially to groups of people rather than individuals.⁴² The individual receiving money was the only one responsible to pay it back, but other group members will receive

³³ *Id.*

³⁴ *Id.*

³⁵ PARKER MACDONALD SHIPTON, CREDIT BETWEEN CULTURES: FARMERS, FINANCIERS, AND MISUNDERSTANDING IN AFRICA 4 (2010).

³⁶ See Alan M. White, *Credit and Human Welfare: Lessons from Microcredit in Developing Nations*, 69 Wash. & Lee L. Rev. 1093, 1102–03 (2012).

³⁷ *Id.* at 1113.

³⁸ CORBETT & FIKKERT, *supra* note 11, at 101.

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ White, *supra* note 36, at 1113.

⁴² *Id.* at 1113–14.

no more loans if one person fails to pay a loan back on time.⁴³ Since there is no collateral, the primary motivation for repaying the loans is the intense social pressure to allow group-members to continue receiving loans and avoid the shame and embarrassment of cutting off loans to their entire whole group.⁴⁴ Repayment rates were reported to be over 90% and Yunus won a Nobel Prize in 2006 for his work.⁴⁵ The advantage of this system is that it spurs innovation at the hands of those previously impoverished and once money is invested in the loans, it may be reinvested again if the loans are repaid and may even grow with interest, as opposed to subsidies which require funding year after year.

2. RESULTS OF MICROCREDIT

Some organizations and proponents stand by microlending as one of the best ways to alleviate poverty, but objective results are mixed at best. After reports of the Grameen Bank's success in Bangladesh other countries wanted to open their economies to such a potential for growth.⁴⁶ Unfortunately, many other countries did not see the same success. South Africa, for instance, took the necessary step of lifting its usury ceilings so that microlending could take place.⁴⁷ Instead of charitably based Grameen Bank-style lenders, large consumer lending streamed into the market.⁴⁸ This kind of lending led to consumer complaints that poor borrowers were being exploited.⁴⁹ Many lenders required access to borrowers' bank accounts so that if borrowers were unable to repay the lender could garnish income. In practice, this meant that those who were poor enough to receive these loans, but unable to pay, had what little income they relied upon taken away and accordingly borrowers were less able to pay for their basic human needs.⁵⁰

Not all who borrow microfinance or other loans will be rational borrowers who receive more in benefit than they give up in interest paid. Many will become subject to "overconfidence bias [which] leads borrowers to assume a much greater disposable income to repay loans in the future than is likely to be available."⁵¹ This trend harms the poor in developing

⁴³ *Id.*

⁴⁴ *Id.* at 1114.

⁴⁵ Muhammad Yunus, *Nobel Peace Prize 2006 – Nobel Lecture*, 13 LAW & BUS. REV. AM. 267, 267 (2007).

⁴⁶ Kamal Munir, *Microfinance Has Been a Huge Disappointment around the World*, BUSINESS INSIDER (Feb. 17, 2014), <http://www.businessinsider.com/microfinance-has-been-a-huge-disappointment-around-the-world-2014-2>.

⁴⁷ White, *supra* note 36, at 1126.

⁴⁸ *Id.*

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ *Id.* at 1103.

nations and recipients of short-term payday or title loans in the United States alike. Many poor people may not feel they have a choice and will borrow to their family's long-term detriment to feed a hungry child today.⁵² These poor families already in economic distress will feel even greater distress when the loan amount and interest come due.⁵³ Microlending can fall victim to the problems of payday lending in the United States where poor in desperate financial situations only worsen their problems with empirical research showing that "payday borrowers systematically underestimate both the costs of borrowing and their likelihood of falling into the debt trap."⁵⁴

The most tragic microfinance reports come out of India where over 30 million households have received microfinance loans.⁵⁵ Two hundred suicides were linked to the inability to pay microfinance loans and the high pressure collection agents put on them.⁵⁶ This "suicide epidemic" occurred in late 2010 coinciding with the time SKS Microfinance, one of the microfinance market leaders in India, pushed for extensive growth in its loan portfolio before it opened itself up to stock trading on the public market.⁵⁷ Several of the suicides appear to be linked to the intense social pressure that exists for members of the group to repay their loans so that other members of the group will also have access to loans.⁵⁸ At least seven of the deaths were directly or indirectly caused by SKS collection employees.⁵⁹ According to reports about one of the attempted-suicides, other borrowers in the defaulting woman's group offered her pesticides if she wanted to die.⁶⁰

There may be times when microfinance is a powerful tool, but microfinance is still debt and can take away what little the poor have and drive them into deeper desperation if microfinance is not used appropriately. Part III discusses principles that may help to remedy some of these problems.

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *Id.* at 1096, 1129.

⁵⁵ Soutik Biswas, *India's Micro-Finance Suicide Epidemic*, BBC NEWS (Dec. 16, 2010), <http://www.bbc.com/news/world-south-asia-11997571>.

⁵⁶ *Id.*; *Hundreds of Suicides in India Linked to Microfinance Organizations*, ASSOCIATED PRESS (Feb. 24, 2012), <http://www.businessinsider.com/hundreds-of-suicides-in-india-linked-to-microfinance-organizations-2012-2> [hereinafter *Suicides Linked to Microfinance*].

⁵⁷ *Suicides Linked to Microfinance*, *supra* note 56.

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Id.*

D. Corruption and Embezzlement

People in both donor and recipient nations often presume that aid money is frequently embezzled. For example, protests in Haiti after the earthquake show that many aid recipients assume that NGOs were holding back, wasting, or embezzling the aid money.⁶¹ Although it is not certain that any of these NGOs were guilty of outright fraud, it is true that far more money is stolen from developing nations each year than is provided by foreign government assistance and NGO donors combined.⁶² This corruption frequently hampers NGO efforts. For instance, the World Bank's social action program in Pakistan in the 1990s and early 2000s failed because implementation by the Pakistani government partners were ineffective and rife with nepotism and corruption.⁶³ It is clear that donated funds to Sub-Saharan Africa are frequently diverted into the hands of corrupt political leaders. The African Union reports that Africa loses \$148 billion each year to corruption.⁶⁴ Oil-rich Nigeria is particularly known for its corruption losing much of its oil and aid revenue to corrupt leaders. For instance, Sani Abacha stole \$2 billion from Nigeria during his time in power during the 1990s.⁶⁵ Abacha was just a part of a long-train of corrupt Nigerian leaders. Over their 39 years of military rule, Nigerian leaders are estimated to have embezzled \$400 billion from the government, the equivalent to all Western Aid to Africa during that time.⁶⁶ Mobutu Sese Seko embezzled from \$5 billion from Zaire during his 32 years in power, much of this money came from aid organizations such as the International Monetary Fund.⁶⁷

Corruption is not limited to cash aid that goes through local governments. In Somalia, even food aid was diverted from the starving intended recipients and was instead confiscated and sold by corrupt local leaders.⁶⁸ Millions of dollars were lost to corruption in bribery under Mugabe's regime in Zimbabwe, in Kenya, and in Malawi.⁶⁹ It sometimes takes years to find out what happens to lost money, but corruption

⁶¹ Marjorie Valbrun, *After the Quake, Praise Becomes Resentment in Haiti*, CTR. FOR PUB. INTEGRITY (May 19, 2014) <http://www.publicintegrity.org/2012/01/10/7838/after-quake-praise-becomes-resentment-haiti>.

⁶² BONA UDEZE, WHY AFRICA: A CONTINENT IN A DILEMMA OF UNANSWERED QUESTIONS 385 (2009).

⁶³ EASTERLY, *supra* note 16, at 137.

⁶⁴ UDEZE, *supra* note 62, at 385.

⁶⁵ *Id.*

⁶⁶ *Id.* at 388.

⁶⁷ *Id.* at 385–86.

⁶⁸ Matt Brown, *Corruption Eats into Somalia's Food Aid*, NATIONAL (Mar. 2, 2009), <http://www.thenational.ae/news/world/africa/corruption-eats-into-somalias-food-aid>; EASTERLY, *supra* note 16, at 144–145.

⁶⁹ UDEZE, *supra* note 62, at 393.

continues to hamper economic growth and NGO efforts in Africa.

The NGOs themselves are perceived to be honest compared to the governments they work with,⁷⁰ but even some NGOs operating in Sub-Saharan Africa have been revealed to be simply scam artists in disguise.⁷¹ Many NGOs work hard to maintain accountability for their funds, but even well-respected and legitimate humanitarian organizations are sometimes defrauded.⁷² Many NGOs feel pressure not to report fraud for fear the news of the defrauding would reduce public trust and deter future donations.⁷³ The Thompson Reuters Foundation investigated data from the twenty-five highest-spending humanitarian NGOs, but the majority of these organizations refused to publically share their fraud data.⁷⁴ Of the organizations that did share their data, five reported that they had sustained no misallocation of funds, while eleven admitted to falling victim to thefts amounting to millions of dollars, yet less than 1% of their international budgets.⁷⁵ One NGO was defrauded of \$1 million between 2009 and 2013, with the greatest share embezzled from its Zambia office.⁷⁶ Another had \$790,000 worth of materials stolen in the Central African Republic.⁷⁷

There is a very real danger that even the best NGOs operating in Sub-Saharan Africa will see funds misappropriated from their poverty alleviation work, and the danger is especially great for NGOs that work with the governments of Sub-Saharan Africa with long histories of corruption and financial impropriety.

E. Unforeseen Consequences

Unfortunately there are sometimes horrifying unforeseen consequences even to well-intentioned work. A tragic example is the Bangladesh arsenic water crisis. Starting in the 1970s the United Nations Children's Fund partnered with the Bangladesh Department of Public Health Engineering to install tube wells so that fewer people would be

⁷⁰ Stephanie Hanson, *Corruption in Sub-Saharan Africa*, COUNCIL ON FOREIGN RELATIONS (Aug. 6, 2009), <http://www.cfr.org/africa-sub-saharan/corruption-sub-saharan-africa/p19984>.

⁷¹ See Adow Mohamed, *NGO Chiefs in International Jobs Scam Arrested*, STAR (Sept. 3, 2015), <http://www.the-star.co.ke/news/ngo-chiefs-international-jobs-scam-arrested>; Joseph Muraya, *Kenya: Officials Linked to Jobs Scam Arrested*, ALL AFRICA (Sept. 2, 2015), <http://allafrica.com/stories/201509031026.html>.

⁷² See Tom Esslemont, *Exclusive: Aid Charities Reluctant to Reveal Full Scale of Fraud*, THOMSON REUTERS FOUNDATION (July 15, 2015), <http://www.reuters.com/article/2015/07/15/us-aid-businessfraudidUSKCN0PP00V20150715#rdVF4PJmVGhegpP.97>.

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ *Id.*

susceptible to illnesses that resulted from drinking surface water contaminated by bacteria.⁷⁸ Locations in Bangladesh often lacked clean water and bacteria in the water was a frequent cause of disease and early death.⁷⁹ Sadly, the cure to this problem brought another disease. The new wells, built by international aid, were not deep enough to access safe water and instead drew arsenic-laced groundwater.⁸⁰ The exposure was not discovered until the 1990s after millions of wells were built and experts had been encouraging the population to rely upon them.⁸¹ As of 2011, approximately 19 million people have been drinking the water containing arsenic⁸² and between 35 million to 77 million are at risk of drinking the contaminated water.⁸³ Even more problems may result from arsenic getting into the food chain after NGOs were complicit in helping farmers to irrigate their crops with the arsenic-poisoned water.⁸⁴ The World Health Organization called the catastrophe “the largest mass poisoning of a population in history.”⁸⁵ Millions of Bangladeshis have suffered severe health impacts so far but the full impact is yet unknown as epidemiologists consider the probability of cancer and other ailments arising years after the arsenic exposure even for those who survived it initially.⁸⁶ NGOs rightly identified water-borne illness a real threat to address, but because they did not test the new water source to determine that it was actually safe, millions of people merely traded one problem for another.

Another tragic example of NGO activity bringing negative repercussions is the cholera outbreak in Haiti caused by UN workers from Nepal. The UN’s organization in Haiti, known by its French acronym, MINUSTAH (Mission des Nations unies pour la stabilisation en Haiti), responded to the tragic January, 2010 earthquake in Haiti.⁸⁷ Haiti had

⁷⁸ Sara V. Flanagan, Richard B. Johnston, & Yan Zheng *Arsenic in Tube Well Water in Bangladesh: Health and Economic Impacts and Implications for Arsenic Mitigation*, WORLD HEALTH ORGANIZATION (Sept. 14, 2012), <http://www.who.int/bulletin/volumes/90/11/11-101253/en/>; Allan H. Smith, Elena O. Lingas, Mahfuzar Rahman, *Contamination of Drinking-water by Arsenic in Bangladesh: A Public Health Emergency*, WORLD HEALTH ORGANIZATION 1093, 1093 (2000), <http://www.scielosp.org/pdf/bwho/v78n9/v78n9a05.pdf>.

⁷⁹ Turhan F. Sarwar, *Leveraging International Law to Help Arsenic Mitigation Efforts in Bangladesh*, 32 U. PA. J. INT’L L. 843, 846.

⁸⁰ Flanagan, et al., *supra* note 78.

⁸¹ *Id.*

⁸² *Id.*

⁸³ Smith, et al., *supra* note 78, at 1093.

⁸⁴ Sarwar, *supra* note 79, at 846.

⁸⁵ Smith, et al., *supra* note 78, at 1093; Flanagan, et al., *supra* note 78.

⁸⁶ H. M. Anawar, et al., *Arsenic Poisoning in Groundwater: Health Risk and Geochemical Sources in Bangladesh*, 27 ENV’T INT’L 597, 601–02 (2002).

⁸⁷ *Peacekeeping without Accountability: The United Nations’ Responsibility for the Haitian Cholera Epidemic*, TRANSNATIONAL DEVELOPMENT CLINIC, GLOBAL HEALTH

not suffered from cholera in over a century. Yet in October of 2010 the first cases were reported and by 2013, 650,000 had been infected by cholera and 8,100 people had died of the disease.⁸⁸ The largest cholera outbreak in Haiti's history was linked to MINUSTAH peacekeepers from Nepal.⁸⁹ Improper work sanitation practices likely led to cholera-containing waste to infect Haiti's largest river near the MINUSTAH camp and spread the disease.⁹⁰ After the first year of the outbreak, the United States Centers for Disease Control and Prevention called it the "worst cholera outbreak in recent history" and spent \$75 million just to combat the cholera outbreak after the earthquake.⁹¹ Haiti will likely have to continue to battle this strain of cholera at least until 2023 since cholera outbreaks typically continue for more than a decade.⁹²

F. Aid Personnel Taking Advantage of the Poor

Sadly, sometimes the harm done by NGOs or aid workers is not unintentional. Anecdotal evidence abounds telling outrageous tales of wealthy aid workers raping or sexually exploiting the very poverty-stricken people that the aid worker is supposed to be helping. Such abuse by aid personnel against defenseless aid recipients would be the quintessential example of popular rumors and legends because it can capture the popular sympathy and is a tragic hypocrisy. Unfortunately, studies reveal that such sexual exploitation often does exist in parts of Africa.

[T]hose who exploit children are often men in positions of relative power and influence who either control access to goods and services or who have wealth and/or income. This power and influence is then used in exchange for sexual favours from children. The report indicates that it is a relatively prosperous 'elite' – including UN staff, peacekeepers and NGO workers – whose resources are considerably more than those of the refugees who exploit [sic] this extreme disparity surrounding the refugee population. Exploiters appear to be able to pay for sex when and with whom they want, and to do so with impunity, since the very people they exploit are not able to complain about

JUSTICE PARTNERSHIP OF THE YALE LAW SCHOOL AND THE YALE SCHOOL OF PUBLIC HEALTH, and ASSOCIATION HAITIENNE DE DROIT DE L'ENVIRONNEMENT, 8 (2013), http://www.law.yale.edu/documents/pdf/Clinics/Haiti_TDC_Final_Report.pdf [hereinafter *Peacekeeping without Accountability*].

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ *Id.*

⁹¹ *Cholera in Haiti: One Year Later*, CENTERS FOR DISEASE CONTROL AND PREVENTION, http://www.cdc.gov/haiticholera/haiti_cholera.htm (last visited Dec. 2, 2015).

⁹² *Peacekeeping without Accountability*, *supra* note 87, at 8.

their situation for fear of their source of basic survival being removed.⁹³

Statements in the UNCHR report suggest a culture where sexual favors becomes a virtual currency of the poor who are unable to receive aid without offering their dignity first, and in many communities those who do receive aid from NGOs are widely assumed to have succumbed to the pressure.⁹⁴

G. *Aid that Hurts Economic Development.*

One reason that aid organizations have not brought the lasting impact that many donors have desired is that aid can actually bring a long-term economic harm to the community. Roland Bunch tells the story of a village in Latin America. His program brought the village a modern tractor, generator, thresher, and huller and organized a cooperative among the local farmers.⁹⁵ The first year brought the highest return the farmers had ever received.⁹⁶ When the program moved on to other villages, the equipment began to break down and fall apart and the cooperative disbanded. This formerly poor village had a short time of booming growth and then it went back to being a poor village and “virtual graveyard of rusting equipment and abandoned hopes.”⁹⁷ Bunch argues that the problems with the program in this village confront many aid recipients across the developing world; “when the only progress villagers see is accompanied by giveaways, villagers can easily become convinced that they are incapable of making progress by themselves.”⁹⁸ Villagers are taught a “feeling of inadequacy, [which] in turn, creates dependency and subservience [W]hen people feel incapable of doing anything for themselves, self-help projects become more difficult than ever.”⁹⁹

Often even “successful” programs still hurt native entrepreneurs as they struggle to compete with subsidized or free resources brought in by aid organizations. Examples include agriculture (Haitian rice growers

⁹³ UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES & SAVE THE CHILDREN-UK, NOTE FOR IMPLEMENTING AND OPERATIONAL PARTNERS ON SEXUAL VIOLENCE & EXPLOITATION: THE EXPERIENCE OF REFUGEE CHILDREN IN GUINEA, LIBERIA AND SIERRE LEONE 4 (February 2002), <http://resourcecentre.savethechildren.se/sites/default/files/documents/2985.pdf>.

⁹⁴ *Id.* at 4–5.

⁹⁵ BUNCH, *supra* note, 22, at 18.

⁹⁶ *Id.*

⁹⁷ *Id.*

⁹⁸ *Id.* at 19–20.

⁹⁹ *Id.* at 20.

competing with U.S. subsidized rice),¹⁰⁰ textiles (thrift stores and aid organizations send unwanted western clothing to developing nations which makes it harder for local textile industries to take hold and foster growth like this industry was able to do in some Asian countries),¹⁰¹ and manufacturing (Haitian water-bottle manufacturers were undercut by a flood of donated bottled water following the 2010 earthquake).¹⁰² Food aid may help those who are suffering from famine, but it can also depress food prices to the extent that local farmers cannot profitably sell their produce. As a result, those farmers may fall into poverty themselves and the community's food source will become less reliable, creating a cycle of dependency instead of development.¹⁰³

H. Aid Money Propagating Evil

Most grievous however is when aid not only fails to help the needy, but also empowers the evils that are propagating suffering and violence. Aid money from foreign governments and NGOs was actually found to result in more rent-seeking by politicians, a breakdown of political institutions, and a decrease in democratic government.¹⁰⁴ The Chad-Cameroon oil pipeline was designed to promote long-term development in the local economy and fund poverty alleviation measures, but in 2005, after the 4.2 billion dollar project was complete, the government of Chad announced that they were reallocating the oil proceeds to bolster military expenditures and would not follow the conditions originally attached to the pipeline deal.¹⁰⁵ When challenged over its non-compliance, Chad threatened to cut off the entire pipeline unless it were allowed to proceed as it wished.¹⁰⁶ Leaders such as Kigame in the Rwandan Genocide are reported to have used marketing ploys to get donors to donate their own political purposes. Foreign aid continued to fund dictator Mugabe in

¹⁰⁰ Mark Doyle, *US Urged to Stop Haiti Rice Subsidies*, BBC NEWS (Oct. 5, 2010), <http://www.bbc.com/news/world-latin-america-11472874>.

¹⁰¹ Teo Kermeliotis and Robyn Curnow, *Is Your Old T-Shirt Hurting African Economies*, CNN (Apr. 12, 2013), <http://www.cnn.com/2013/04/12/business/second-hand-clothes-africa/>.

¹⁰² Valbrun, *supra* note 61.

¹⁰³ See FREDERICK C. CUNY WITH RICHARD B. HILL, *FAMINE, CONFLICT AND RESPONSE: A BASIC GUIDE* 50 (1999).

¹⁰⁴ Simeon Djankov, Jose Montalvo, Marta Reynal-Querol, *The Curse of Aid*, WORLD BANK 3, 24 (Dec. 2007), http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/09/09/000333037_20080909022045/Rendered/PDF/452540WPOBox331urse1of1aid01PUBLIC1.pdf; EASTERLY, *supra* note 16, at 136.

¹⁰⁵ Lydia Polgreen, *Chad Backs Out of Pledge to Use Oil Wealth to Reduce Poverty*, N.Y. TIMES (Dec. 13, 2005), http://www.nytimes.com/2005/12/13/world/africa/chad-backs-out-of-pledge-to-use-oil-wealth-to-reduce-poverty.html?_r=0.

¹⁰⁶ William Vitka, *Chad Threatens to Cut off Oil Pipeline*, CBS NEWS (Apr. 15, 2006), <http://www.cbsnews.com/news/chad-threatens-to-cut-off-oil-pipeline/>.

Zimbabwe even after he ruthlessly cracked down on peace activists. The Mengistu regime in Ethiopia prevented international aid from reaching his political opponents, refused to allow aid to pass into certain other areas without paying bribes, and even sold some of the food aid to finance the purchase of armaments. The Congo likewise is reported to have sold donated food supplies to purchase arms from an Italian factory. Zaire and Somalia also have disastrous track records of aid going to fund warlords rather than feed the hungry. Rival warlords fought viciously to control food aid resources in Somalia in the 1990s, which in turn worsened rather than alleviated the country's struggle with violence and instability.¹⁰⁷

I. Conclusion

It is evident that enthusiastic aid attempts and large aid budgets do not necessarily bring beneficial results. Inept ideas, unforeseen consequences, inefficient administration, aid undercutting the local economy, the stifling of local initiatives, and other problems listed in this Part have crippled the work of NGOs in Sub-Saharan Africa. Studies show that even while African countries received millions of dollars and 15% of their income from aid, economic growth continued to decline.¹⁰⁸ Aid was not always a disaster, for instance, African education rates have improved over the past few decades.¹⁰⁹ Yet all too frequently, these aid efforts backfire and cause the situation to be even worse than it was before the NGOs became involved. Inefficient NGOs certainly fail to help, but even NGOs who efficiently distribute material aid may be inadvertently furthering the psychological aspects of poverty if they confirm the powerlessness of the poverty stricken or undercut local leaders by creating a cycle of dependence. NGOs that are truly effective agents of long-term poverty alleviation will need to conduct their organizations by principles that avoid the eight perils described in this Part.

III. PRINCIPLES FOR EFFECTIVE NGO ACTION

Part II makes it clear that even enthusiastic, well-funded NGO efforts can bring horrendous results if they do not approach problems with appropriate strategies. Despite these failures, NGOs still occupy a unique position in addressing social and economic ills in Sub-Saharan Africa, for NGOs can cut through the political cynicism that accompanies action by foreign governments.¹¹⁰ The goal of Part III is to provide some of the

¹⁰⁷ See EASTERLY, *supra* note 16, at 144–45.

¹⁰⁸ *Id.* at 45–46.

¹⁰⁹ *Id.* at 141.

¹¹⁰ Robert F. Gorman, *PVOs and Development through Basic Human Needs, in PRIVATE VOLUNTARY ORGANIZATIONS AS AGENTS OF DEVELOPMENT* 48 (Robert F. Gorman, ed., 1984).

principles that must underlie any NGO's attempt to alleviate poverty in Sub-Saharan Africa. In review of a host of literature on this subject, several strategic principles rise to the top as crucial to achieving success in places like Sub-Saharan Africa: (1) aid organizations must realize that there is no magic solution that can be systematically applied across regions, communities, and cultures; (2) aid organizations must adopt a broad perspective of poverty by avoiding arrogance and promoting local leadership; (3) aid organizations must seek to promote development, not merely relief; and (4) NGOs should consider, albeit cautiously, how they can assist the poor in receiving basic financial services. Many of these principles seem obvious, yet NGOs have struggled to implement them consistently.

A. *NGOs Must Realize There are No Universal Solutions to Poverty*

It is of utmost importance that NGOs realize that no solution will be able to be universally applied without first examining the local situation and involving local leaders. People are unique. Systems that work in some places are not necessarily going to work in others. The infamous Norwegian fish plant failure would not have happened if the aid workers had done more research on what the local people were like and what methods of assistance were likely to actually help. It may be inefficient and time consuming to match solutions to particular regions and places, but it is also necessary to achieve something lasting. Popular culture and blockbuster movies celebrate the last-second measure and genius plan that changes everything in one fell swoop. In the real world though, things rarely work this way.

Writers like Jeffrey Sachs in the *End of Poverty* and many government leaders across the West are optimistic about ending poverty and promise big spending and grand schemes to change the world.¹¹¹ One-size fits all plans are not what is needed. Real poverty alleviation progress has not come from grand-scale schemes and no amount of noble motivation is able to make up for the fact that these grand plans have been so limited by the problems discussed in Part II.¹¹² The first step to getting around these problems is to dispel the notion that there is a magic solution to this pernicious problem and understand the limitations of NGOs. NGOs cannot do everything, but they can do some things. Easterly analogizes aid agencies to milk cows.¹¹³ No amount of training or scheming will allow a milk cow to win the Kentucky Derby. Setting such a goal only guarantees failure and missing whatever opportunities were

¹¹¹ EASTERLY, *supra* note 16, at 10–11; JEFFREY D. SACHS, *THE END OF POVERTY: ECONOMIC POSSIBILITIES FOR OUR TIME* (2006).

¹¹² EASTERLY, *supra* note 16, at 11.

¹¹³ *Id.*

available to do what milk cows can actually do. Setting plans is wise and a long-term perspective is helpful, but NGOs are more successful when they take a proper perspective and then focus their resources on taking smaller, attainable steps instead of making and struggling to meet grand promises such as those made in the UN Millennium Goals to eliminate poverty by certain dates.

This more humble, yet effective, attitude is what Easterly describes as the mentality of a Searcher rather than a Planner.¹¹⁴ Planners are those who make grand schemes involving large NGOs and government aid to bring change to problems that the poor encounter in developing nations.¹¹⁵ Searchers are often cultivated by markets; although the poor often do not have the resources to motivate effective markets, a Searcher's mentality can still be a refreshing change to the traditional, ineffective Planner's model.¹¹⁶ Easterly describes the difference between a Planner and Searcher mentality as follows:

Planners announce good intentions but don't motivate anyone to carry them out; Searchers find things that work and get some reward. Planners raise expectations but take not responsibility for their actions. Planners determine what to supply, Searchers find out what is in demand. Planners apply global blueprints; Searchers adapt to local conditions. Planners at the top lack knowledge of the bottom; Searchers find out what the reality is at the bottom. Planners never hear whether the planned got what it needed; Searchers find out if the customer is satisfied.¹¹⁷

In order for the NGOs to be able to do that which they are suited to do, they must disavow the glory of fantastical plans and accept the vigorous, humble work that is more likely to produce long-term success.

B. Promote Development, Not Merely Immediate Relief

It seems that everyone knows that NGOs should seek to promote development instead of a temporary bandage. Although this goal seems obvious and is widely recognized, it is hard for NGOs to put the principle into practice.¹¹⁸ For instance, NGOs that do not appreciate the full definition of poverty (with its social, community, powerlessness, and dependency aspects) and see it solely as a lack of materials will necessarily be limited in their ability to do anything more than supply material resources to impoverished regions. Such a short-sighted perspective is

¹¹⁴ *Id.* at 6.

¹¹⁵ *Id.* at 3–10.

¹¹⁶ *Id.* at 5.

¹¹⁷ *Id.* at 5–6.

¹¹⁸ See e.g., CORBETT & FIKKERT, *supra* note 11, at 104; GORMAN, *supra* note 110, at 50–51.

unlikely to help the aid recipients long-term. To discuss this principle it is useful to classify the aid that NGOs can offer into three categories: immediate relief, intermediate rehabilitation, and long-term development.¹¹⁹ Even for organizations that do see poverty more broadly, however, there is great pressure on organizations to quantify their successes to continue to receive donor funding.¹²⁰ The kind of long-term development that is really necessary is often hard to quantify.¹²¹ Thus, relief work is popular and long-term development is challenging. It is much simpler to count the number of wells that were dug, the number of meals that were served, or the number of homes repaired.¹²² It has long been easier for NGOs, religious and secular, to raise funds for exciting disaster relief action than long-term, but important, attempts at fostering development.¹²³ Corbett and Fikkert argue that “the North American need for speed undermines the slow process needed for lasting and effective long-run development.”¹²⁴

For NGOs to be successful in the long run, they must learn to identify when to offer relief, rehabilitation, or development.¹²⁵ Long-term development would do little good if a natural disaster strikes the area and the people perish before the development plan takes effect. Relief is necessary to provide emergency assistance, prevent the sudden onset of long-term harm, or “stop the bleeding.”¹²⁶ Yet, relief-style provision is unable to provide long-term development when development is what is needed. In fact, the acts of big organizations and big spending can ultimately be destructive. These relief actions quickly raise the standard of living temporarily but overwhelm the more stable forces that were working to raise the standard over time. When the NGO pulls out or tries to let the community take over again, the independent initiatives and leaders have long been squelched after finding it hard to compete with the large, well-funded, but explicitly temporary, NGO.¹²⁷ There are often groups in Sub-Saharan Africa that are responding to the problem, only more slowly.¹²⁸ Provision of relief when it is inapplicable is tempting for Western NGOs since the workers will be accustomed to higher standards of living and thus, every situation looks like one where material relief is required. One example of relief harming development is the “Kibera slum

¹¹⁹ CORBETT & FIKKERT, *supra* note 11, at 104.

¹²⁰ *Id.* at 120.

¹²¹ *Id.*

¹²² *See id.*

¹²³ GORMAN, *supra* note 110, at 50–51.

¹²⁴ CORBETT & FIKKERT, *supra* note 11, at 131.

¹²⁵ *Id.* at 103–04.

¹²⁶ *Id.* at 104.

¹²⁷ *See* BUNCH, *supra* note, 22, at 18–20.

¹²⁸ CORBETT & FIKKERT, *supra* note 11, at 108.

of Nairobi, Kenya, [which is] believed to be the largest slum in Africa. Development workers commonly refer to Kibera as ‘scorched earth,’ because decades of well-meaning outside organizations have made it nearly impossible to do long-lasting development work there.”¹²⁹ Relief-style aid should be applied only when an immediate danger poses long-term negative consequences unless treated immediately such as situations involving potentially fatal illnesses or starvation. Long-term development requires the initiative and action of the locals; otherwise, it fails to truly lift the community out of its need.

Since poverty is not just a lack of material goods but also a felt or actual lack of capabilities, NGOs must at times sacrifice pure efficiency for fostering participation and the development of involvement and personal capabilities on the part of those in poverty.¹³⁰ “Development is not done *to* people or *for* people but *with* people.”¹³¹ Efficiently administering the aid is not the same thing as being effective. Time-intensive strategies such as “asset mapping,” an appreciative inquiry into the strengths of the community, may have to be undertaken to get the community involved instead of relying on the more traditional needs-based model identifying the weaknesses and failures in a particular community.¹³²

C. NGOs Must Avoid Arrogance and Defer to Local Leaders

It is easy for NGOs to assume the role of expert, even though countless mistakes have been made by NGOs that led to very real suffering for the people they were attempting to help.¹³³ Aid workers cannot come into a region and think of themselves as the saviors of inferior people without doing damage to the people they are supposedly helping. Some commentators in Africa are already feeling resentment towards aid organizations whom they deem to “still believe us to be like children that they must save . . . [by] propos[ing] solutions on our behalf.”¹³⁴ While NGOs can do much more to help the poor when they take on the role of Easterly’s Searcher rather than the traditional route that led to the problems in Part II, the best hope for the poor is to encourage and enable those living in Sub-Saharan Africa “to be their own Searchers” and leaders.¹³⁵

Having NGOs conduct needs-based assessments of communities may

¹²⁹ *Id.* at 113.

¹³⁰ *See id.* at 168.

¹³¹ *Id.* at 110.

¹³² *Id.* at 133.

¹³³ *See supra* Part II.

¹³⁴ EASTERLY, *supra* note 16, at 26.

¹³⁵ *Id.* at 28.

sound efficient, but it is also potentially harmful if the real goal is to foster community participation and long-term development.¹³⁶ For NGOs to start their aid work primarily by asking what is wrong with the community is an easy way to reinforce the feelings of inferiority and the poverty of being that can cripple long-term development.¹³⁷ It might take longer, but it is crucial for the NGO to consult members of the community and actually let the victims of poverty and local leaders have significant influence on the problems that the NGO will address and the means the NGO will employ. The community may get things wrong, but it is better to foster the beginnings of true, but imperfect, development than it is to administer a perfect temporary relief system.

D. Provision of Basic Financial Services

Basic financial services are surprisingly important for the poor. Not surprisingly, when treated as a silver bullet to solve poverty, even microfinancial services face significant limitations and have sometimes produced unexpected negative repercussions as described in Part II.¹³⁸ However, when used in conjunction with the other principles discussed in this Note, microfinancial saving and lending services are a promising tool that NGOs can use to encourage development.

The conventional wisdom would be that the poor are poor because they have little money, thus the primary financial service they need will be loans. But that is not always the case. Certainly the poor are often in need of capital and microloans can be immensely successful in certain circumstances and when operated well. Yet, the poor often make small loans to one another whether or not microloans are available in their area.¹³⁹ The poor have a surprising need and desire for the ability to save the small amount of capital that they come across.¹⁴⁰ The concept of a “loan shark” is familiar even in the United States, but those in extreme poverty are often subject to “savings sharks”¹⁴¹ or other methods of savings that they enter voluntarily and receive a negative return on their investment.¹⁴² The very poor in India sometimes pay savings deposit collectors nine percent to eighteen percent just to hold their money in safety to avoid the threat of theft or the pressure of spending on something

¹³⁶ CORBETT & FIKKERT, *supra* note 11, at 125.

¹³⁷ *Id.*

¹³⁸ *Supra*, Part II.3.B.

¹³⁹ See STUART RUTHERFORD, *THE POOR AND THEIR MONEY: AN ESSAY ABOUT FINANCIAL SERVICES FOR POOR PEOPLE*, INSTITUTE FOR DEVELOPMENT POLICY AND MANAGEMENT, UNIVERSITY OF MANCHESTER viii (1999).

¹⁴⁰ *Id.* at iv.

¹⁴¹ CORBETT & FIKKERT, *supra* note 11, at 205.

¹⁴² RUTHERFORD, *supra* note 139.

other than their intended savings goal.¹⁴³

There is often a need for credit that microloans can serve that well, but there are a host of limitations to microcredit. It is true that a failed system has denied capital to otherwise capable budding entrepreneurs. Nevertheless, just because money is lent does not mean that the capital will spontaneously attach to a great idea that will turn out to be profitable.¹⁴⁴ Further, though microloans have extended credit to people who have never received formal credit before, microloans typically do not reach rural areas and are often not proffered to the most destitute because their incomes and desired loan amounts are too small even for microcredit.¹⁴⁵ While the Grameen Bank model of microcredit was highly successful, the attention microcredit received over the past few years has brought an onslaught of attempts by religious and other NGOs to participate in poverty alleviation by microcredit. Many NGOs failed to achieve similar success, covering the developing world “with the carcasses of failed loan programs started by well-meaning missionaries and Majority World churches (and small ministries).”¹⁴⁶

NGOs wishing to assist in alleviating Sub-Saharan poverty by participating in microlending may still be able to do so successfully if they relegate microlending from silver-bullet status back to the world of reality. These organizations can take advantage of the growing literature and research describing the principles of successful microlending which include requiring amortization of principal,¹⁴⁷ “mandatory but flexible repayment of principal,”¹⁴⁸ and providing training and counseling to borrowers to provide maximum impact to the loaned funds.¹⁴⁹ Still, other financial services such as “reasonably priced savings or insurance products” may be even more promising to meet the needs of those in extreme poverty.¹⁵⁰

There is still no direct evidence that microcredit actually lifts the extreme poor out of poverty. No randomized and controlled trial studies are available to document the long-term results of microlending because it is fairly new and short-term studies “found no evidence of improvement in household income or consumption” as a result of using microlending.¹⁵¹

¹⁴³ *Id.* at x–xi.

¹⁴⁴ CORBETT & FIKKERT, *supra* note 11, at 205.

¹⁴⁵ *See id.* at 207.

¹⁴⁶ *Id.* at 209–10.

¹⁴⁷ White, *supra* note 36, at 1134.

¹⁴⁸ *Id.* at 1136.

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at 1135.

¹⁵¹ Richard Rosenberg, *Does Microcredit Really Help Poor People?*, CGAP (Jan. 2010), <http://www.cgap.org/sites/default/files/CGAP-Focus-Note-Does-Microcredit-Really-Help-Poor-People-Jan-2010.pdf>.

Nevertheless, “[w]hether or not financial services lift people out of poverty they are vital tools in helping them to cope with poverty.”¹⁵² Microfinancial services are often used by those who access them “to deal with emergencies like health problems and to accumulate the larger sums they need to seize opportunities . . . and pay for big-ticket expenses like education, weddings, or funerals.”¹⁵³ Intriguingly, despite all the attention devoted to microlending, microsavings may have had the most direct impact as “the only [randomized and controlled trial] study of microfinance so far that found short-term welfare improvements looked at microsavings, not microcredit.”¹⁵⁴

Teaming up with the very poor who had small amounts of capital they wished to save and would otherwise only be able to save it at a negative interest rate, the Chalmers Center and other organizations have found success by establishing small savings and credit associations.¹⁵⁵ These function in similar ways to microloans, only the savings of the group function to service very small, short-term loans in the community. Like the Grameen Bank model of microlending, the social connection remains to help foster a strong desire to pay back the loans.¹⁵⁶ These associations grow very slowly because they depend upon the savings of the members of the association. At the same time, since the money is saved up by the association members, there is often not even a need for outside money or management by an outside organization if an NGO will merely help to establish the association and spread the word of its existence around the local communities.¹⁵⁷ The Chalmers Center seeks to promote these associations and follows up by conducting small business classes for those in the association; this connects association members with business principles and each other in a small community. These classes alleviate the problem of capital and the problem of lack of involvement at the same time. Thus, savings and credit associations correct some of the negative aspects of the Grameen style microlending movement but retain many of the positive aspects of microlending.

CONCLUSION

Although broadly applied systems that governments and NGOs applied to poverty in Sub-Saharan Africa have a history of failure and unintended consequences, practical steps remain available to NGOs that

¹⁵² *Id.*

¹⁵³ *Id.*

¹⁵⁴ *Id.*

¹⁵⁵ Chalmers Center, *A Participatory Party in Mozambique*, (Aug. 1, 2008), <https://www.chalmers.org/news/entry/a-participatory-party-in-mozambique>.

¹⁵⁶ CORBETT & FIKKERT, *supra* note 11, at 210.

¹⁵⁷ *Id.* at 211.

implement these strategies in fidelity to principles established in Part III. NGOs that admit that aid will not be the universal solution to Sub-Saharan poverty are better able to wean out inept ideas, control for unforeseen consequences, and stop programs that would do more harm than good. By recognizing their limitations and forsaking failed traditional models of grand plans, NGOs are more likely to be effective in implementing their specialties. NGOs that avoid arrogance and involve local leadership are going to be less likely to affirm the powerlessness, assumed inferiority, and dependency aspects of poverty that exacerbate the material deficiencies of local impoverished people. NGOs that follow these principles with a mind to promote long-term development, not just self-perpetuating temporary relief, should find that they are better able to improve the lives of the poor.

Additionally, combined with these principles, NGOs can wield microfinancial services, especially savings and credit associations, as tools to assist communities where these tools are appropriate. Although these tools have their limitations, when microfinancial services do not have the pressure of living up to the naïve expectations of NGOs who would force this program on communities without investigating the situation on the ground or involving the local leaders, NGOs should find that the services are more likely to actually alleviate poverty and less likely to cause negative side effects. In the hands of humble and aware NGOs these microfinancial tools can play a promising role in bringing real benefit to people who have a deep need for affordable savings and other microfinancial services in a region long impervious to development via aid.