

POL201Y1: Politics of Development

Lecture 19:

Development assistance

Announcement

- Final exam: 2-4 pm on the 17th August, in EX 100

Recap (from way back)

- Poverty: general scarcity or the state of one who lacks a certain amount of material possessions or money
- Types of poverty:
 - Income or consumption poverty
 - Material lack or want
 - Capability deprivation
 - Minimum rights
 - Multidimensional deprivation, e.g. Multidimensional Poverty Index
 - Based on Chambers, Robert. 2006. "What is poverty? Who asks? Who answers?" In *Poverty in focus: What is poverty? Concepts and Measures*. Geneva: United Nations Development Programme.

Dimensions of poverty	Indicator	Deprived if...	Weight
Education	Years of Schooling	No household member has completed five years of schooling.	1/6
	Child School Attendance	Any school-aged child is not attending school up to class 8.	1/6
Health	Child Mortality	Any child has died in the family.	1/6
	Nutrition	Any adult or child for whom there is nutritional information is malnourished.	1/6
Living Standard	Electricity	The household has no electricity.	1/18
	Improved Sanitation	The household's sanitation facility is not improved (according to MDG guidelines), or it is improved but shared with other households.	1/18
	Improved Drinking Water	The household does not have access to improved drinking water (according to MDG guidelines) or safe drinking water is more than a 30-minute walk from home, roundtrip.	1/18
	Flooring	The household has a dirt, sand or dung floor.	1/18
	Cooking Fuel	The household cooks with dung, wood or charcoal.	1/18
	Assets ownership	The household does not own more than one radio, TV, telephone, bike, motorbike or refrigerator and does not own a car or truck.	1/18

Recap (from way back)

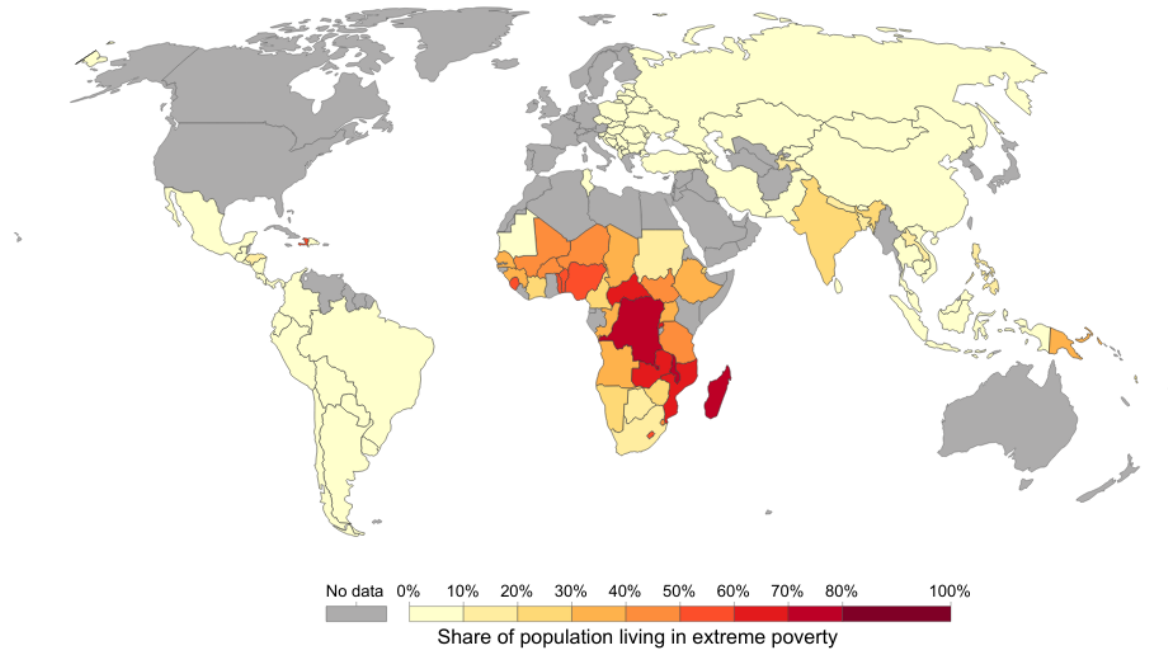
- 10.7% of the world population, or 766 million people (excluding MENA) live in extreme poverty
- 31.66% of the world population, or 1.9 billion (excluding MENA) live on less than Int.-\$ 3.1 per day
- 52.57%, or 3.2 billion (excluding MENA) on less than Int.-\$ 5 per day
 - All data for 2013
 - Data from the World Bank's PovcalNet: <http://iresearch.worldbank.org/PovcalNet/povDuplicateWB.aspx>

Recap (from way back)

Share of the population living in extreme poverty, 2014

OurWorld
in Data

Extreme poverty is defined as living with per capita household consumption below 1.90 international dollars per day (in 2011 PPP prices). International dollars are adjusted for inflation and for price differences across countries. Since some observations for 2014 are not available the map displays the closest available data (2008 to 2014).



Source: Poverty - WORLD BANK (WDI - 2017/02)

OurWorldInData.org/extreme-poverty/ • CC BY-SA

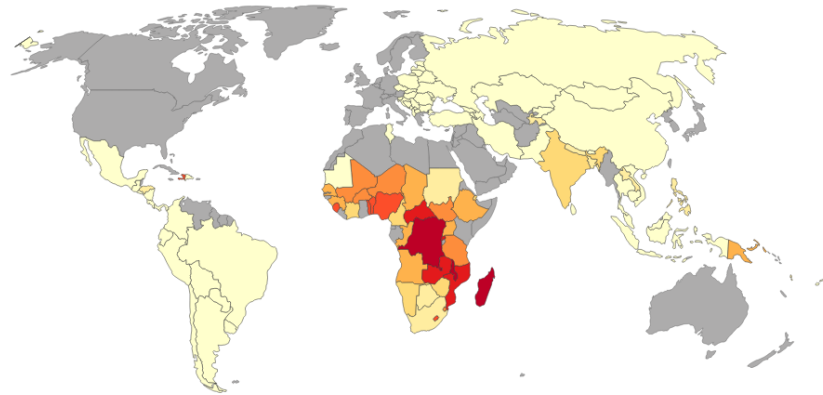
Note: Consumption in each country is adjusted for inflation over time and for price differences between countries and expressed in 2011 PPP international dollars.

Development and poverty

Share of the population living in extreme poverty, 2014

Extreme poverty is defined as living with per capita household consumption below 1.90 international dollars per day (in 2011 PPP prices). International dollars are adjusted for inflation and for price differences across countries. Since some observations for 2014 are not available the map displays the closest available data (2008 to 2014).

Our World
in Data

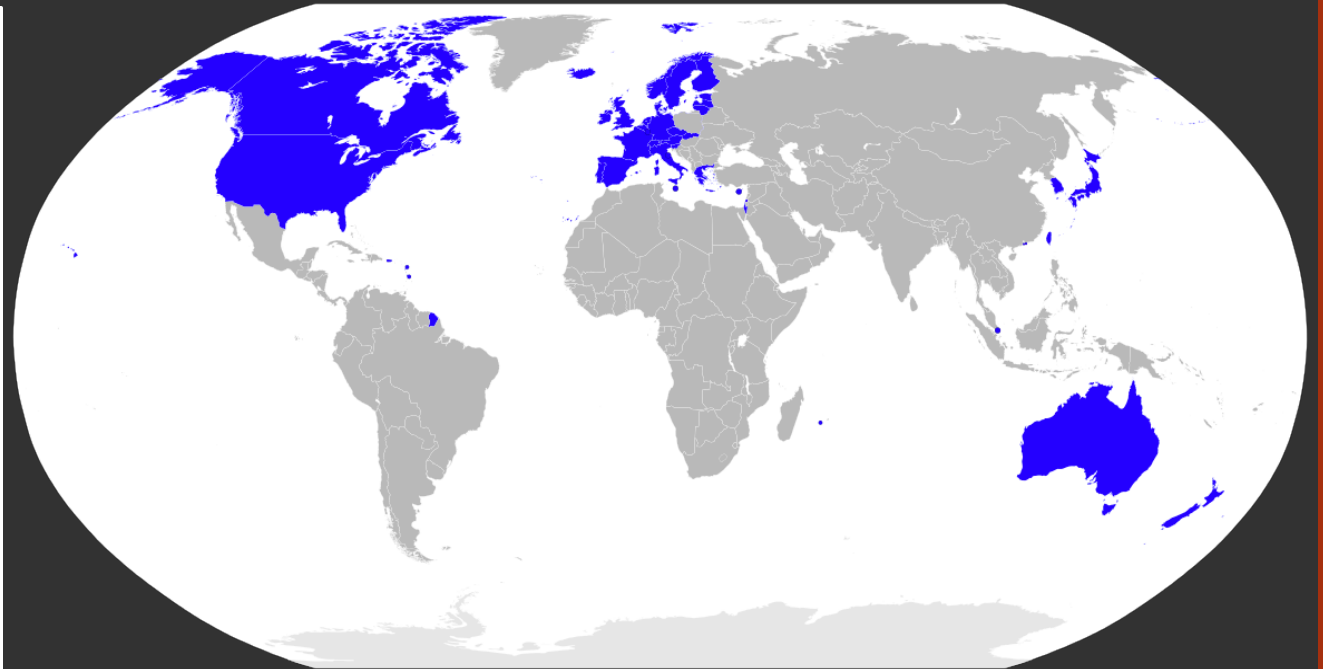


No data 0% 10% 20% 30% 40% 50% 60% 70% 80% 100%
Share of population living in extreme poverty

Source: Poverty - WORLD BANK (WDI - 2017/02)

OurWorldInData.org/extreme-poverty/ • CC BY-SA

Note: Consumption in each country is adjusted for inflation over time and for price differences between countries and expressed in 2011 PPP international dollars.



Development and poverty

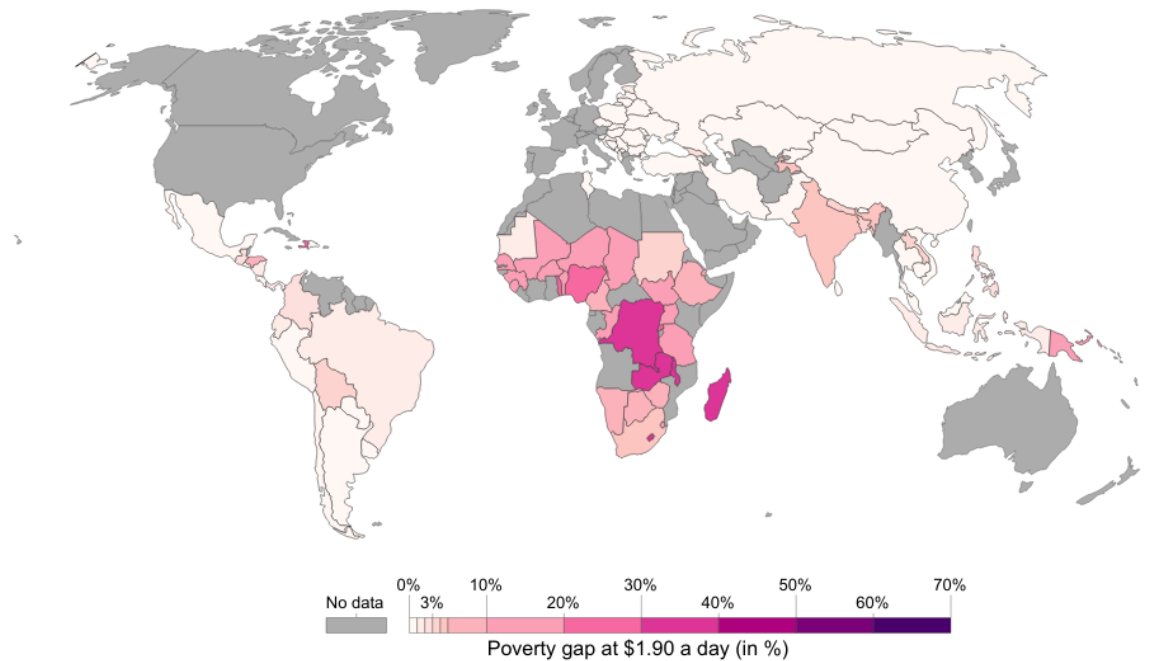
- Development is “wicked hard”
- What about reduction of poverty?

Poverty gap

Poverty gap index at 1.90 int-\$ per day, 2014

Our World
in Data

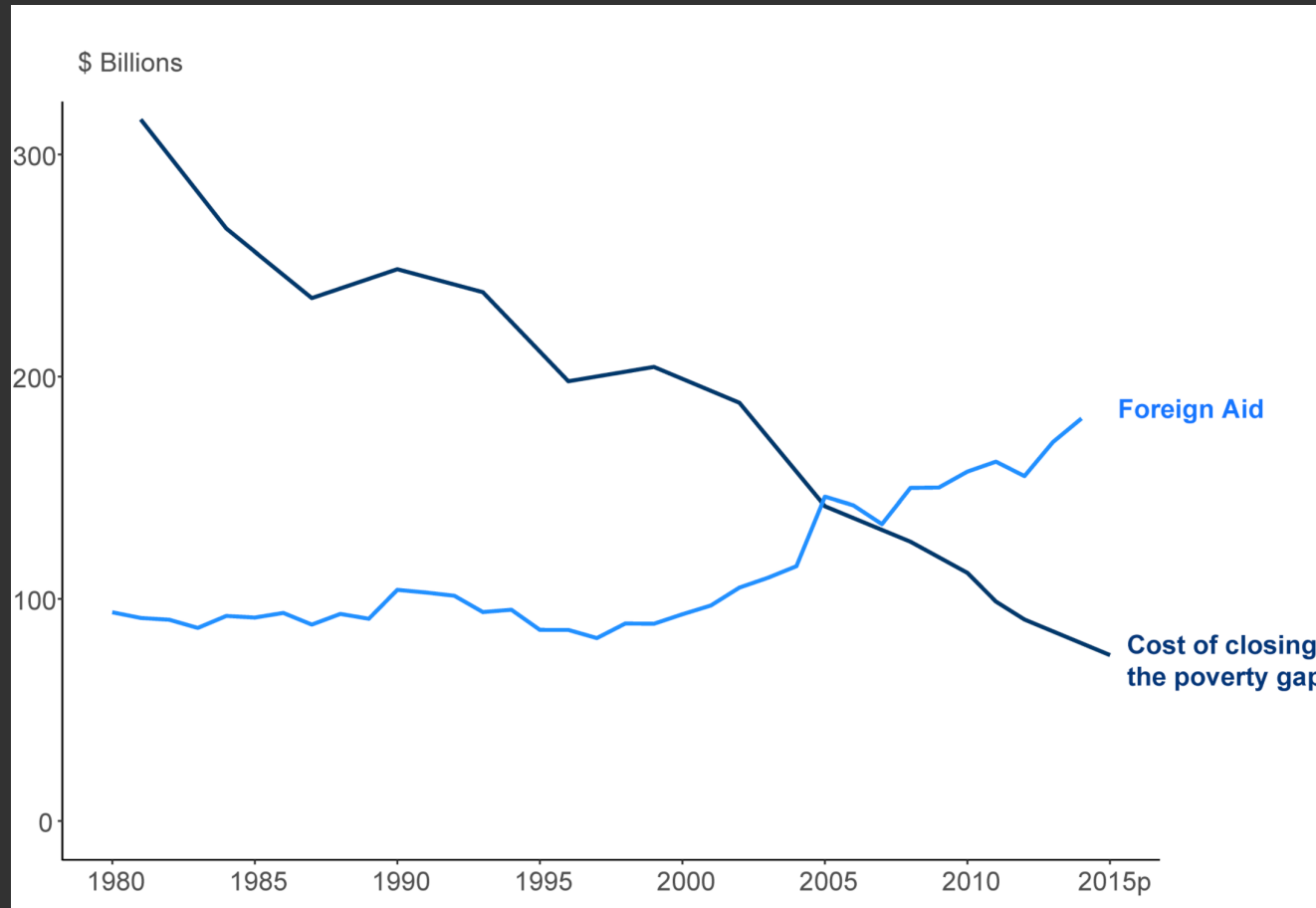
The poverty gap index is the mean shortfall in income or consumption from the International Poverty Line (\$1.90 a day in 2011 international dollars) counting the non-poor as having zero shortfall, expressed as a percentage of the poverty line. International dollars are adjusted for inflation over time and for price differences between countries. Since some observations for 2014 are not available the map displays the closest available data (2009 to 2014).



Source: Poverty - WORLD BANK (WDI - 2017/02)

OurWorldInData.org/extreme-poverty/ • CC BY-SA

Cost of closing the poverty gap



Zhang, Christine, Laurence Chandy, and Lorenz Noe. 2016. "The global poverty gap is falling. Billionaires could help close it." Washington: D.C.: The Brookings Institution.

How can the poverty gap be closed?

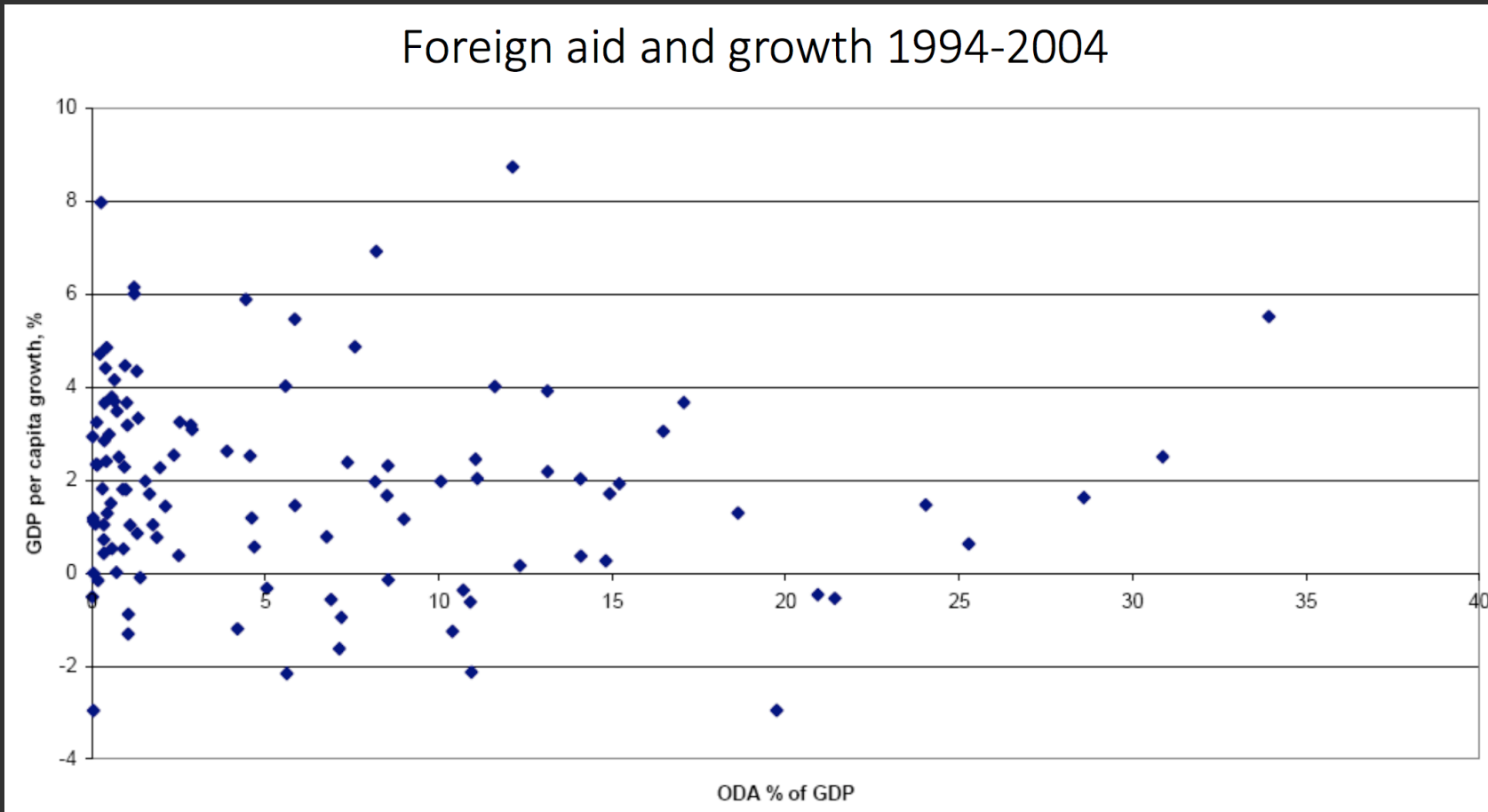
- Development assistance?

Providers of development assistance

- Government agencies:
 - E.g. UK Department for International Development (DFID), United States Agency for International Development (USAID)
- International organizations:
 - United Nations and its specialized agencies
 - International Organization for Migration (IOM)
- Nongovernmental organizations (NGOs)



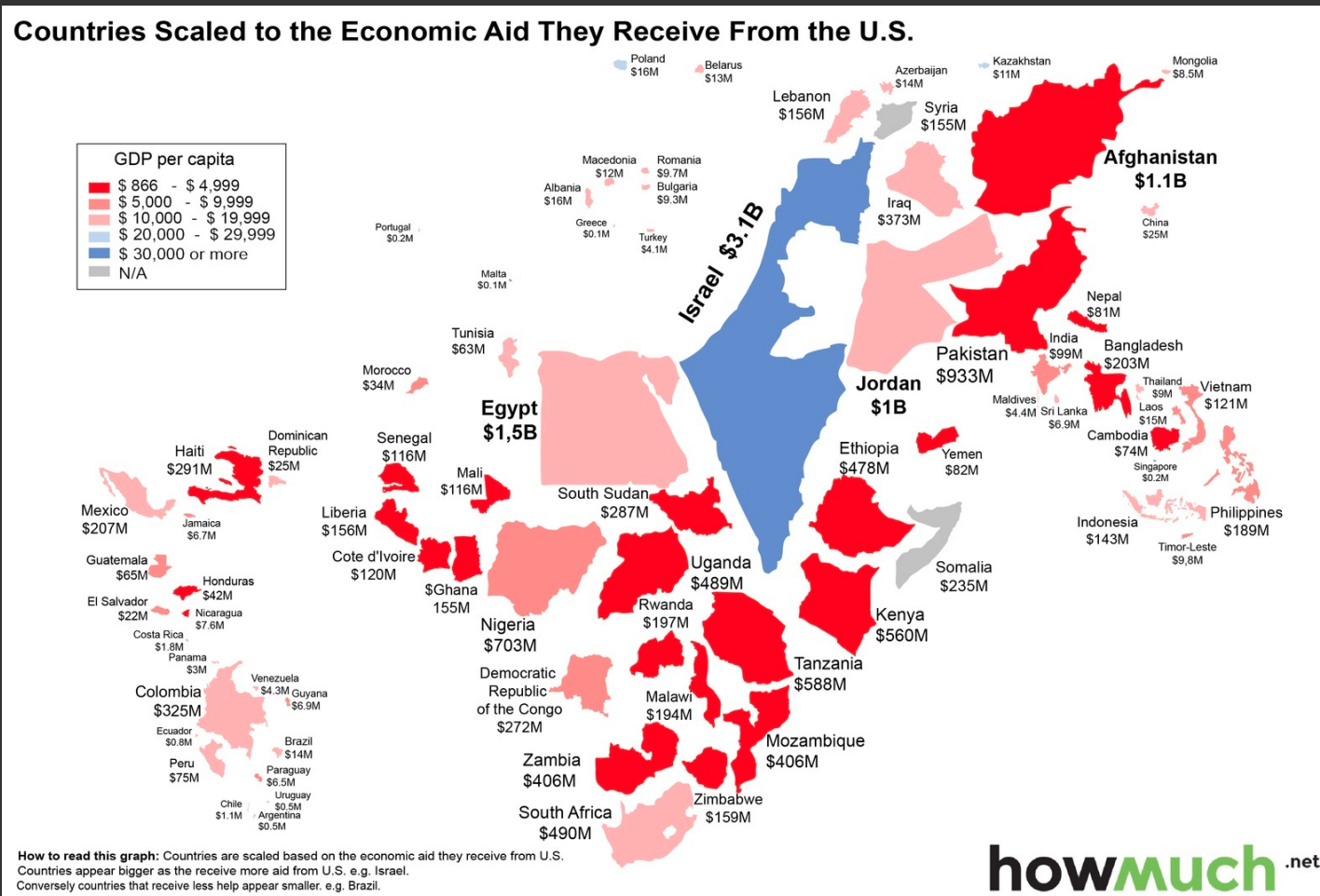
Effectiveness of development assistance



Radelet, Steven. 2006. "A Primer on Foreign Aid." Washington, D.C.: Center for Global Development.

Effectiveness of development assistance

- However: foreign aid != development assistance



Effectiveness of development assistance

- Much of development assistance is not intended to stimulate economic growth
- Millennium Development Goals:
 - To eradicate extreme poverty and hunger
 - To achieve universal primary education
 - To promote gender equality and empower women
 - To reduce child mortality
 - To improve maternal health
 - To combat HIV/AIDS, malaria, and other diseases
 - To ensure environmental sustainability
 - To develop a global partnership for development
- Source: http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20PC%20final.pdf

Goals and Targets	Africa		Asia				Oceania	Latin America and the Caribbean	Caucasus and Central Asia
	Northern	Sub-Saharan	Eastern	South-Eastern	Southern	Western			
GOAL 1 Eradicate extreme poverty and hunger									
Reduce extreme poverty by half	low poverty	very high poverty	low poverty	moderate poverty	high poverty	low poverty	—	low poverty	low poverty
Productive and decent employment	large deficit	very large deficit	moderate deficit	large deficit	large deficit	large deficit	very large deficit	moderate deficit	small deficit
Reduce hunger by half	low hunger	high hunger	moderate hunger	moderate hunger	high hunger	moderate hunger	moderate hunger	moderate hunger	moderate hunger
GOAL 2 Achieve universal primary education									
Universal primary schooling	high enrolment	moderate enrolment	high enrolment	high enrolment	high enrolment	high enrolment	high enrolment	high enrolment	high enrolment
GOAL 3 Promote gender equality and empower women									
Equal girls' enrolment in primary school	close to parity	close to parity	parity	parity	parity	close to parity	close to parity	parity	parity
Women's share of paid employment	low share	medium share	high share	medium share	low share	low share	medium share	high share	high share
Women's equal representation in national parliaments	moderate representation	moderate representation	moderate representation	low representation	low representation	low representation	very low representation	moderate representation	low representation
GOAL 4 Reduce child mortality									
Reduce mortality of under-five-year-olds by two thirds	low mortality	high mortality	low mortality	low mortality	moderate mortality	low mortality	moderate mortality	low mortality	low mortality
GOAL 5 Improve maternal health									
Reduce maternal mortality by three quarters	low mortality	high mortality	low mortality	moderate mortality	moderate mortality	low mortality	moderate mortality	low mortality	low mortality
Access to reproductive health	moderate access	low access	high access	moderate access	moderate access	moderate access	low access	high access	moderate access
GOAL 6 Combat HIV/AIDS, malaria and other diseases									
Halt and begin to reverse the spread of HIV/AIDS	low incidence	high incidence	low incidence	low incidence	low incidence	low incidence	low incidence	low incidence	low incidence
Halt and reverse the spread of tuberculosis	low mortality	high mortality	low mortality	moderate mortality	moderate mortality	low mortality	moderate mortality	low mortality	moderate mortality
GOAL 7 Ensure environmental sustainability									
Halve proportion of population without improved drinking water	high coverage	low coverage	high coverage	high coverage	high coverage	high coverage	low coverage	high coverage	moderate coverage
Halve proportion of population without sanitation	moderate coverage	very low coverage	moderate coverage	low coverage	very low coverage	high coverage	very low coverage	moderate coverage	high coverage
Improve the lives of slum-dwellers	low proportion of slum-dwellers	very high proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	—
GOAL 8 Develop a global partnership for development									
Internet users	moderate usage	low usage	high usage	moderate usage	low usage	high usage	low usage	high usage	high usage

The progress chart operates on two levels. The text in each box indicates the present level of development. The colours show progress made towards the target according to the legend below:

- Target met or excellent progress.
- Good progress.
- Fair progress.
- Poor progress or deterioration.
- Missing or insufficient data.

Effectiveness of development assistance

- Arndt, Jones, and Tarp: “recent empirical studies provide consistent support for the view that aid has had a positive average effect on growth (and economic return) when viewed over an extended time frame”

- Arndt, Channing, Sam Jones, and Finn Tarp. 2016. “What Is the Aggregate Economic Rate of Return to Foreign Aid?” *World Bank Economic Review* 30 (3): 446–74.

TABLE 1. Summary of Recent Aid-Growth Studies

Study ^a	Reference	Period	Spec. ^b	Beta	Std. Error	≈ Prob.
RS08	Table 4, col. 1	1960–2000	Linear	0.06	0.06	0.30
RS08	Table 4, col. 2	1970–2000	Linear	0.10	0.07	0.17
MR10	Table 4, col. 1	1960–2000	Linear	0.08	0.03	0.01
AJT10	Table 6, col. 2	1960–2000	Linear	0.09	0.04	0.02
AJT10	Table 4, col. 4	1970–2000	Linear	0.13	0.05	0.01
CRBB12	Table 7, col. 6	1970–2005	Nonlinear	0.15	0.06	0.01
CRBB12	Table 7, col. 10	1970–2005	Nonlinear	0.31	0.17	0.07
CRBB12	Table 9, col. 9	1971–2005	Nonlinear	0.27	0.13	0.04
CRBB12	Table 9, col. 9	1971–2005	Nonlinear	0.42	0.20	0.04
KSV12	Table 2, col. 5	1970–2000	Linear	0.05	0.05	0.32
LM12	Table 3, col. 4	1960–2001	Linear ^c	0.85	0.43	0.05
NDHKM12	Table 1, col. 4	1960–2006	Linear	−0.02	0.01	0.14
B13	Table 3, col. 1	1960–2000	Linear	0.12	0.04	0.00
B13	Table 3, col. 1	1970–2000	Linear	0.18	0.07	0.01
HM13	Table 2, row 1	1971–2003	Linear ^d	−0.01	0.00	0.00
AJT15	Table 1, col. 2	1970–2007	Linear ^e	0.30	0.18	0.09
Mean effect	Unweighted			0.19	0.06	0.00
	Weighted			0.12	0.04	0.00

Types of development problems



Figure 6.1. How would you get from St Louis to Los Angeles in 2015?

Source: Google Maps

Source: Andrews, Matt, Lant Pritchett, and Michael Woolcock. 2017. *Building state capability. Evidence, analysis, action.* Corby: Oxford University Press.

Table 6.2. A strategy to Go West in 2015

What drives action?	A clearly identified and predefined solution
How is action identified, carried out?	Reference existing knowledge and experience, plot exact course out in a plan, implement as designed
What authority or leadership is required?	A single authorizer ensuring compliance with the plan, with no other demands or tensions
Who needs to be involved?	A small group of appropriately qualified individuals

Types of development problems

Table 6.3. A strategy to Go West in 1804

What drives action?	A motivating problem that is felt by those involved
How is action identified, carried out?	Through experimental iterations where teams take an action step, learn, adapt, and take another step
What authority or leadership is required?	Multiple authorizers managing risks of the project (by motivating teams, and more) and supporting experimentation
Who needs to be involved?	Multi-agent groups (or teams) with many different functional responsibilities and talents

Source: Andrews, Matt, Lant Pritchett, and Michael Woolcock. 2017. *Building state capability. Evidence, analysis, action.* Corby: Oxford University Press.

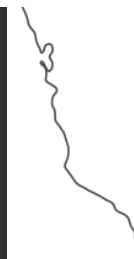


Figure 6.2. How would you get to the west coast from St Louis in 1804?

Types of development problems

		Examples	
		Health	Finance
Policy making/elite services		Iodization of salt	Monetary policy
Logistics		Vaccinations	Payment systems
Implementation intensive service delivery		Curative care	Loans
Implementation intensive imposition of obligations		Regulation of private providers	Regulation of private providers
Wicked hard		Preventative health	Equity financing of start-ups

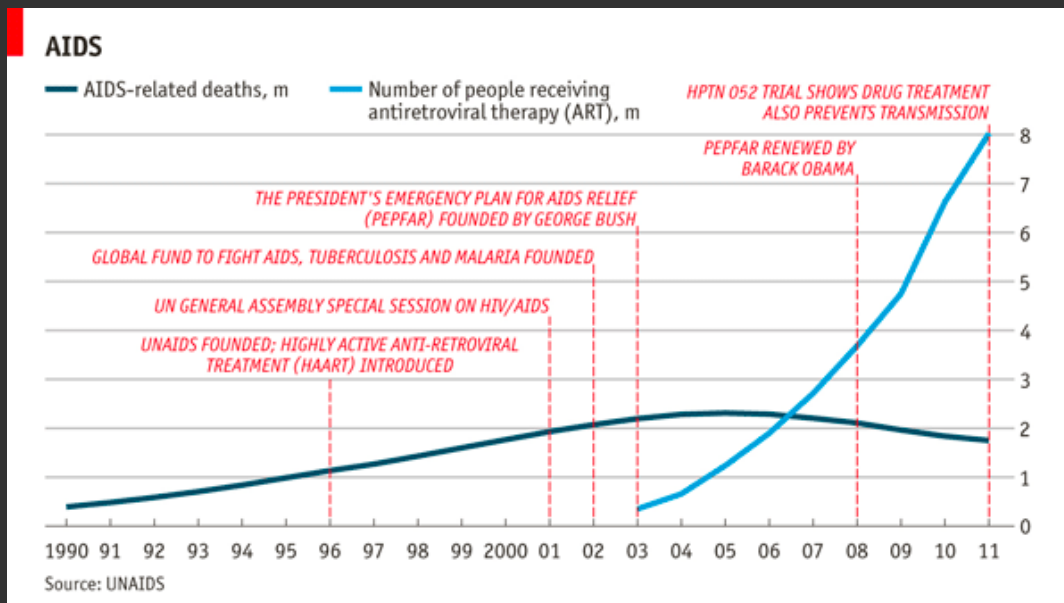
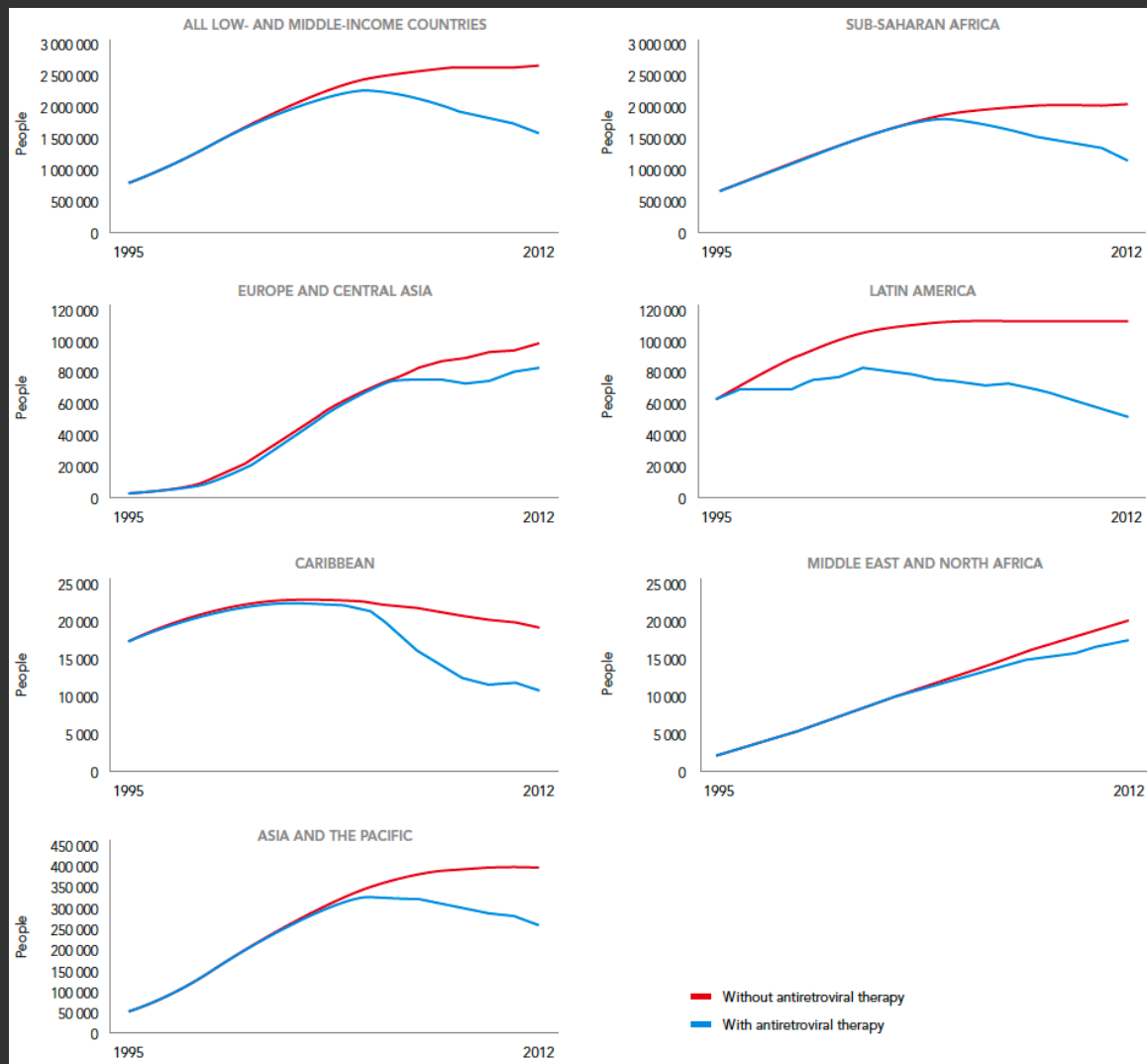
Figure 5.2. The five types of activities that have different capability needs in implementation

Types of development problems

- Easy fixes vs. “wicked hard” problems

What is the efficacy of development assistance that tackles the easy-fix problems?

The (relatively) easy fixes in development assistance



Sources:

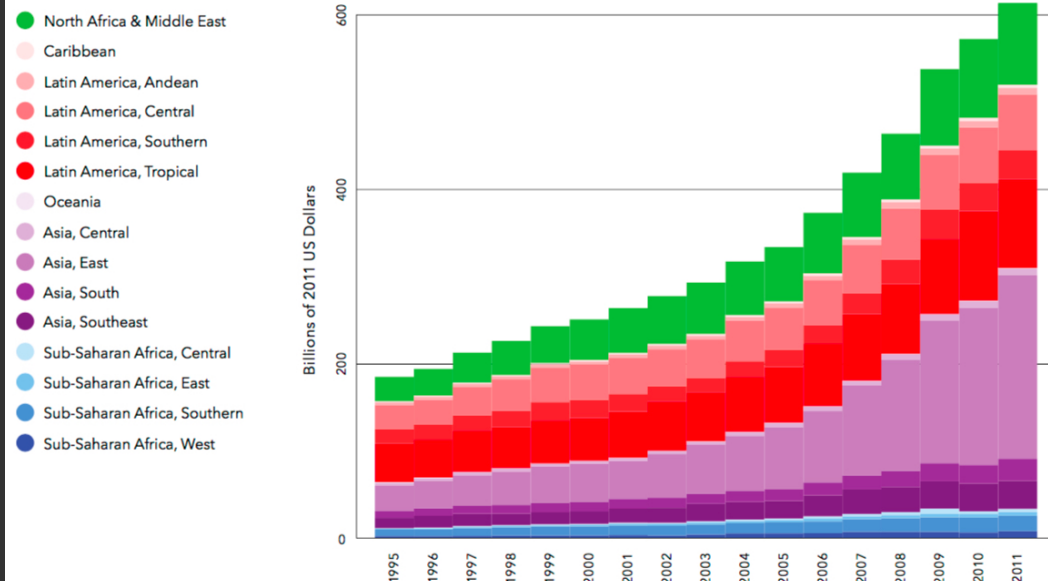
Our World in Data: <https://ourworldindata.org/hiv-aids/>

The Economist:

<https://www.economist.com/blogs/graphicdetail/2012/07/daily-chart-12>

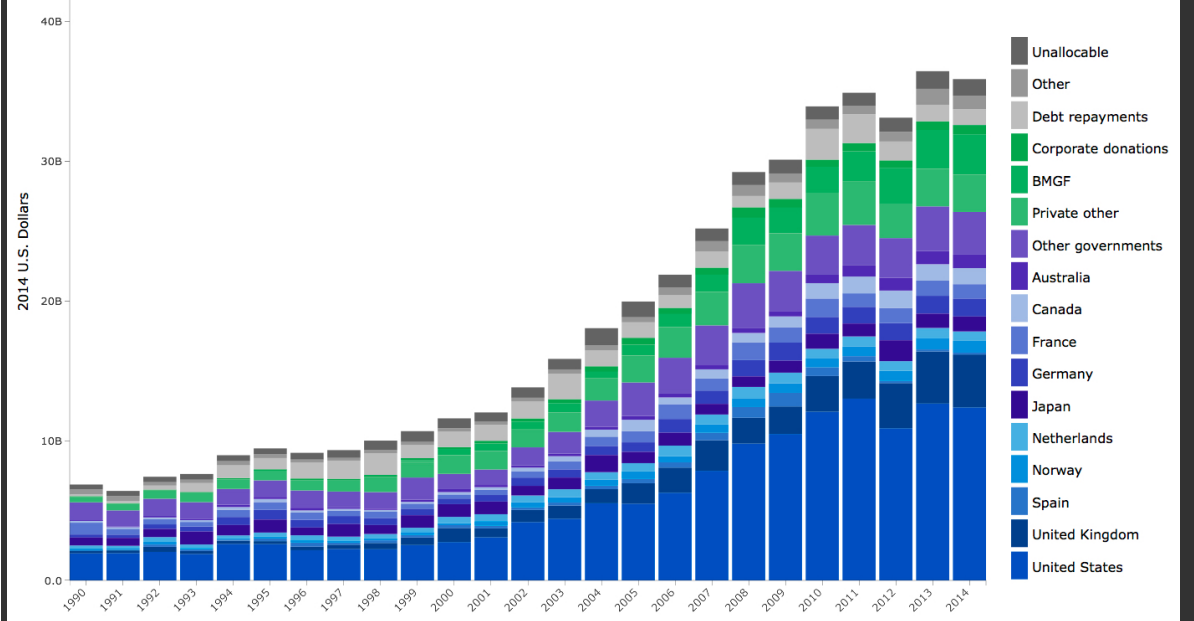
The (relatively) easy fixes in development assistance

Public health expenditure in developing countries excluding funds from development assistance – IHME (2013)



Source: Institute for Health Metrics and Evaluation. Financing Global Health 2013: Transition in an Age of Austerity. Seattle, WA: IHME, 2014. Available online from www.healthdata.org. (Formatted by www.OurWorldInData.org)

Sources of development assistance for health, 1990-2014 – IHME

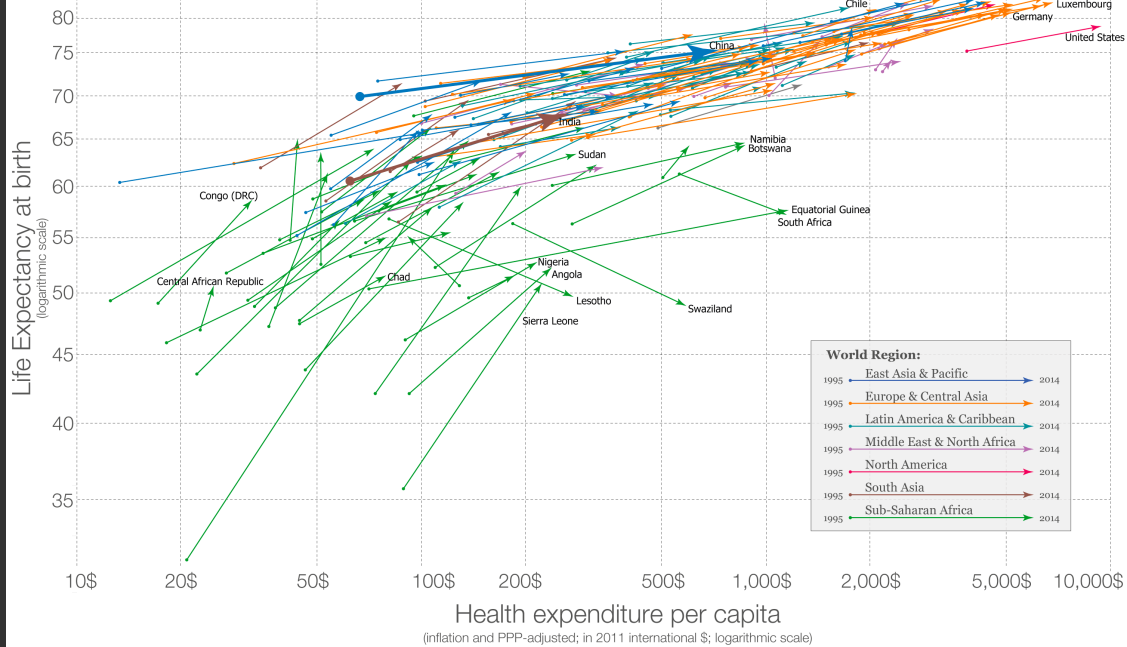


Source: Interactive visualization by the University of Washington's Institute for Health Metrics and Evaluation. Part of the Financing of Global Health Financing available at <http://vizhub.healthdata.org/fgf> (formatted by [OurWorldInData.org](http://www.OurWorldInData.org))

The (relatively) easy fixes in development assistance

Life expectancy is increasing as more money is spent on health

The arrows show the change for all countries in the world, from 1995 (earliest available data) to 2014 (latest available data). [Not all countries are labelled]
 Total health expenditure is the sum of public and private health expenditures. It covers the provision of health services (preventive and curative), family planning activities, nutrition activities, and emergency aid designated for health but does not include provision of water and sanitation.

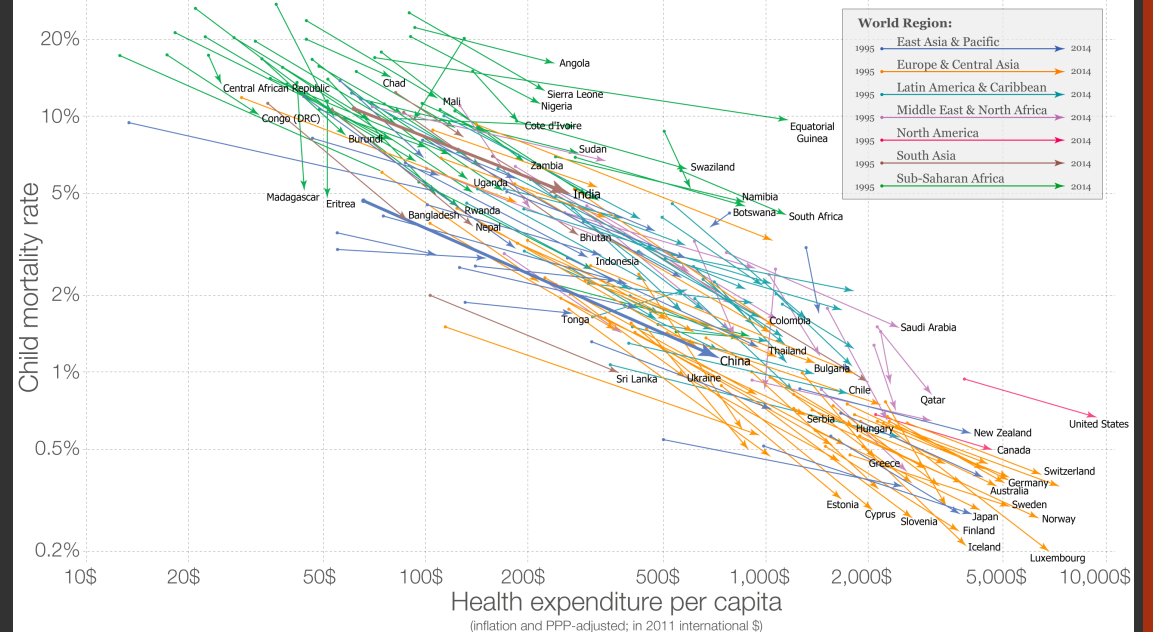


Data source: World Bank
 The interactive data visualization is available at OurWorldinData.org. There you find the raw data and more visualizations on this topic.

Licensed under CC-BY-SA by the author Max Roser.

Fewer children die as more money is spent on health

The arrows show the change for all countries in the world, from 1995 (earliest available data) to 2014 (latest available data). [Not all countries are labelled]
 - Child mortality is the share of children that die before their 5th birthday.
 - Total health expenditure is the sum of public and private health expenditures. It covers the provision of health services (preventive and curative), family planning activities, nutrition activities, and emergency aid designated for health but does not include provision of water and sanitation.



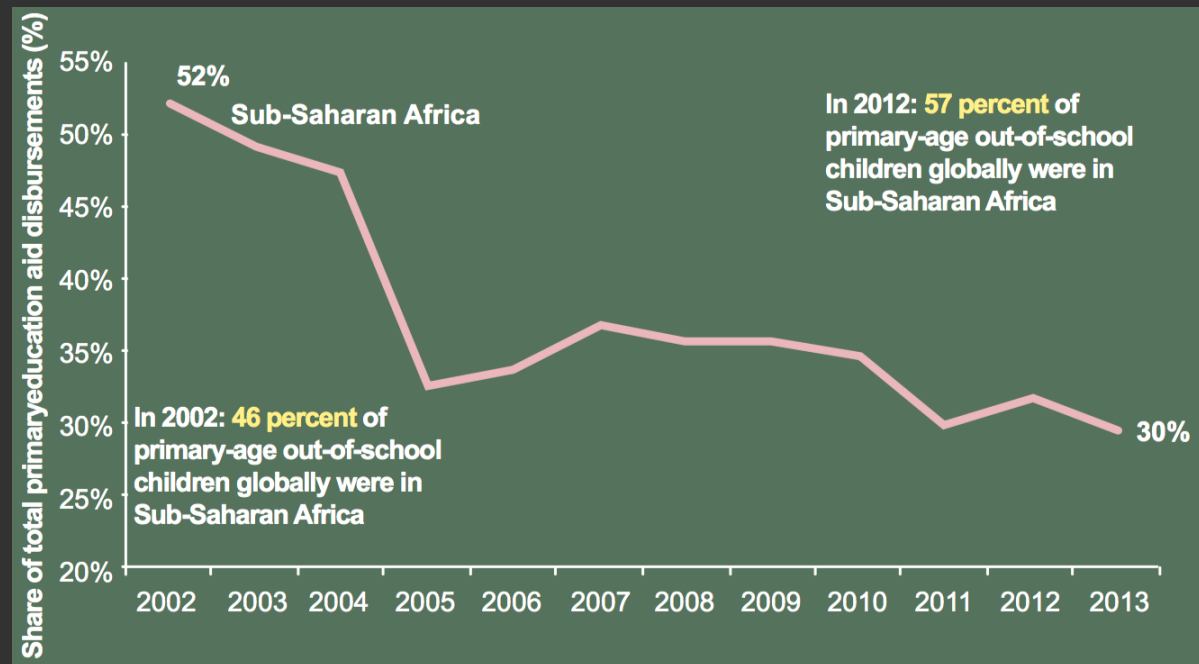
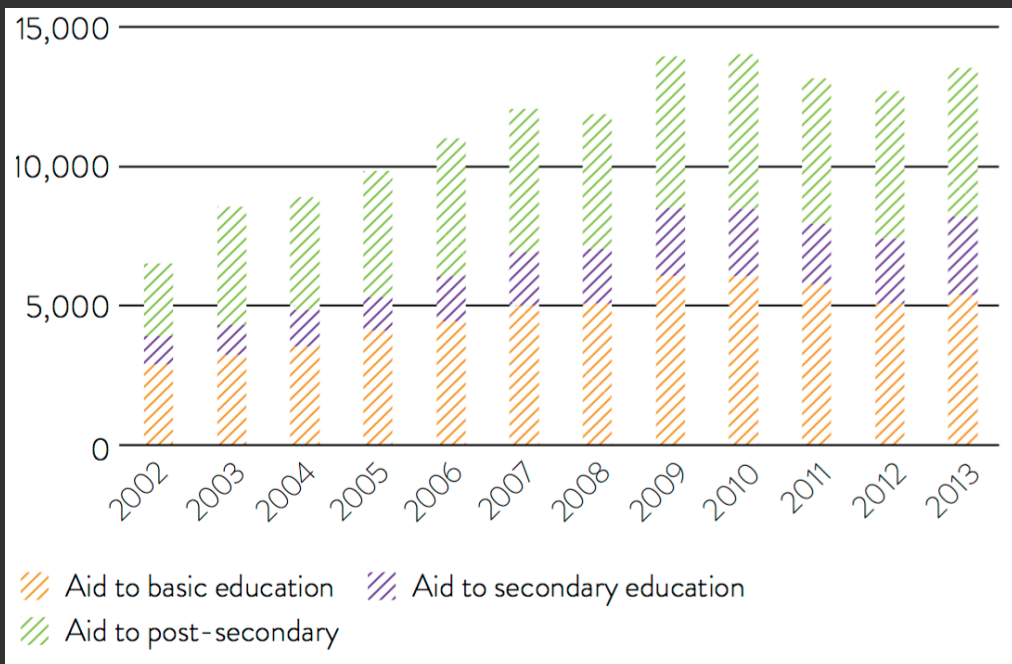
Data source: World Bank
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The (relatively) easy fixes in development assistance

- However, significant cross-sector variation
- E.g. improvements in health, but not in education

The (relatively) easy fixes in development assistance



Sources:

Education Aid Watch 2015: http://www.campaignforeducation.org/docs/reports/Education%20Aid%20Watch_2015_EN_WEB.pdf

Steer L., and K. Smith. 2015. "Financing education: Opportunities for global action." Center for Universal Education.

The (relatively) easy fixes in development assistance

- That said, development assistance providers can learn from their mistakes
- Gradual transition to evidence-based development assistance

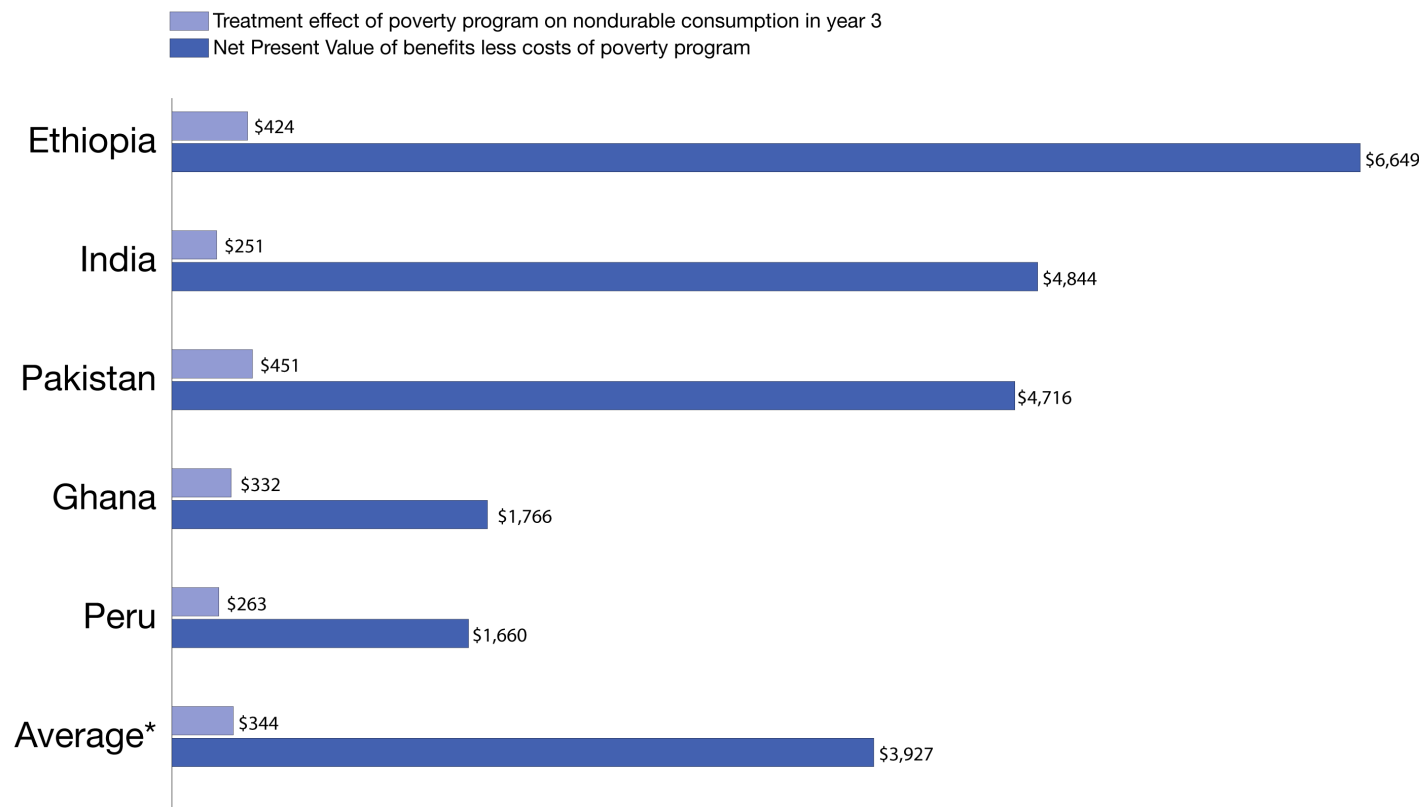
The (relatively) easy fixes in development assistance

- Multifaceted household-level interventions:
 - Productive asset grant
 - Temporary cash consumption support
 - Technical skills training
 - High frequency home visits
 - Savings program
 - Health education and services
- RCT evidence
 - Banerjee, A., Duflo, E., Goldberg, N., Karlan, D., Osei, R., Parienté, W., ... & Udry, C. 2015. "A multifaceted program causes lasting progress for the very poor: Evidence from six countries." *Science* 348(6236).

Gains from a multifaceted anti-poverty program

The anti-poverty program that has six elements: (1) a productive asset transfer, (2) consumption support, (3) technical skills training, (4) high frequency home visits, (5) a savings program, (6) some health education. The program was evaluated in six country sites and was evaluated using a randomized control trial (RCT).

OurWorld
in Data



Data sources: Banerjee, Duflo et al (2015) – A multifaceted program causes lasting progress for the very poor: Evidence from six countries. In Science.

*The Average and the entire visualisation excludes Honduras

This data visualization is available at [OurWorldinData.org](https://ourworldindata.org). There you more visualizations and research on this topic.

Licensed under CC-BY-SA by the author Max Roser.

The (relatively) easy fixes in development assistance

- Cash transfers:
 - Conditional:
 - 52 countries
 - E.g. Bolsa Família in Brazil and Oportunidades in Mexico
 - Unconditional:
 - 119 countries
 - Gentilini, Ugo, Maddalena Honorati, and Ruslan Yemtsov. 2014. “The state of social safety nets 2014.” Washington, D.C.: World Bank Group.

The (relatively) easy fixes in development assistance

- Conditional cash transfers “have increased consumption levels among the poor. As a result, they have resulted in sometimes substantial reductions in poverty among beneficiaries—especially when the transfer has been generous, well targeted, and structured in a way that does not discourage recipients from taking other actions to escape poverty”
 - Fiszbein, Ariel, and Norbert Schady. 2009. “Conditional Cash Transfers.” Washington, D.C.: The World Bank.
- Evidence from a GiveDirectly unconditional cash transfer RCT in Kenya: “unconditional cash transfers have significant impacts on economic outcomes and psychological wellbeing”
 - Haushofer, Johannes, and Jeremy Shapiro. 2016. “The Short-Term Impact of Unconditional Cash Transfers To the Poor: Experimental Evidence.”

Can easy fixes avoid politics?

Anti-politics machine



<https://www.nytimes.com/2017/02/23/magazine/universal-income-global-inequality.html>

Anti-politics machine

- Thaba-Tseka project (1975-1984) in the highlands of eastern Lesotho:
 - Failure as an agricultural development project
 - Powerful 'instrument-effects':
 - Construction of a road linking Thaba-Tseka with Maseru
 - Establishment of new district administration
 - Greater government presence in Thaba-Tseka
 - Ferguson, James. 1994. *The Anti-Politics Machine: "Development", Depoliticization and Bureaucratic Power in Lesotho*. Minneapolis, MN: University of Minnesota Press.

Development as an ideology

- Easterly:

“Like all ideologies, Development promises a comprehensive final answer to all of society’s problems, from poverty and illiteracy to violence and despotic rulers. [...]

The ideology of Development is not only about having experts design your free market for you; it is about having the experts design a comprehensive, technical plan to solve all the problems of the poor. These experts see poverty as a purely technological problem, to be solved by engineering and the natural sciences, ignoring messy social sciences such as economics, politics, and sociology.

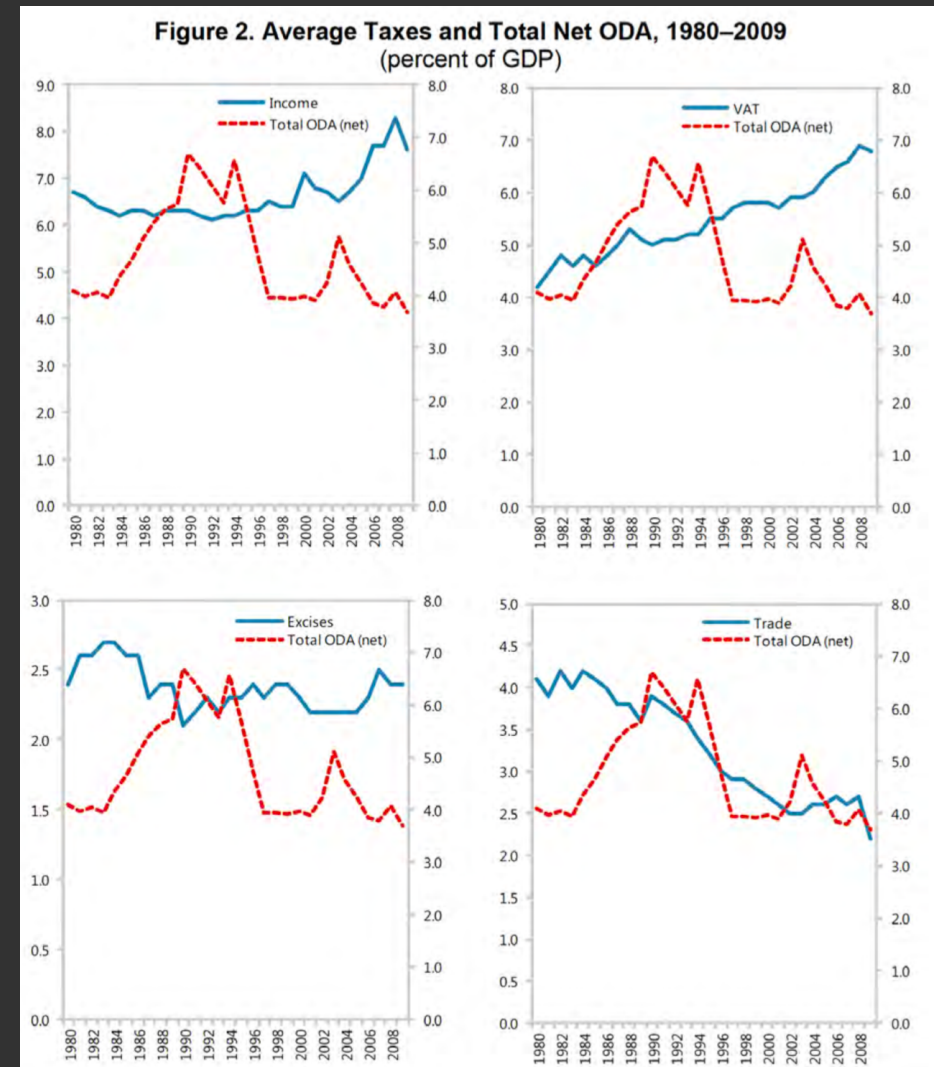
- Easterly, William. 2007. “The Ideology of Development.” *Foreign Policy* July/August: 31-35.

Politics of development assistance

- Development assistance affects the incentive structures of political agents in recipient countries / areas:
 - Reduction of incentives for tax collection and, therefore, state capacity building
 - Reduction of accountability to citizens (development assistance = rents?)
 - Transfer of accountability to donors and, therefore, encouragement of mimicry of reforms, setting implausible goals, and making unrealistic commitments and promises

Politics of development assistance

- Benedek et al.:
 - Each \$1 in grants is associated with \$0.10 lower taxes
 - Benedek, Dora, et al. 2014. "Foreign aid and revenue: Still a crowding-out effect?" *FinanzArchiv: Public Finance Analysis* 70.1: 67-96.



Politics of development assistance

- Public good provision:
 - Through other organizations:
 - Weakening the state and its accountability
 - Through governments:
 - Support for authoritarian regimes
 - Lack of capacity to absorb development assistance funds and provide public goods / services

Politics of development assistance

- Ultimately, lack of capacity / incentives to provide public goods is at the root of poverty / lack of development
- Therefore, easy fixes are necessarily partial solutions
- Also, closing the poverty gap != elimination of poverty
- Elimination of poverty requires development
- Development requires state capacity and state-society relations conducive to development
- However, development of states with the capacity and incentives to alleviate poverty / provide public goods is “wicked hard”

What happens when the development industry tries to fix governments?

- Structural adjustment
- Good governance agenda
- Good enough governance, political settlements, ...?