POLS 280:
Politics of Development and Foreign Aid

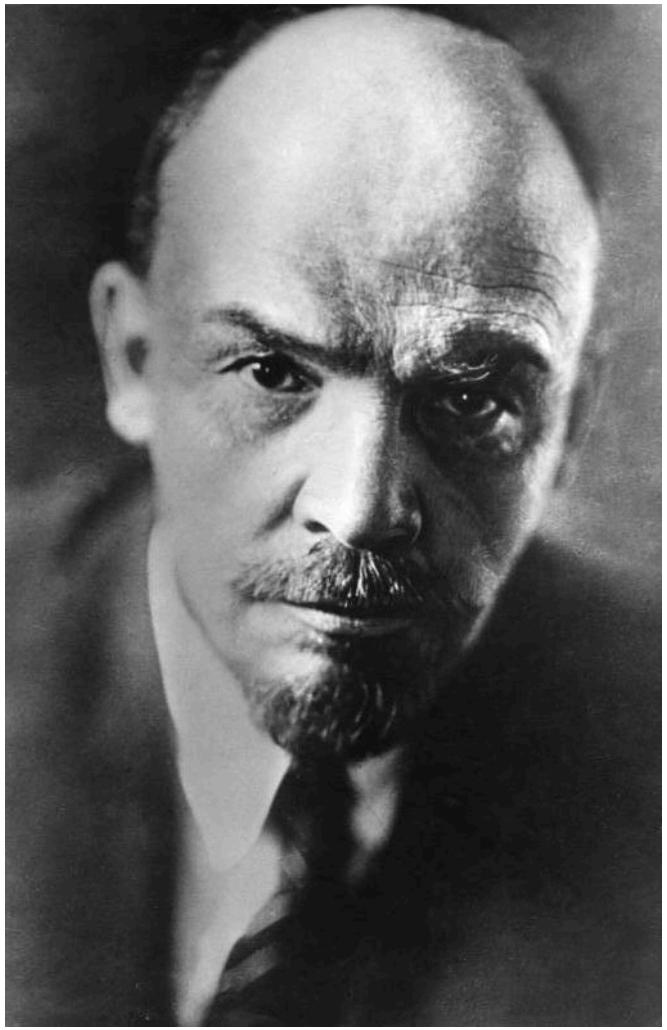
Class 23:

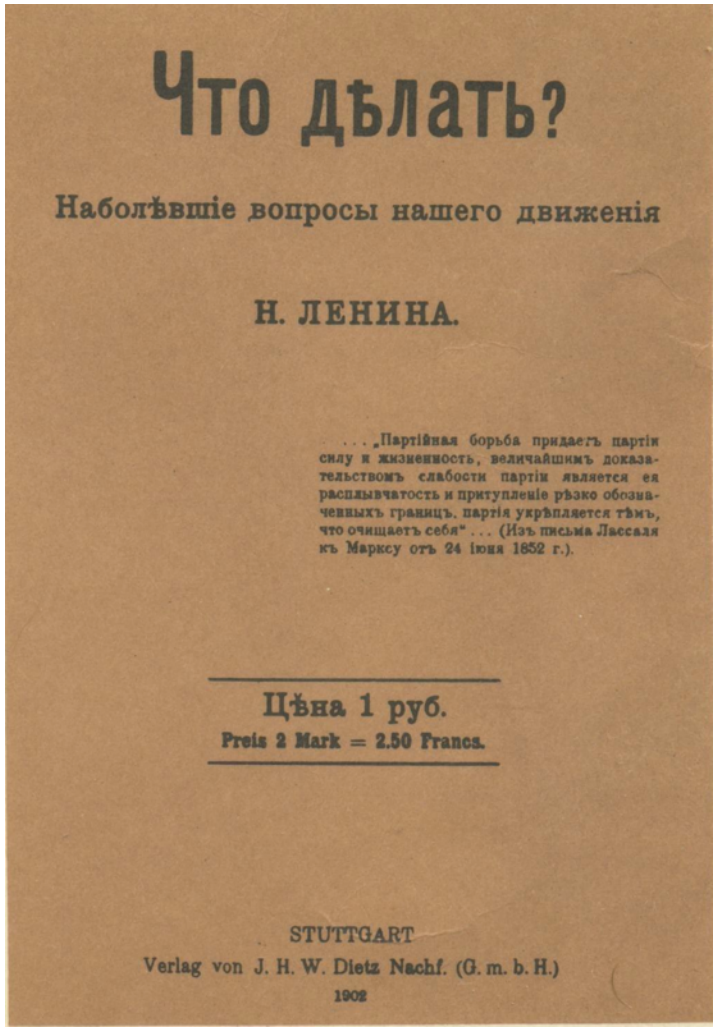
Foreign aid, the development and humanitarian relief industry, and the efficacy of development interventions

Recap: Part III

- States and their kinds:
  - State capacity
  - Patterns of domination / state-society relations
- Developmental success limited to high-capacity states, esp. the 'consensually strong state equilibrium' states
- Origins of high-capacity states:
  - Complex, *longue durée* historical processes
  - Imposition of capable states by external agents
  - Systemic vulnerability

What is to be done?





Development as a set of problems according to Andrews et al.

- Going west in 1804 vs. going west in 2015
- 'Wicked hard' vs. technical

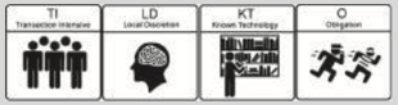
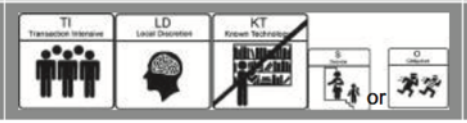
		Examples	
		Health	**Finance**
Policy making/elite services		Iodization of salt	Monetary policy
Logistics		Vaccinations	Payment systems
Implementation intensive service delivery		Curative care	Loans
Implementation intensive imposition of obligations		Regulation of private providers	Regulation of private 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

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

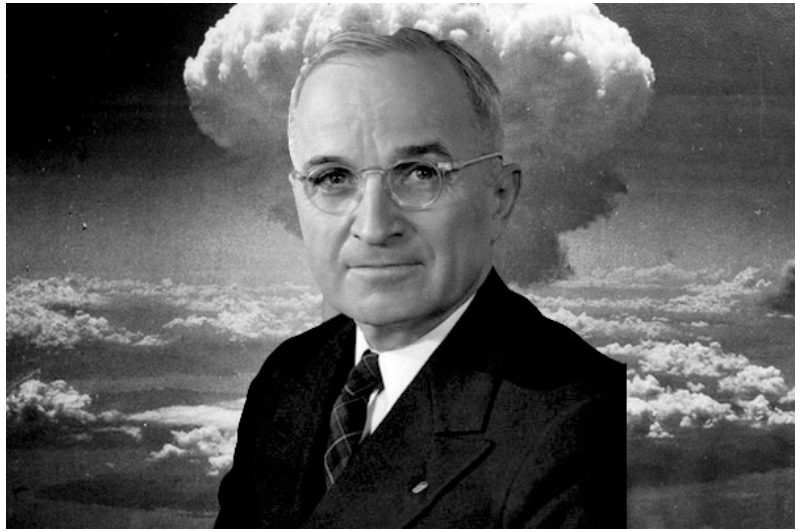
Who can solve the technical problems in development?

Aid industry

- NGOs
- Recipient governments
- Donor government agencies:
  - E.g. UK Department for International Development (DFID), United States Agency for International Development (USAID)
- International organizations:
  - United Nations (UN) and its specialized agencies
  - International Organization for Migration (IOM)
- Research institutes / think tanks:
  - E.g. Center for Global Development (CGDev)

Origins of foreign aid

- Truman's inaugural address / Four Point Speech, 1949:
  1. "We will continue to give unfaltering support to the United Nations and related agencies, and we will continue to search for ways to strengthen their authority and increase their effectiveness."
  2. "We will continue our programs for world economic recovery."
  3. "We will strengthen freedom-loving nations against the dangers of aggression."
  4. "We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas."



Origins of foreign aid

- Marshall Plan, 1948, and its (apparent) success
- United Nations and creation of specialized agencies
- Establishment of specialized government agencies in donor countries, e.g.:
  - United States Agency for International Development (USAID), 1961
  - Danish International Development Agency (DANIDA), 1962
  - Canadian International Development Agency (CIDA), 1968(-2013)
  - Norwegian Agency for Development Cooperation (NORAD), 1968
- Emergence of development and humanitarian relief NGOs

Foreign aid

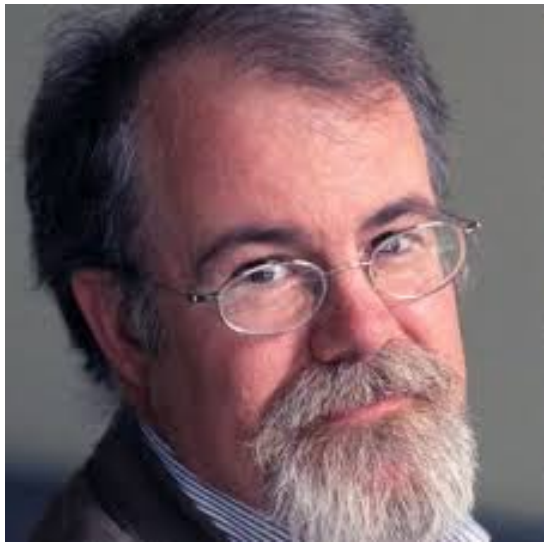
- OECD definition of foreign aid ('overseas development assistance,' or ODA):
  - Loans and grants allotted to developing countries that fulfill three criteria:
    - The loans and grants must come from the public sector
    - They must be granted with the aim of fostering economic development, and
    - They must be concessional and contain a grant element of at least 25%
  - Technical cooperation is included and military aid excluded

Types of foreign aid

- Humanitarian:
  - Short term relief assistance intended to lessen the suffering of individuals struck by natural, man-made, or ‘complex’ disasters
- Development:
  - Intended to attain long-term goals such as boosting economic growth

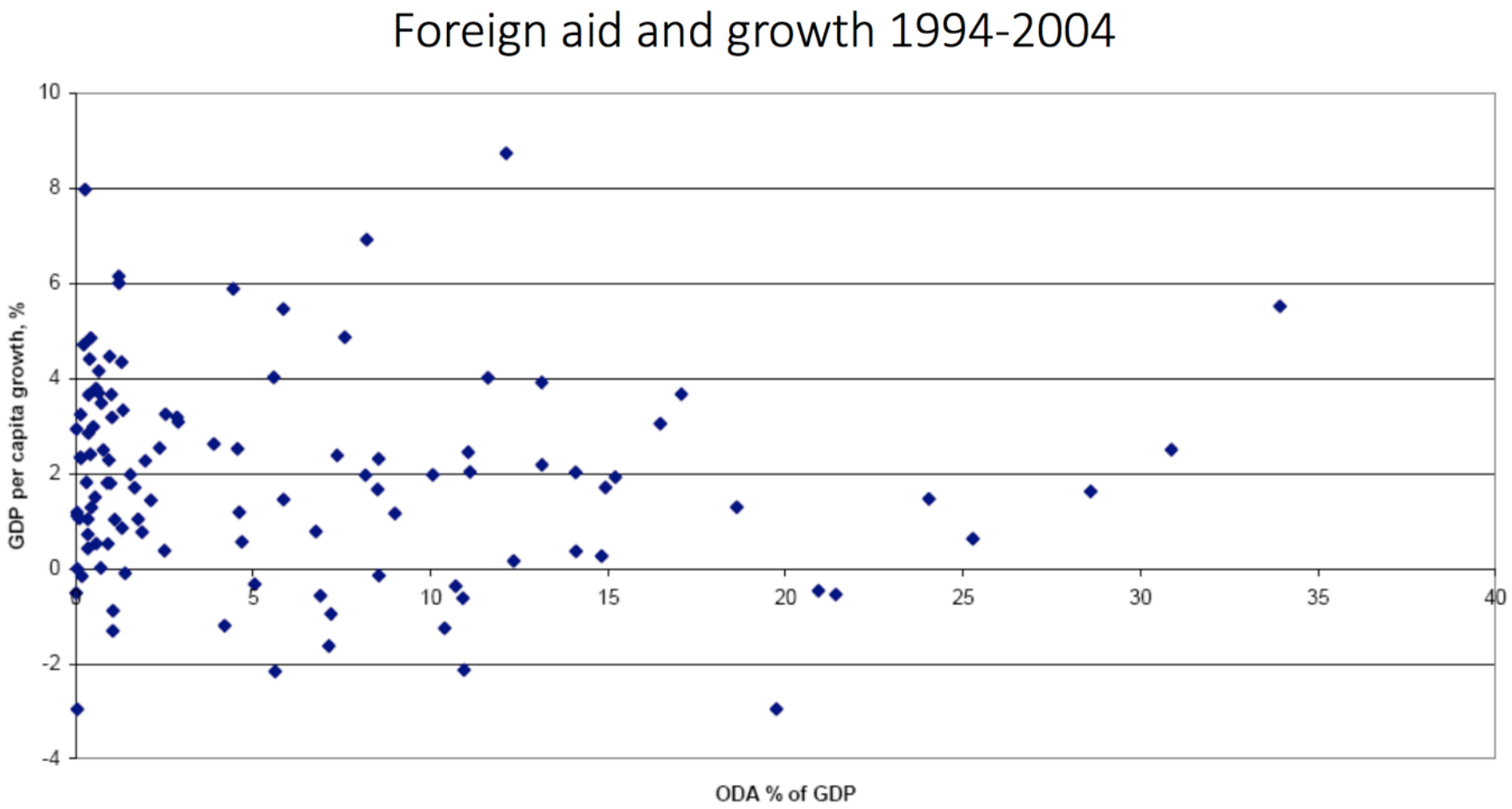
Why is foreign aid provided according to Banik and Hegertun?

Why is foreign aid provided according to Easterly?



What are the problems with foreign aid to Africa according to Mwenda?

Efficacy of foreign aid



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

Efficacy of foreign aid

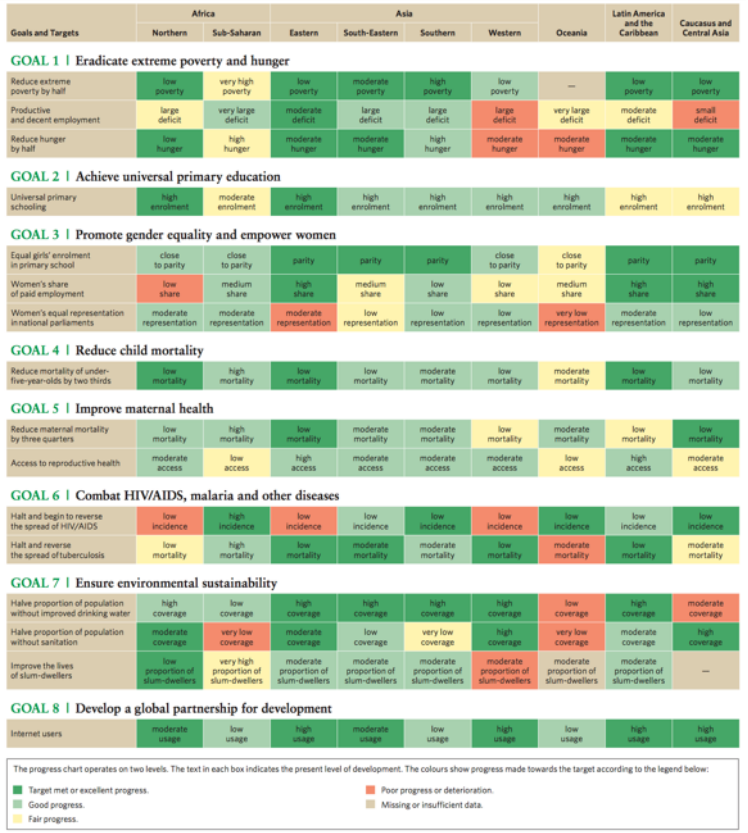
- Arndt, Jones, and Tarp: "recent empirical studies provide consistent support for the view that aid has had a positive average effect on growth (and economic return) over an extended time frame"
  - Arndt, Channing, Sam Jones, and Finn Tarp. 2016. "What Is the Aggregate Economic Rate of Return to Foreign 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

Efficacy of foreign aid

- 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

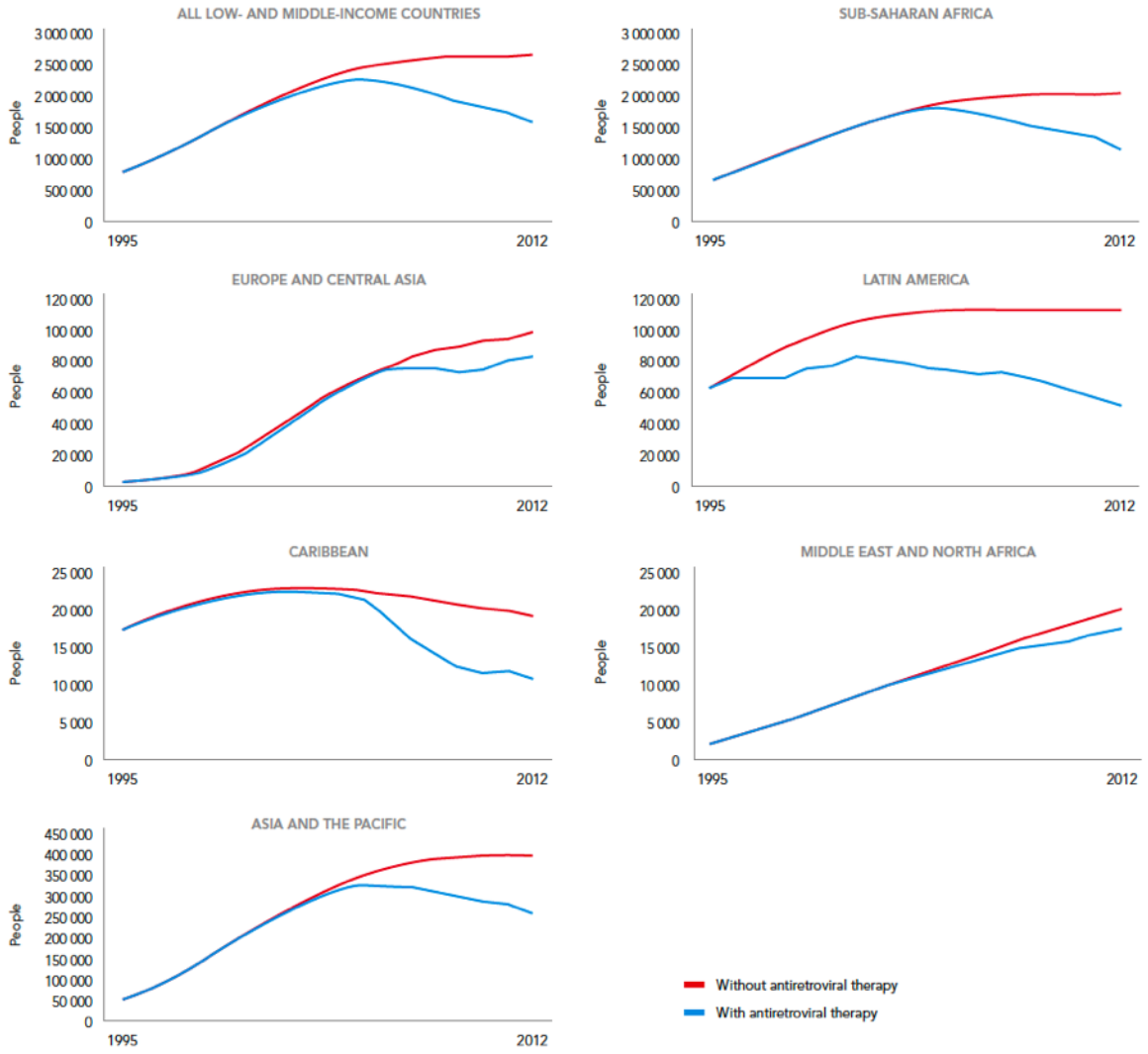


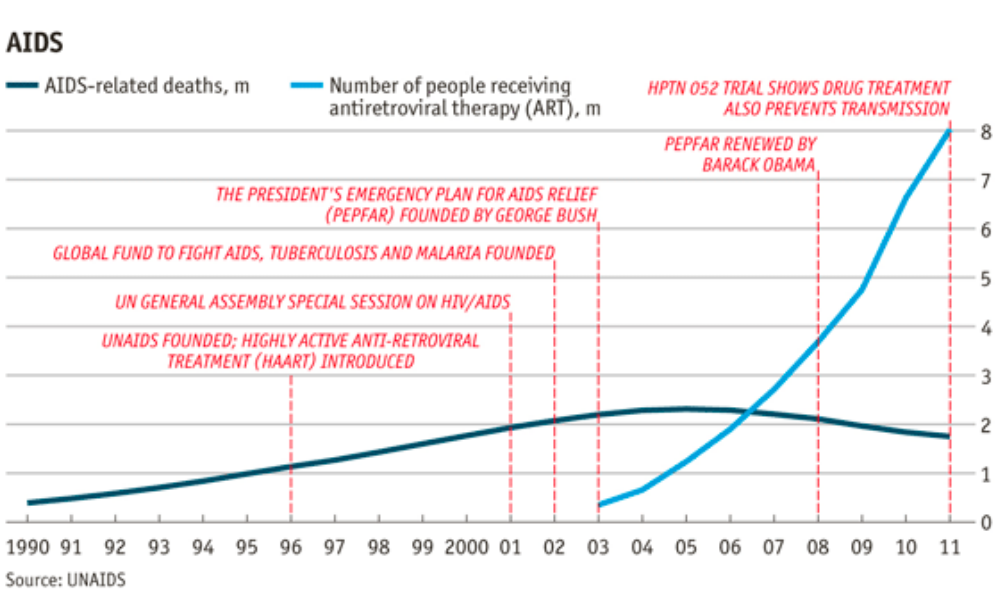
Goals and Targets	Africa		Asia				Oceania	Latin America and the Caribbean	Caucasus and Central Asia
	Northern	Sub-Saharan	Eastern	South-Eastern	Southern	Western			
GOAL 1 | Eradicate extreme poverty and hunger									
Reduce extreme poverty by half	low poverty	very high poverty	low poverty	moderate 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.

Efficacy of foreign aid

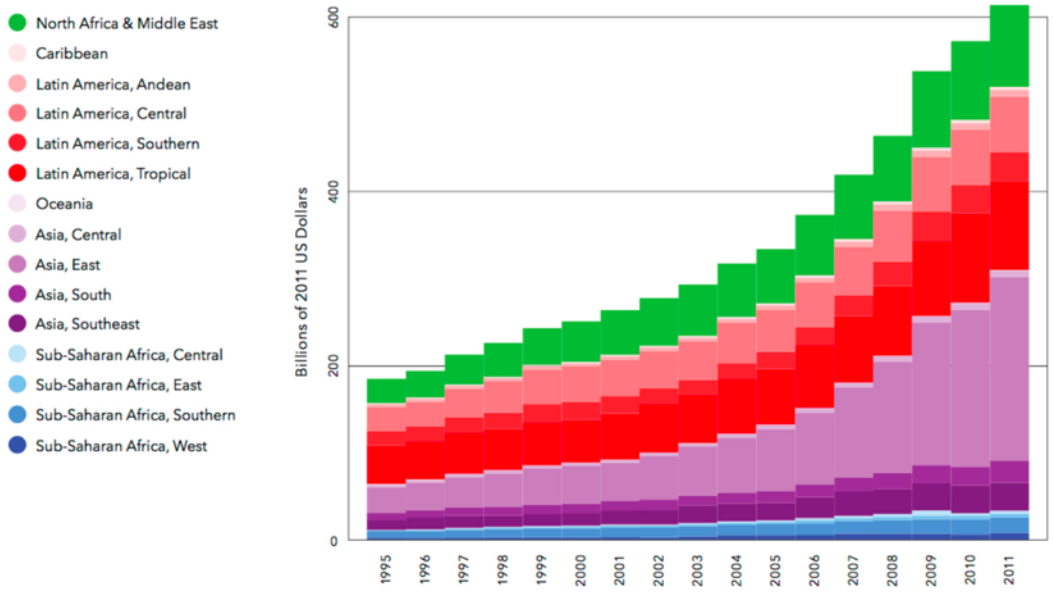




Sources:
Our World in Data: https://ourworldindata.org/hiv-aids/
The Economist:
https://www.economist.com/blogs/graphicdetail/2012/07/daily-chart-12

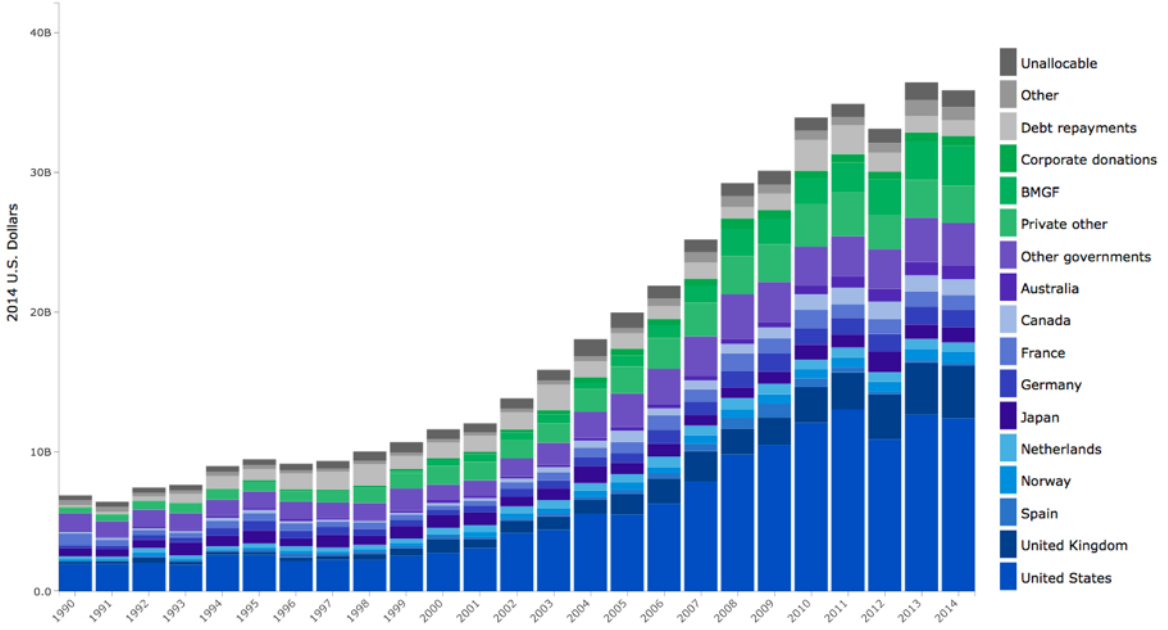
Efficacy of foreign aid

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



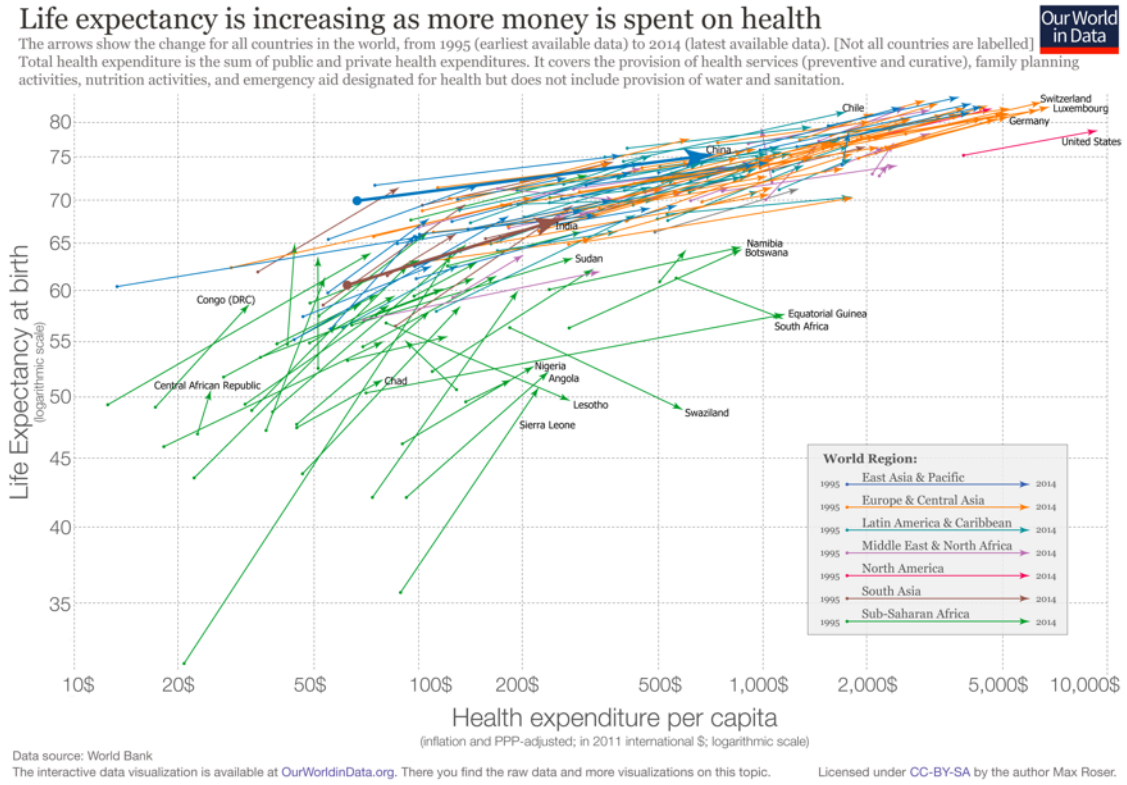
Source: Institute for Health Metrics and Evaluation. Financing Global Health 2013:Transition in an Age of Austerity. Seattle, WA: IHME, 2014. Available online from www.healthdata.org. (Formatted by www.OurWorldInData.org)

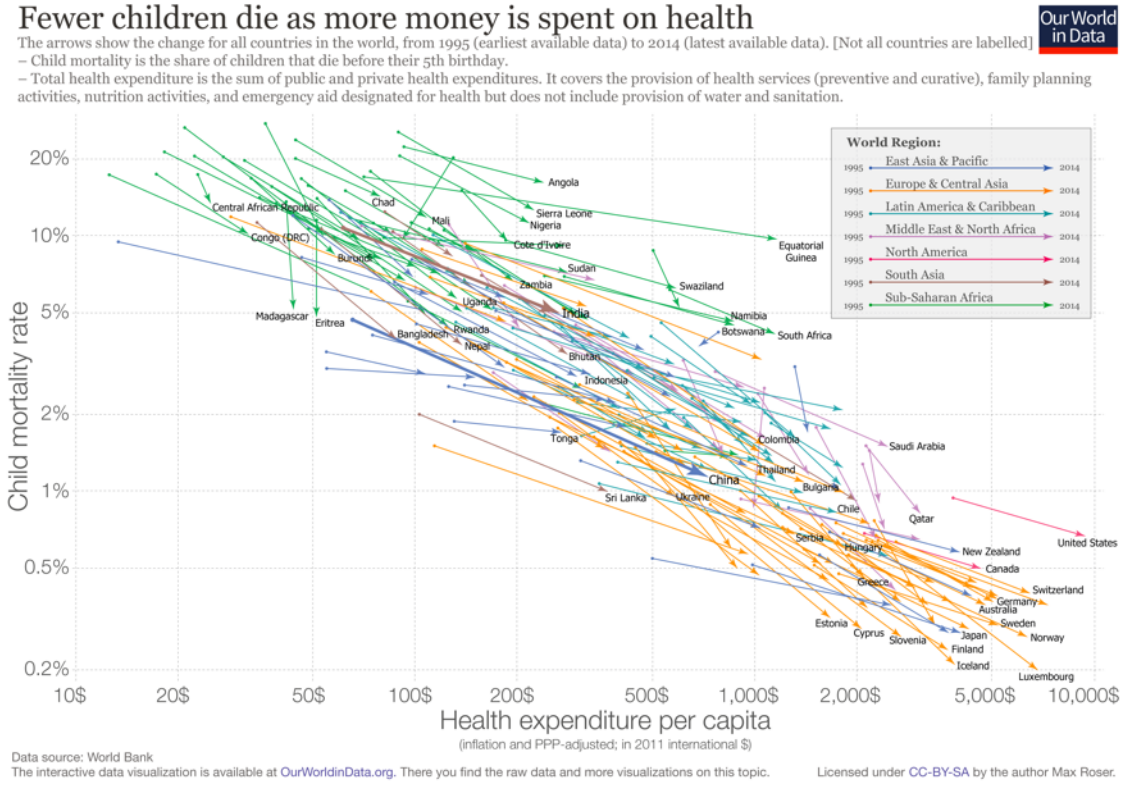
Sources of development assistance for health, 1990-2014 – IHME



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/fgh (formatted by OurWorldInData.org)

Efficacy of foreign aid

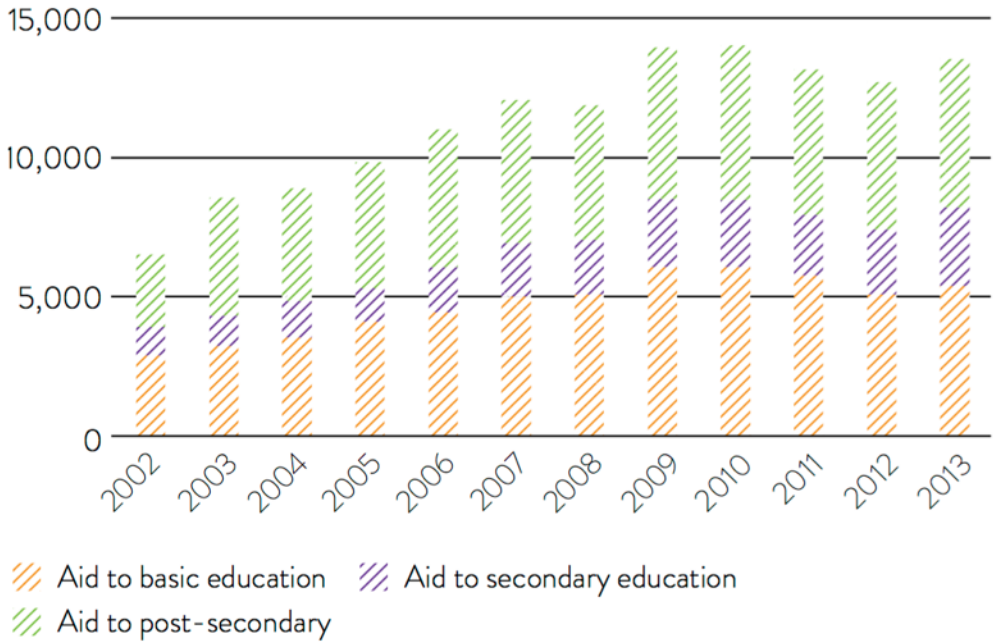


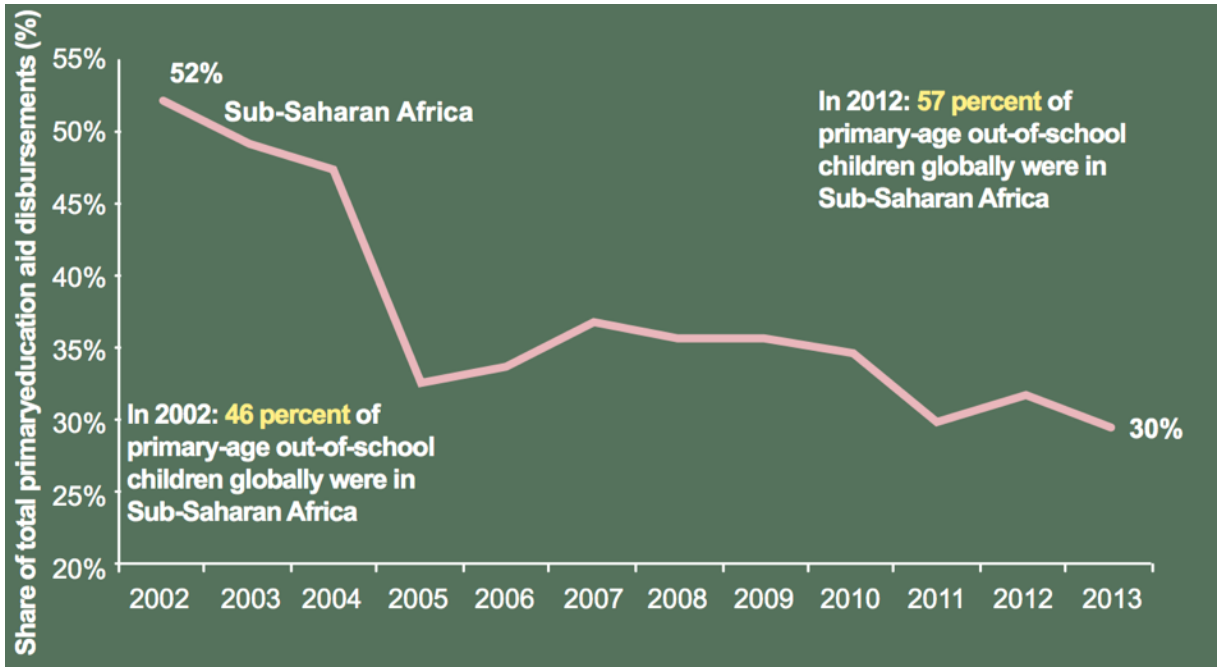


Efficacy of foreign aid

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

Efficacy of foreign aid





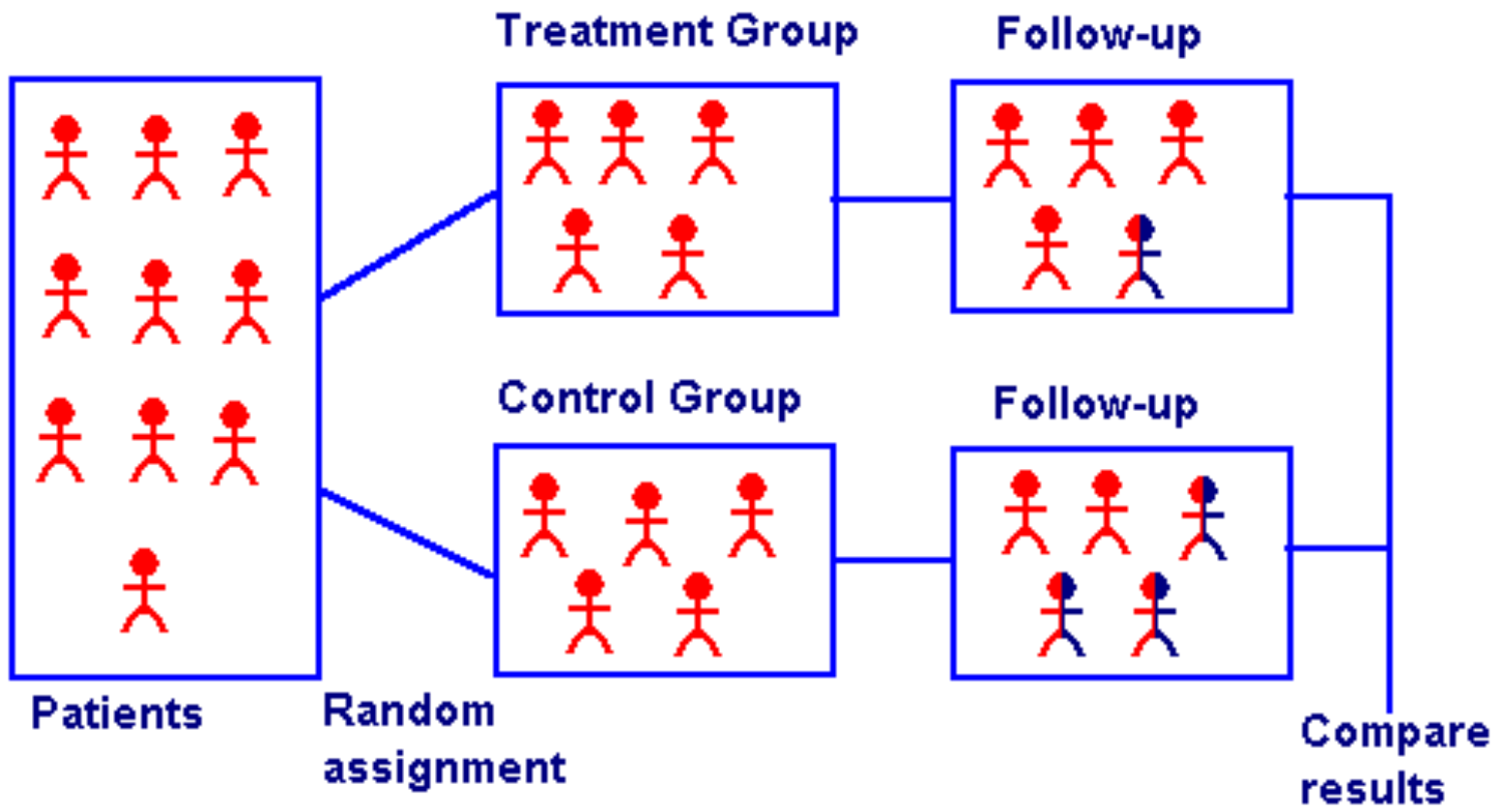
Sources:
Education Aid Watch 2015: http://www.campaignforeducation.org/docs/reports/Education%20Aid%20Watch_2015_EN_WEB.pdf
Steer L., and K. Smith. 2015. "Financing education: Opportunities for global action." Center for Universal Education.

Efficacy of foreign aid

- That said, some learning by development assistance providers from their mistakes
- Gradual transition to evidence-based development assistance
- *Caveat: these are all the relatively easy fixes / technical problems, not the 'wicked hard' problems of development*

What is the solution to the problems of foreign aid offered by Duflo?

Randomized controlled trials (RCTs)



What are the problems with RCTs according to Piper?

The Nobel went to economists who changed how we help the poor. But some critics oppose their big idea.

Randomized controlled trials and the debate over them, explained.

By Kelsey Piper | Dec 11, 2019, 9:00am EST

SHARE

Cash transfers

- Conditional:
  - 52 countries
  - E.g. Bolsa Família in Brazil, Opportunidades 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.

Cash transfers

- 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.”

Efficacy of foreign aid

- Foreign aid:
  - Historically limited efficacy (and no reliable evidence of efficacy) of development interventions
  - Failure of the structural adjustment reforms in the 1980s and 1990s →
- Gradual realization of the need to involve the state and politics
- → Cooperation with governments in the Global South on the technical / easy-fix problems in development
- → Necessity of capable and, ideally, democratic states for addressing the 'wicked hard' problems in development →
- Rise of the good governance agenda in the 1990s and 2000s

Good governance agenda

Good governance agenda

- Recognition that structural adjustment failed partly because it sought to pare down the state, rather than increase its capacity, and did not engage politics
- The necessity of ‘good governance’ as a prerequisite for:
  - Corruption reduction
  - Accountability improvements
  - Government decentralization
  - Better public resource management
  - Protection of the rule of law
  - Development of well-functioning, capable bureaucracies
- Benefits:
  - Poverty alleviation
  - Development
  - Intrinsically good

Problems with the good governance agenda according to Andrews

- Assumption of the existence of single best model of government effectiveness that requires great investment and amounts to "telling developing countries that the way to develop is to become developed"
- "[M]uch work on the good governance agenda suggests a one-best-way model, ostensibly of an idyllic, developed country government: Sweden or Denmark on a good day, perhaps."
  - Andrews, Matt. 2008. "The Good Governance Agenda: Beyond Indicators without Theory." *Oxford Development Studies* 36 (4): 379–407.

What are the problems the good governance agenda according to Grindle?

Whither good governance?

30th Anniversary Essay

Good Governance, R.I.P.: A Critique and an Alternative

MERILEE S. GRINDLE*

Grindle, Merilee S. 2017. "Good Governance, R.I.P.: A Critique and an Alternative." *Governance* 30 (1): 17–22.

Good enough governance according to Grindle

- “There are no magic bullets, no easy answers, and no obvious shortcuts towards conditions of governance that can result in faster and more effective development and poverty reduction. The task of research and practice is to find opportunities, short of magic bullets, for moving in a positive direction, yet recognising that this is not always possible.”
  - Grindle, MS. 2007. “Good Enough Governance Revisited.” *Development Policy Review* 29 (September 2007): 199–221.

Good enough governance according to Grindle

- However, some governance problems are easier than others:

Table 6: Ease/difficulty of governance interventions
Example: police professionalisation in country X as part of rule-of-law governance reform

Intervention	Degree of conflict likely	Time required for institutionalisation	Organisational complexity	Logistical complexity	Budgetary requirements	Amount of behavioural change required
Increase salaries of police	low	low	low	low	medium	low
Police training in conflict resolution	medium	medium	low	medium	Low	medium /high
Civil service tests for police	high	medium	medium /high	medium	medium	high
Community boards to monitor police behaviour	high	medium	medium	medium /high	Low	high
Introduce performance-based management system	medium	medium	medium	medium	Low	high

Going west in 2015

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

Going west in 1804

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?

Takeaways

- Success of foreign aid limited to:
  - Humanitarian relief (with its limited goals—and frequent failure there, too)
  - Development interventions focused on the technical / easy-fix problems in development
- To date, little evidence of the efficacy of any external or external-assisted efforts to build institutions and governments capable of addressing the 'wicked hard' problems in development

Possible solutions

- Trade
- Migration