



## Monash Centre for Development Economics hosts 2012 Australasian Development Economics Workshop (ADEW)

By Lisa Cameron and Gaurav Datt  
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The Australasian Development Economics Workshop was this year hosted by the Monash Centre for Development Economics (June 7<sup>th</sup>-8<sup>th</sup>). The workshop is an AusAID-funded event that provides a forum for rigorous research in the field of development economics. MIT's Professor Abhijit Banerjee presented the keynote address. Dr Scott Guggenheim, AusAID Social Policy Adviser in Jakarta, and Dr Vijayendra Rao, Lead Economist at the World Bank's Development Economics Research Group, participated in a panel session on Community-Driven Development. The conference was opened by Dr Michael Carnahan, AusAID's Chief Economist.

### **Converting Research into Policy**

Michael Carnahan opened the conference with a talk addressing "How Research can Influence Aid Programs". He discussed decision-making in aid organisations and called for purposeful, timely, credible and well-communicated research. He acknowledged that the process by which research is converted to orthodoxy is uncertain and not well understood by researchers or policy-makers. As development researchers our work is of the most importance when it is policy-relevant. Evidence generated by research of the type discussed in the key note lecture (discussed below) can be very effective in persuading governments and donors to fund such programs. Communicating the results in an easily understood format is of pivotal importance and not a key strength of many researchers. Blogs such as this also play a useful role. In our experience partnerships between implementing agencies and researchers often provide the best opportunities for the development of truly policy-related research and for learning from this research.

## **Assessing what works best in terms of aid. “Paying people can save money.”**

In his keynote address Professor Abhijit Banerjee addressed the question “What works best in terms of aid?”. Professor Banerjee is co-founder and director of the Abdul Latif Jameel Poverty Action Lab (J-PAL). J-PAL is a network of researchers who use randomised evaluations to assess the impact of development projects on the lives of the poor. Professor Banerjee’s recent book [“Poor Economics”](#), co-authored with Esther Duflo, draws on the authors’ 15 years of conducting randomised control trials in developing countries to assess the impact of multitudes of development projects in an effort to understand what works best in terms of aid. It won the Goldman Sachs Business Book of the Year.

In his address Professor Banerjee proposed that a lot of anti-poverty policy flies in the face of what we actually know about the poor. He discussed examples from his book that illustrate how research contributes to our understanding of the lives of the poor. He started with a stunning example of the way in which research contributed to a dramatic increase in immunisation in Udaipur in Rajasthan, India. Udaipur had historically had extremely low immunisation rates. Only 1% of children were fully immunised. Anecdotal reasons for this were that the local people held traditional beliefs that made them distrustful and superstitious of immunisation; and that local health clinics had unpredictable opening hours that made it difficult for parents who did wish to immunise their children to do so. To test this, J-PAL researchers conducted a randomised trial where some randomly-selected villages were provided with regular, consistent, publicised, monthly immunisation camps. A comparison of these villages with other randomly-selected control villages that didn’t have access to these camps, showed that immunisation did indeed increase as a result of the regular provision of immunisation services. At the end of the 18 month period immunisation in the treated villages was 17% compared to 6% in the control villages. This is a sizeable increase but an immunisation completion rate of 17% is nothing to write home about – it is substantially lower than that found in most of sub-Saharan Africa, for example. A further treatment did however yield staggering results. In this treatment randomly-selected villages were provided with immunisation camps and, in addition, parents who brought their children to the camps received one kilogram of lentils for free. The immunisation completion rate in these villages rocketed to 38%. This example demonstrates that superstitious beliefs about immunisations were not a driving force behind the low immunisation rates – unless people were willing to give up deep-seated beliefs for a kilo of lentils. Further, the unpredictability of clinic opening times, although contributing somewhat to low immunisation, was also not of overwhelming importance. Rather, the need to immunise was lost in the urgency of daily life. Provision of lentils provided sufficient incentive to motivate

parents to see to it that they attended such sessions. It turns out that cost per immunisations decreased as a result of the provision of lentils – from \$50 to \$27 per immunised child. Thus, paying people saved money!

Other examples discussed in the lecture included “The poor don’t want to be entrepreneurs” – the poor are entrepreneurs as a result of lack of choice not because of inherent entrepreneurial ability, microcredit does not discernibly increase households’ income; “Television is more important than food” – that increasing poor families incomes does not necessarily improve nutrition; “Less is more in teaching” – that narrowing the curriculum to a focus on basic reading and skills improves outcomes more than quality teacher training; and “Ethnic divisions may not be what they look like” – field experiments show that people vote on ethnic identity as a default but are not deeply attached to voting on ethnic lines. They can relatively easily be persuaded to consider other issues. A recording of the keynote address is available on the Monash Centre of Development’s [webpage](#).

## **Is Community-Driven Development Effective? It may often not be, but don’t throw the baby out with the bath water**

At least this was the plea of Scott Guggenheim (AusAID, Jakarta) in a lively discussion on the effectiveness of community-driven development with Vijayendra (Biju) Rao (World Bank) on the second day of ADEW. Both Scott and Biju have impeccable credentials to speak with authority on this subject. Scott was the chief architect of Indonesia’s KDP program, now expanded into the PNPM program with coverage of 70,000 villages as well as urban areas and an annual budget of \$1.7 billion – the largest CDD program in the world. Biju Rao together with Ghazala Mansuri is the author of the forthcoming book *Localizing Development* – arguably the most comprehensive (and critical) review to-date of CDD projects in developing countries. Despite its many flaws, Scott argued, the Indonesian program could claim several “successes”: 35 million poor beneficiaries, high level of participation of women, creation and maintenance of local public goods (mostly local small-scale infrastructure), and the program acting as a research lab for experimenting with alternative ways to tackle many development problems such as reducing corruption, recovery from conflict, improving health, poverty targeting and reducing absenteeism.

Biju acknowledged these “successes”, but argued that in the broader CDD experience, they were the exception rather than the rule. The rule, the Rao-Mansuri critique contends, is overall minimal and highly heterogeneous impact of CDD on welfare outcomes, service delivery or community voice. Biju argued that CDD programs are marred by their failure to take the possibility of civil society failures seriously while attempting to deal with market and government failures by strengthening civil society participation. The problems are

many: the cookie-cutter/cut-and-paste approach to program design, tight project timelines and short project horizons more generally, limited and variable local capacity, and failure to take the context and its diversity seriously, which as Scott pointed out, may often point to the value of simpler (more “content-free”) rather than more complicated, but contextually-grounded, implementation processes.

All this calls into question the effectiveness of \$50 billion plus that the World Bank alone has invested into the local participation enterprise – not to mention the several times larger amount invested by other multilateral and bilateral agencies whose track record on this, with few exceptions, is scarcely any better. While much of this critique seems a healthy correction to the heady euphoria associated with CDD that seems to have characterized the huge investments by aid and government agencies alike over the past decade, there is much to be said for Scott’s cautionary note that the critique carries the danger of throwing the baby with the bath water. What worked for CDD in Indonesia may not, probably will not, work in Afghanistan, but the contention is that there exists an Afghanistan version of CDD that is discoverable by trial and error which can work in that context. Biju agreed, we think.

## **Introducing the Monash Centre for Development Economics**

The 2012 Australasian Development Economics Workshop coincided with the launch of the Monash Centre of Development Economics (MCDE). The Centre is a joint initiative of Monash University’s Departments of Economics and Econometrics. It brings together over 20 staff doing economic research on issues of relevance to developing countries. Research areas span micro-economic development—including health, education, micro-finance, migration and remittances, poverty measurement, impacts of climate change, program evaluation and experimental methods—to trade, macroeconomics and growth. The Centre has expertise in a large number of geographic areas, most particularly the Asia-Pacific (specifically Indonesia, East Timor, PNG, and the Pacific) and South Asia. Our research aims to further our understanding of development problems and how they can be mitigated. Blogs of this type are a useful dissemination tool. We look forward to contributing further to this blog and to our own in the coming months.

## **2013 Australasian Development Economics Workshop**

The Australasian Development Economics Workshop is held the Thursday and Friday just prior to the Queens birthday weekend every year. Next year it is to be held at ANU. This year over 25 papers were presented covering topics including the measurement of poverty and inequality, the effectiveness of targeting mechanisms, project evaluation, migration, economic growth, trade, agriculture and food security, health, education, entrepreneurship,

fragile states and social networks. Funding is available for PhD students and developing country researchers. The program for this year's ADEW can be found [here](#). Hope to see you in 2013.

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