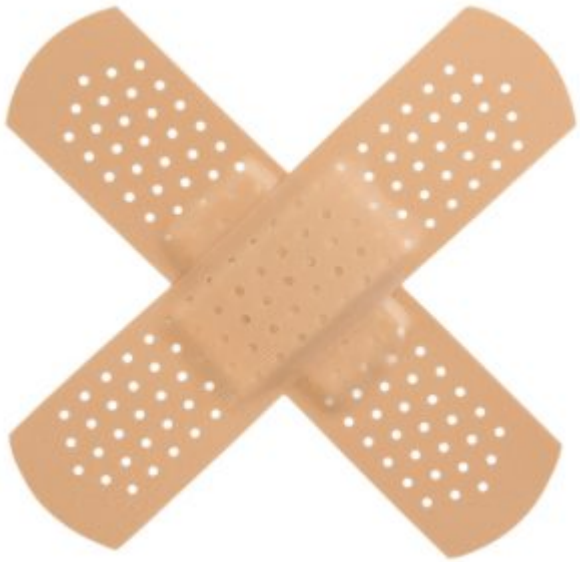
Band-aids, breathing space and aid which works



by Terence Wood

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The answer to the question “does aid work?” depends a lot on what exactly is meant by the word “work”.

In this post I am going to argue that, broadly speaking, there are three different types of aid success. Each may be possible in particular circumstances but not in others. And each is worthwhile in their way, yet they are also different, and when we confuse them we run the risk of giving aid which won’t work at all.

The first form of success occurs when aid fosters sustainable development. That is, substantial positive change which will be maintained even when aid money is later withdrawn. It might be the vaccination campaign that rids the world of a particular disease. Or it might be infrastructure aid which serves as a catalyst for on-going economic growth. Or it could be governance related aid which changes norms and eliminates corruption in a country. This is the aid success of aid agency brochures and Jeffrey Sachs books. It is the ideal type – so successful that it eventually makes aid redundant.

It’s also the least common type of aid success. The only large-scale examples of this type of success are the vaccination campaigns that have rid (or nearly rid) the world of Small Pox and Polio. There aren’t any convincing examples of aid transforming countries through funding economic transitions. (The closest we’ve come to this is aid’s possible role in assisting in the development transformations of Botswana, Taiwan and South Korea. Yet even in these examples, the exact role played by aid is unclear, and it’s unlikely that aid was the key instrument of transformation.) Similarly, while well-given aid may have served to reduce corruption somewhat [PDF] there are no examples of aid turning badly governed countries into proto-Swedens.

On a smaller scale there are examples of this type of aid success: livelihoods schemes that have made villages significantly richer, for example. But even here success is likely to be bounded and prone to reversals if the communities involved remain surrounded by countries that are still poor.

The second type of aid success is what I'd call "Band-Aid aid". This is aid which doesn't transform a country but which does help treat the symptoms of under-development in the absence of transformation. This is aid which funds hospitals and clinics and schools. While it's being given it helps – it pays for things that are needed, like doctors and drugs – but once it is withdrawn the situation reverts. Band-Aid aid sounds like a pejorative term but it's not: if you're bleeding a Band-Aid helps. And Band-Aid aid may well be the type of aid which has done the most to promote welfare in developing countries. There are good examples of this type of aid succeeding on a large scale and some cross-country evidence [PDF] which suggests that aid has been effective, for example, in improving health outcomes. Although he doesn't use the term Band-Aid, English economist Owen Barder makes a convincing case for this type of aid in a recent Centre for Global Development working paper.

The third type of success that aid might potentially have falls somewhere between the other two, and I'd call it "Breathing Space" aid. In this type of success, aid does ultimately contribute to sustainable development but only indirectly, and only over long timeframes. Success occurs when aid helps hold institutions together over time providing the 'breathing-space' for development to take place naturally. This might occur, for example, if aid funded technical assistance keeps a particular country's central bank functioning reasonably well over time, which in turn provides the economic stability needed for private sector development in the country. Or it might occur if a peacekeeping mission provides on-going freedom from conflict. This isn't the same as creating a well functioning central bank that will ultimately exist independently of external advice, nor is it the same as creating a nation out of previously feuding parts. It's simply about hold places and institutions together while development ticks away.

Aid success is rarely thought of in this sense but I'm inclined to think that, to the extent that it actually works at all, most of our governance aid actually works in this way. Rarely, does it create sustained institutional improvement, but by paying for the right people to work in the right positions, it keeps institutions functioning better than they otherwise would, and by doing so allows some space for development to occur.

These are three quite different types of success. And it's important to distinguish between them, particularly because of the time horizons involved. A lot of aid work,

in rhetoric at least, talks boldly about exit strategies and short term plans. But if the main way aid works is through Band-Aid aid, which will be given for the foreseeable future, or by “Breathing Space” aid which would work over decades, then we need to stop kidding ourselves and accept that we will be giving aid for the long haul. And once we’ve done this we need to design our aid strategies appropriately.

Aid can work – but if we want it to work we need to be honest with ourselves about its limitations and think carefully about just what it can achieve.

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