

Doubling down on governance?

by Stephen Howes

5 October 2023



Photo Credit: [DFAT](#)

A May edition of the Development Intelligence Lab's "[The Intel](#)" asked [three experts to reflect](#) on the case for "doubling down on governance efforts in the development program".

Graham Teskey started by acknowledging the main objection to aid for governance, namely that "it doesn't work". However, he then failed to provide any counter to that argument, establishing only that governance "matters for development". Of course it does, but that doesn't mean that it can be improved by aid.

The other two contributors echoed Graham's argument about the importance of governance, but likewise failed to establish that donor programs can influence it. Jennifer Kalpokas Doan pointed to the importance of supporting local initiatives for change. That's good advice, but still doesn't answer the question of how much influence aid can have. Lisa Denney asserted that aid can promote important "principles and values". Can it?

Graham mentioned Stefan Dercon's book, [Gambling on development](#). In it, Dercon argues that development success depends on whether the elites of a country decide to prioritise economic growth, and that aid can nudge them in that direction. It's an interesting read but, as I pointed out in [my review of that book](#), while Dercon gives plenty of examples of the importance of elite bargains, he doesn't give any evidence at all to support his claim that outsiders can, as he asserts, "through development-focused international policy-making and careful use of foreign aid, persuade the [national] elites to gamble on a better bargain".

Indeed, the more development practitioners put the emphasis – and rightly – on politics as the root cause of good or bad governance and successful or unsuccessful development, the more sceptical I become that aid can influence governance in a fundamental way. What purchase does aid have in relation to domestic politics? Very little: no matter how clever our aid efforts, domestic politics are very difficult to influence with outside dollars.

In the [second half of my two-part review of Dercon's book](#), I gave my own view of

how we should think about aid in relation to governance:

If I had to summarise from the vast and disparate post-war experience, I would say that aid can be a source for both harm and good, but that it usually has little impact on underlying national political bargains. Aid typically involves relatively small amounts of money, and we need to be realistic about what it can achieve. This is not to say that all aid should be given over to practical tasks such as health delivery or road building. Of course, technical assistance and less tangible forms of aid should be part of the mix. And there are few easy decisions. We should worry about the distorting impacts of aid, and try to minimise them. But aid should aim to be useful rather than transformational. And it should, as a first approximation, take a country's political bargain as a given, not something that it can seek to influence.

We should be particularly sceptical about aid for governance given that the focus of Australian aid has shifted to the Pacific. It is one thing to say that the aid program can make a useful contribution to governance in Indonesia: establishing a large tax payer unit here, piloting social protection programs there. These are ideas that Indonesia's political elite can buy into, and which the state has the capacity to implement. What about the Pacific though? According to the World Bank, the Pacific is the **most poorly governed region** in the world. Of the ten Pacific nations included in the Bank's annual fragility assessment exercise, six are rated fragile, as is Timor-Leste.

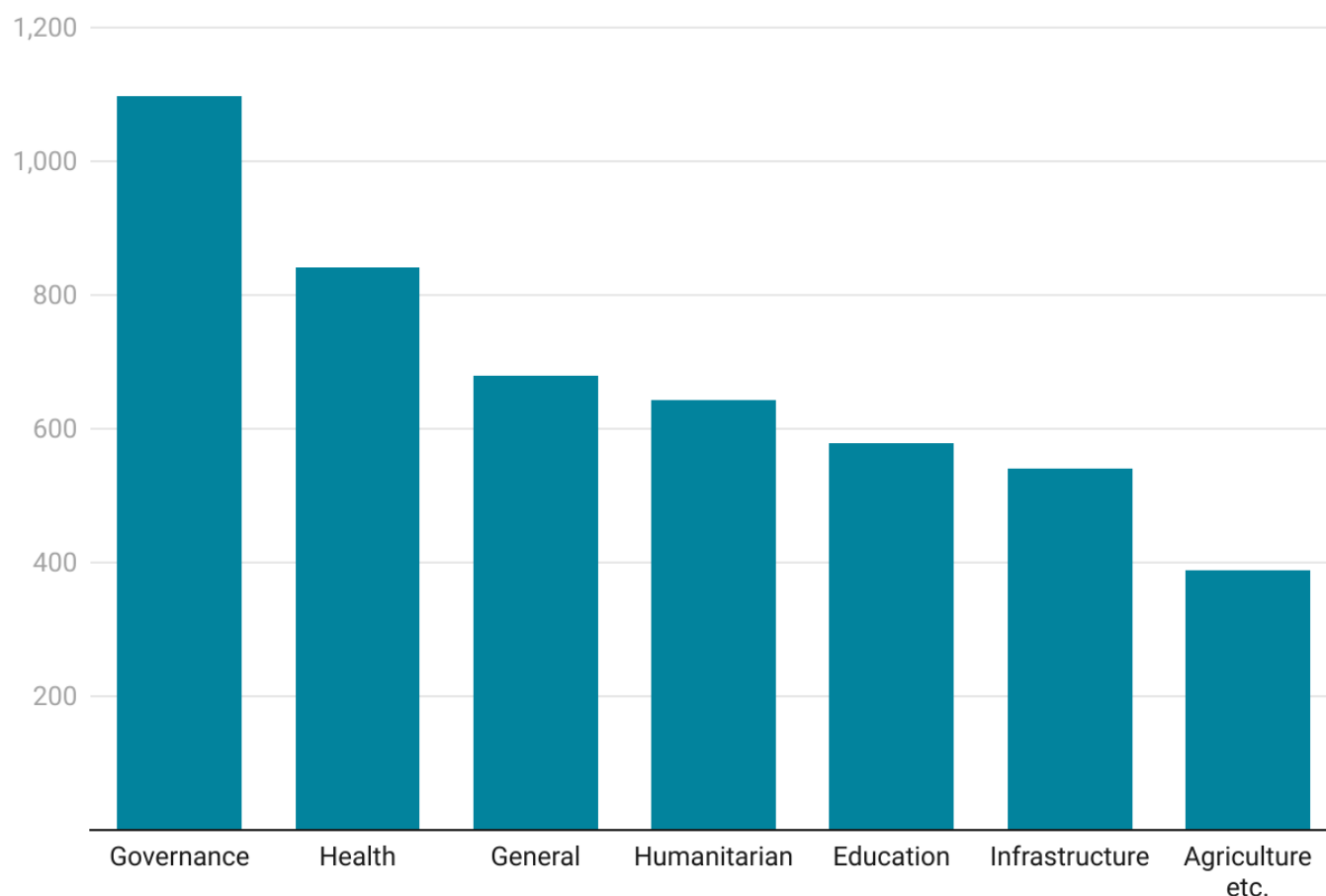
I have long subscribed to the "governance paradox", which is the idea that those countries that have the weakest governance are also those where governance is hardest to improve. In such countries, the political barriers to development are so strong that aid efforts to promote governance often have no effect at all, or even a negative one. Aid might be able to prevent a complete collapse (which perhaps RAMSI did in Solomon Islands), but it can't turn a fragile state into a non-fragile one.

(The Pacific is also the most aided region in the world. This doesn't repudiate the claim that aid can make more than a modest difference to governance, but it certainly casts doubt on that argument.)

Yet another problem with the argument that we should double down on governance is that it is already the most important area of aid expenditure for Australia, as the graph below shows, using the way that DFAT itself categorises aid expenditure. While it is not always easy to categorise aid projects (what about one that tries to improve governance in education?), the priority given to governance interventions is clear.

2023-24 Australian aid budget by major category

\$ million



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I might not be convinced that we should double down in the aid program on governance, but the Australian government seems to be. The newly released *Australia's International Development Policy* has as its first of four priorities supporting partner countries to “build effective, accountable states that drive their own development”. Important aid sectors such as health, education and infrastructure don’t even rate a mention in the four headline priorities. Infrastructure and health are squeezed under a heading of resilience, and education is somehow shoehorned into the goal of connecting with Australia.

The new policy really does give governance pride of place in the Australian aid program. To my mind, however, there are many other, more useful things that our aid program could be doing than doubling down on governance. For a start, I'd reverse the *recent cuts in Australian aid to Rohingya refugees in Bangladesh*.

*Note: While education is included under the priority (one of four) of connecting with Australia in the new policy (see page 41), it is included under the priority of enhancing resilience in the new *International Development Performance and**

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Link: <https://devpolicy.org/doubling-down-on-governance-20231005/>