

September blog digest: Economists v. aid | Have NGOs lost their way? | Solomons, success and donors | Problems at Porgera | More

Author : Stephen Howes

Date : October 1, 2012



Economists v. aid

In a series of earlier [posts](#) run over July and August, I defended aid against the attacks of strategic analysts such as Hugh White. In September, my fellow Devpolicy bloggers have defended aid against ill-founded attacks from economists. Terence Wood defended aid against an attack from Lord Ashcroft, a rich Brit. Lord Ashcroft's letter quoted from a recent article in the *The Economist* which claimed the role of aid hadn't been decisive in the rapid recent fall in child mortality in Africa. In his [post](#), Terence, among other things, pulls *The Economist* claim apart, showing that the very evidence cited by the article in question indicates that, at a minimum, aid played a significant role.

Perhaps Lord Ashcroft and *The Economist* are easy targets. Neil McCulloch (and, yes, though he writes in his personal capacity, we are very glad to have our second AusAID blogger) [takes on](#) much more credible critics of aid. Neil writes on the treatment of aid in Daron Acemoglu and James Robinson's blockbuster *Why Nations Fail*. I like Acemoglu and Robinson – I use them in my lectures – and their important book deserves the scrutiny we've been giving it on our blog ([here](#), [here](#) and [here](#).) That said, their four and a half pages on aid in their 500+ page book on economic growth are really weak. Neil gives a good summary ("disappointingly simplistic") and balanced response.

In essence, the Acemoglu-Robinson critique is very similar to the Ashcroft-*Economist* one: because aid isn't decisive (in their case in shaping domestic institutions which, the authors argue, determine growth prospects), it must be useless (the Acemoglu-Robinson heading for their section on aid is "The Failure of Aid"). Hugh White actually [runs](#) a very similar line. It's an odd argument, which allows for no middle ground. As I [put it](#) in my debate with Hugh, no one would argue that because the love of parents is normally decisive in the upbringing of children, governments should not offer education, and community volunteers should not teach kids sport. Aid can still be useful even if it is not decisive. And there are plenty of examples to show

that it is useful, the dramatic decline of child mortality in Africa being the most recent.

Have NGOs lost their way?

Of course, as all reasonable defenders of aid would acknowledge, aid does have real problems. Several of our September posts were critical of aid, including [this one](#) from me on AusAID's announcement of a tokenistic commitment to global medical research.

In her [post](#), Jo Spratt asks whether NGOs have lost their way, and fears that they have become too dependent for funding on official donors. She tells a great story from her recent travels to the Solomon Islands of an attempt by an NGO to set up a crime prevention committee in a village which had few crime problems, but real water shortages. Why was the NGO tackling the non-problem of crime rather than the real problem of drinking water? Probably because a donor had provided it with funds for crime prevention. Jo's post raises some important questions, and I hope we are able to provide more commentary on NGO aid in the future.

Solomons, success and donors

We're delighted to be able to start bringing you a series of post based on the very successful Pacific Update we hosted on September 6. The [first](#) is by the Solomon Islands Finance Minister, Rick Hou, who reports on how well his country's economy has been doing, with growth averaging over 8% in recent years, a trade surplus, and the prospect of gold production expanding, and a balanced budget. Of course there's a long way to go. As Minister Hou himself notes, "the underlying situation is still precarious and the medium to long term forecast is not strong or sustainable." Still, it's impressive progress, backed by important reforms.

Despite the various reform achievements catalogued, the Minister's post ends on a somewhat cryptic note warning of the risk of "running backward." You had to be at the presentation to recognize that this was actually a polite dig at the various donors supporting economic reforms in the Solomons. As he put it in his presentation, "you deal with one team, they go out, and then another team comes in, and you just end up meeting people." You can see videos of all the presentations from the Update [here](#).

Problems at Porgera

Margaret Callan [highlights](#) serious problems at the Barrick Porgera mine, PNG's second biggest. Margaret's post is based on two reports. [One](#) is an NRI discussion paper on financial flows, which found a "complete lack of transparency and accountability in many of the institutions associated with the Porgera mine." The [other](#), from the Porgera Environmental Advisory Komiti, is on the impact of the mine on women. It found that the majority of changes brought about by the mine have had "adverse affects on women's lives, their status in the community and their well-being."

Other Pacific and PNG posts

There's plenty of other interesting material on the Pacific in our September posts. Matt Dorman [criticizes](#) the Pacific Island Forum for largely ignoring a critical report on the Forum's Secretariat. The decision not even to release the report does seem puzzling. Whatever happened to transparency? Fortunately, a copy has been leaked ([here](#)).

Biman Prasad, in another Update post, [explains](#) why economic reform has not lifted growth in Fiji (essentially because of the pattern of coups which now stretches back over 25 years). Sue Ingram [provides](#) a political update for Timor-Leste, and Nic McClellan [explains](#) how difficult Pacific islands find it to access climate finance.

Terence Wood [summarizes](#) a fascinating report – written in 2004, but just released by AusAID – which synthesizes the voices of PNG public servants talking of the collapse of public administration in PNG. Laura Darce [summarizes](#) a recent ADB report on the performance (or rather, lack of it) of state-owned enterprises

in PNG. And Michelle Nayahamui Rooney [gives](#) some sensible advice to both the PNG and Australian governments on how they should handle the Manus processing centre.

September blog summary

You can find a summary of all September posts in the list below. And don't forget our our expanding set of buzzes. We now provide monthly wraps on [Australian aid](#), [global development](#), [education and development](#), and [aid & Asia](#), as well as the fortnightly Pacific buzz ([here](#) and [here](#)).

Aid

[Lord Ashcroft's Taps](#) by Terence Wood.

[T]he idea that UK aid is flooding the developing world is simply wrong. ... [E]ven if we just focus on Southern Africa (a part of the world that receives a lot of aid from the UK) the figure for the median country in this region is still only approximately GBP 3.72 per person – per year! If that is a flood, I would hate to see a trickle...

[What does "Why Nations Fail" mean for International Aid?](#) By Neil McCulloch.

I think that their historical and political analysis is, for the most part, spot on – but their chapter on aid is the weakest part of the book showing a disappointingly simplistic understanding of what aid agencies actually do.

[Note: Sachs weighs in on 'Why Nations Fail'](#) by Jonathan Pryke.

Based on the standard set in this book, Sachs contends economists would have been betting on the likes of Gambia and Ecuador to surge in future economic performance, with authoritarian East Asia (notably China) being largely dismissed.

[Have NGOs lost their way?](#) By Joanna Spratt.

In trying to stay true to their values and vision while juggling this diverse ownership, something has to give. What appears to have given most is an enacted commitment to grassroots connections, and working toward poor people's empowerment through meaningful participation and global citizenship.

[Effective Aid: How well is Australia tracking on its one year anniversary?](#) By Marc Purcell.

Overall, ACFID believes the Australian aid program is certainly making steady progress under tight deadlines and intense scrutiny from Parliament and the public.

[Not serious about global medical research: comments on the draft AusAID strategy](#) by Stephen Howes.

There is no point for the Australian aid program to put less than \$10 million on the table. It would have been better for the Government to have rejected the recommendation of the Independent Review.

Development policy

['The State of Education' 2012 Indonesia Update'](#) By Colum Graham.

[F]ailure to reduce teacher absenteeism and improve teacher quality would contribute to Indonesia's economic stagnation.

[The progressive education fallacy in developing countries, by Gerard Guthrie: a review](#) by Robert Cannon.

Guthrie provides evidence that classroom change in the developing world does not necessarily require progressive methods but can focus on upgrading more traditional and formal approaches to teaching and learning.

[Educating against corruption](#) by Colum Graham.

Rather than a piecemeal effort, as some critics are labelling it, anti-corruption education in schools is part of the beginning of the eradication of Indonesia's culture of corruption. It would be rash to judge its effectiveness too early.

The Pacific

[Pursuing development in the Pacific: acting on what we know](#) by Biman Chand Prasad.

I think we know what needs to be done but we seem to ignore the proper courses of action and still don't know why they are yet to happen.

[Swept under the pandanus mat: the Review of the Pacific Islands Forum Secretariat needs to be taken seriously](#) by Matthew Dornan.

The Leaders' Meeting of the 43rd Pacific Islands Forum was held in the Cook Islands in late-August. ... Largely ignored by the meeting was a damning review of the Pacific Islands Forum Secretariat (PIFS).

[Solomon Islands economic update](#) by Rick Hou.

With growth rates averaging over 8 percent in the past few years (2011: 10.5 percent), the Solomon Islands economy has shown a remarkable recovery from the global financial crisis.

[Fiji's economy: a view over 25 years](#) by Biman Chand Prasad.

Yet despite these economic reforms, we are not growing ...

[Accountability for climate finance in the Pacific](#) by Nic Maclellan.

Recent global negotiations have seen pledges of climate financing from developed nations of US\$100 billion a year by 2020. However accessing this finance through a complex array of multilateral and bilateral mechanisms poses major challenges for Pacific countries.

[Will Timor's development challenges push a close political marriage down the path of executive](#)

[cohabitation?](#) By Sue Ingram.

Presumably no Prime Minister – or President for that matter – can find much joy in cohabitation.

PNG

[Benchmarking the performance of state owned enterprises in PNG](#) by Laure Darcy.

Among many politicians in PNG, SOEs are still considered important extensions of political influence, so their financial results are not seen as a relevant performance indicator.

[Deterioration of public administration in Papua New Guinea – views of eminent public servants](#) by Terence Wood.

The central tale threaded through the paper is one of decline: the shift from a civil service that worked relatively well in the early years after independence to one that is dysfunctional today.

[Benefits from mining in Papua New Guinea – where do they go?](#) By Margaret Callan.

Johnson finds a ‘complete lack of transparency and accountability in many of the institutions associated with the Porgera mine’ (p88). Over a billion kina in cash and benefits have been spread through the Porgera region but it is almost impossible to know where the money has gone.

[Negotiating asylum in PNG: let the media in, and hasten slowly](#) by Michelle Nayahamui Rooney.

The message of this post for the PNG Government is that media coverage, both national and international, will give it the teeth to dialogue fairly with Australia. ... The message for the Australian Government is that .. PNG civil society is evolving and increasingly wanting to engage on matters that affect them.

Stephen Howes is Director of the [Development Policy Centre](#).