The Permanent Crisis of Development Aid

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“The Permanent Crisis of Development Aid”

Crisis in/of development aid

• Development thinking often uses crisis imagery with focus on
  ▪ Inequality of life chances across the world <-> “Our dream is a world without poverty” (World Bank)
  ▪ Human tragedies of conflict and disasters

• Yet, permanent crisis of legitimacy
  ▪ P.T. Bauer (1966) – perverse effect of aid
  ▪ Dambisa Moyo (2009) – vicious cycle of aid
  ▪ Overall: persistence of poverty despite spending of billions of dollars in aid

• Crisis intensified in mid-1990s
  ▪ Failure of Structural Adjustment Policies
  ▪ Stagnation/fall in ODA from OECD countries
  ▪ “50 years is enough” movement against the World Bank

• Innovations since 1995: governance turn, MDGs/SDG, aid effectiveness – all within dominant aid paradigm, not addressing fundamental causes
Crisis learning*

• Crises as moments of profound cognitive and strategic disorientation
• But crises are also: moments for reflection, and for theoretical, policy and practical innovation

• Three ways of crisis learning:
  ▪ Learning *in* crisis – occurs during the first moments of the crisis and concerns the actual symptoms of crisis
  ▪ Learning *about* crisis – occurs as crisis unfolds and routine crisis management appears to be inadequate
  ▪ Learning *from* crisis – occurs at a later moment, usually when crisis management has succeeded or the effects of the crisis are overcome for other reasons

Development aid: evolution in thinking

• Interventionist paradigm with development agencies as ‘gap fillers’ (1945-1985)

• Market-oriented paradigm with emphasis on liberalization, deregulation and building institutions for markets (1985-now)
Development aid: evolution in practices

- Development professionals an ‘epistemic community’
- ‘Principal-agent’ logic of development agencies
- Staff assessment on the basis of bureaucratic performance, not outcome or impact of work

-> Technical/technocratic outlook: narrow targets rather than broader social transformation

-> Learning about rather than from crisis

-> Responses are
  - expansion of the agenda beyond narrow understanding of aid
  - and connection of development goals to other priorities
Learning from the crisis of the 1990s

• Signs of crisis: failure of SAPs, fall of ODA levels, 50 Years is Enough

• OECD (Development Assistance Committee) and World Bank led the learning process:

• Policy innovations:
  ▪ Renewed emphasis on poverty reduction
  ▪ Focus on aid effectiveness
Learning from the crisis of the 1990s

• Expansion of the agenda:
  ▪ OECD’s new targets (halve poverty, universal primary education, basic health care, reproductive health) and principles of recipient ownership and donor harmonization
  ▪ World Bank: not just economic fundamentals but also good governance, attention to the regulatory framework, public services, etc.

• Connection of the agenda:
  ▪ Burnside and Dollar’s analysis that ‘aid works’ when it supports ‘good policies’: “Effective aid supports institutional development and policy reforms that are at the heart of successful development” (Assessing Aid, 1998). Selectivity of aid is necessary.
  ▪ Connected to Stiglitz’s agenda for the ‘Post-Washington Consensus’, focusing on institutional reform.
  ▪ MDGs the highpoint of expansion and connection of the aid agenda
Learning from the MDG experience

• MDGs got development higher on the political agenda:
  • ODA doubled between 2000 and 2016

• MDGs were successful in many respects, but a UN evaluation in 2015 emphasized the gap between ambitions and achievement

• Return to crisis rhetoric, emphasizing that a new approach is needed

• SDGs: 17 goals and 169 targets
  • Expansion of agenda beyond aid
  • Connection of development agenda to sustainability, conflict and governance
Where do we stand?

• Development industry has learned form legitimacy crisis in aid

• Learning has focused on symptoms not deeper causes. More fundamental causes of global poverty, related to power differences, are not addressed.

• Short-term solutions (learning about crisis) may stand in the way of fundamental reflection (learning from crisis) that is needed to address the long-term legitimacy crisis of aid. New development narratives (MDGs, SDGs) may have worked in the past, but may no longer be effective.