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HEADLINE: The failure of development: In spite of billions of dollars spent on aid to poor countries, there has been no real progress, says William E:

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BODY:

While the industrialised west is preoccupied with recession, the rest of the world has much greater economic woes. Contrary to conventional wisdom, aid to the developing world has been a big disappointment.

Consider the facts and it soon becomes evident that the Dollars 1,000bn spent on aid since the 1960s, with the efforts of advisers, foreign aid givers, the International Monetary Fund and the World Bank, have all failed to attain the desired results.

Sub-Saharan Africa has not emerged from a decades-long economic crisis; Asia remains the home of the majority of the world's poor; Latin America has known only erratic and low growth; the Middle East has not converted oil riches into sustained development. It is little wonder that protesters have demonstrated so vehemently against the international organisations.

Each of the different actors in the development aid community has contributed to this debacle. The first culprits were the economists whose attitude was "build it and they will come". We thought that certain objects associated with prosperity in the industrialised world - dams, roads, schools - could bring success to the developing world.

Later, fads changed to include institutional magical objects. Thus we urged governments to embrace democracy, constitutions, independent judiciaries, decentral-isation to local governments and other magic bullets. None of them worked.

The second culprits were the recipient governments that resisted development and the aid lenders that tried to change their attitudes. The donors failed to realise that conditional loans were a minor factor in politicians' incentives. Governments in many poor countries were torn by conflict over redistribution of the existing pie between regions, political factions and ethnic groups. Or the landed and industrial elite, to whom power was more important than development, were afraid to invest in the masses that might demand their share of power.

Multilateral lenders thought it enough to issue recommendations to supposedly malleable governments. The

popular slogan was "adjustment with growth". The experiment was tried several times: in the 1980s and 1990s, the IMF and World Bank made 958 conditional loans; during the past decade alone these institutions gave 10 or more conditional loans each to 36 poor countries. Yet with a few notable exceptions, government mismanagement usually continued in these countries. The growth rate of income per person of the typical member of this group during the past two decades was zero. Conditional lending did not cause the zero growth but it certainly failed to deliver "adjustment with growth". Governments were not so malleable after all.

To make matters worse, the conditions on the loans were not enforced. Thus indiscriminate donors and multilateral lenders were culprits number three. They created the myth of tough conditionality that developing world citizens blamed for their woes when in fact the bad old governments continued to ruin the economy.

Unfortunately, with some exceptions, multilateral and bilateral agencies had incentives to continue lending even when recipient government actions destroyed any hope of economic growth. Sometimes donors and multilaterals gave aid and loans only because the function of donors and multilateral agencies is to give aid and loans. Sometimes aid lenders gave loans to enable old aid loans to be repaid. Sometimes donors gave aid because the recipient countries were political allies of the donor countries. Recipient governments promised the multilateral agencies that this time they would reform, like alcoholics promising never to drink again.

The ultimate conditional loan was the conditional debt forgiveness package - itself a sign that the previous conditional loans had not worked. Forgiveness of developing world debt has been called for by such diverse figures as Bono from the rock group U2, the Dalai Lama, Pope John Paul II and President George W. Bush. But, again, this could be pouring good money after bad: if governments mismanaged the original loans, will they manage wisely the proceeds of debt forgiveness?

The failure is so widespread that pointing the finger at any single organisation is futile. The economists, international organisations and aid donors all had an interest in overselling "solutions" to economic development that were supposedly easy to implement. But there is a multitude of things that one has to get right for economic development, which is why success is rare.

Every component is complementary to every other: equal rights before the law, contract enforcement, stable politics, accountability of public officials, low corruption, trust between market participants and so on. Progress on any one is likely to fail without progress on all.

The best the foreign aid community can do is to support genuine change on those precious occasions when it happens.

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