evaluation cannot, by itself, tell us what works and what does not in general. Nor can successful project evaluation guarantee the effectiveness of aid, which is ultimately a question about the economy as a whole, not about specific projects or about distinguishing good projects from bad. There is no escape through project evaluation from thinking about aid as a whole and its *national* consequences.

## Aid and Politics

To understand how aid works we need to study the relationship between aid and politics. Political and legal institutions play a central role in setting the environment that can nurture prosperity and economic growth. Foreign aid, especially when there is a lot of it, affects how institutions function and how they change. Politics has often choked off economic growth, and even in the world before aid, there were good and bad political systems. But large inflows of foreign aid change local politics for the worse and undercut the institutions needed to foster long-run growth. Aid also undermines democracy and civic participation, a direct loss over and above the losses that come from undermining economic development. These harms of aid need to be balanced against the good that aid does, whether educating children who would not otherwise have gone to school or saving the lives of those who would otherwise have died.

From its beginnings after World War II, development economics saw growth and poverty reduction as *technical* problems. Economists would provide the knowledge that would tell the newly independent rulers how to bring prosperity to their people. If development economists thought about politics at all, they saw politicians as the guardians of their people, motivated by the promotion of social welfare. Politics as an end in itself, as a means of civic participation, or as a way of managing conflict was not part of their operations manual. Nor would development experts much concern themselves with the fact that, in many cases, the governments through which they were working had interests of their own that made them improbable partners in a broad-based development effort. There have been dissenting voices over the years, but it is only relatively recently that mainstream development economics has focused on the importance of institutions, including political institutions, and on politics itself.

Economic development cannot take place without some sort of contract between those who govern and those who are governed. The government needs resources to carry out its functions—preserving territorial integrity and maintaining its monopoly of violence, at the very least, and beyond that providing a legal system, public safety, national defense, and other public goods—and the resources that these functions require must be raised in taxes from the governed. It is this need to raise taxes, and the difficulty of doing so without the participation of those who are taxed, that places constraints on the government and to some extent protects the interests of taxpayers. In a democracy, direct feedback from the electorate evaluates the government's performance, in effect a sort of project evaluation on the programs that are carried out using taxpayers' money. While this sort of feedback works best in a democracy, the need to raise funds exists everywhere, and it will often constrain the ruler to pay attention to the demands of at least some of the population. One of the strongest arguments against large aid flows is that they undermine these constraints, removing the need to raise money with consent and in the limit turning what should be beneficial political institutions into toxic ones.[23]

Without an adequate capacity to tax, a state denies its citizens many of the protections that are taken for granted in the rich world. They may lack the protection of the law, because the courts do not work or are corrupt, and the police may harass or exploit poor people instead of protecting them. People may be unable to start businesses, because debts are not paid and contracts are not enforced or because civil "servants" extort bribes. They may face threats of violence from gangs or warlords. They may lack clean water or minimal sanitation facilities. There may be local endemic pests that threaten them and especially their children with medically preventable but potentially fatal diseases. They may lack access to electricity, to functioning schools, or to a decent health service. All of these risks are part of what it means to be poor in much of the world, all are causes of poverty, and all are attributable to the lack of state capacity. Anything that threatens that capacity is inconsistent with improving the lives of poor people.

The argument that aid threatens institutions depends on the amount of aid being large. In China, India, or South Africa, where ODA in recent years has been less than 0.5 percent of national income, and only occasionally more than 1 percent of total government expenditures, aid is not important in affecting government behavior or the development of institutions. The situation is quite different in much of Africa. Thirty-six (out of forty-nine) countries in sub-Saharan Africa have received at least 10 percent of their national income as ODA for three decades or more.[24]

Given that ODA comes to governments, the ratio of aid to government expenditure is larger still. Benin, Burkina Faso, the DRC, Ethiopia, Madagascar, Mali, Niger, Sierra Leone, Togo, and Uganda are among the countries where aid has exceeded 75 percent of government expenditure for a run of recent years. In Kenya and Zambia, ODA is a quarter and a half of government expenditure, respectively. Given that much of government expenditure is pre-committed and almost impossible to change in the short run, for these countries (and others for which the data are not available) discretionary expenditures by governments are almost entirely dependent on funds from foreign donors. As we shall see, this does not mean that the donors are dictating what governments spend—far from it. Yet the behavior of both donors and recipients is fundamentally affected by the existence and magnitude of these aid flows.

Aid is not the only way in which rulers can rule without consent. A commodity price boom is another. One famous example comes from Egypt in the mid-nineteenth century. Then, at the height of the Industrial Revolution, with its insatiable demand for cotton, the two main sources were the American South and Egypt, and Egypt's sales of cotton accounted for most of its trade with the outside world. Egypt's ruler, Muhammad Ali Pasha, often described as the founder of modern Egypt, paid only a fraction of the world price to the *fellaheen* who produced the cotton, and he and his court became fabulously wealthy on the proceeds. The American Civil War tripled the world price in only three years, and under Ali's successor Isma'il Pasha, this led to what a British report later described as "fantastic extravagance," while "immense sums were expended on public works in the manner of the East, and on productive works carried out in the wrong way or too soon," including the Suez Canal.[25] The scale of the spending was so great that it could not be supported even by the wartime cotton price, and Isma'il borrowed on the international capital market. When the price of cotton collapsed after the war, there were riots, armed intervention, and ultimately foreign occupation by Britain.

Cotton prices rose from $9.00 for 112 pounds in 1853 to $14.00 in 1860, to a peak of $33.25 in 1865, and they fell to $15.75 in 1870. One might have thought that the foreign lenders—if not Isma'il—would have understood the trouble that lay ahead, but then, as now, the lenders could rely on another government—Britain—to protect and recover their investments. Yet this story of catastrophe is not without its bright side; the Suez Canal, after all, was a useful investment whose benefits need to be counted.

There are many parallels between commodity price booms and foreign aid.[26] One is that cash flows come and go in a way that is divorced from domestic needs or domestic politics. In the cotton boom, the cause was the Civil War in America; with aid, it is the economic and political conditions in the donor countries, or international events such as the Cold War, or the war on terror. That aid stimulates government expenditure has been repeatedly documented, and, as in the Egyptian case, the government is freed of the need to consult or to gain the approval of its people. With state-owned mines, a high world price, an unlimited supply of poor workers, or a well-funded army, a ruler can stay in power without the consent of his people. With sufficient foreign aid, the ruler can even do without the mines, as eventually happened in Zaire under Mobutu. Aid from abroad kept the regime in business, and most of the aid went to doing so, so that when the regime eventually fell, there was little left, in Swiss bank accounts or elsewhere.[27] Of course, with aid the government has a responsibility to the donors, and, unlike in the Mobutu case, which was driven by Cold War geopolitics, one might hope that the donors have the interests of the people in mind. But as we shall see, there are good reasons why this does not work in practice; the motivation of the donors helps much less than one might think.

Aid, like commodity price booms, can have other unhappy effects on local institutions. Without unrestricted inflows, governments not only need taxes, but also need to be able to collect them. The huge oil revenues in the Middle East are partly responsible for poor democratic institutions in the oil-producing countries. In Africa, presidential systems are common, and an externally funded president can govern through patronage or military repression. Parliaments have limited power; they are rarely consulted by the president; and neither parliaments nor judiciaries have power to rein in the presidency.[28] There are no checks and balances. In extreme cases, large external flows, from aid or commodity sales, can increase the risk of civil war, because rulers have the means to avoid sharing power, and because the value of the inflows gives both sides a prize that is worth fighting over.[29]

Why does accountability to the donors not replace accountability to the local population? Why can't the donors withhold aid if the president refuses to consult parliament, declines to reform a corrupt police force, or uses aid flows to bolster his own political position? One problem is that the donor governments and their constituents—the ultimate donors—can't make the right calls because they do not experience the effects of aid on the ground. Even when the crunch comes, and the donors see what is happening, it is rarely in the interests of the donor countries to withhold aid, even in the face of egregious violations of agreements, however much they may have wished to do so in advance.

It is the local people, not the donors, who have direct experience of the projects on which aid is spent and who are in a position to form a judgment. Such judgments will not always be well informed, and there will always be domestic debate on cause and effect and on the value of specific government activities; but the political process can mediate these normal divergences of views. For foreign donors or their constituents—who do not live in the recipient countries—there is no such feedback. They have no direct information on outcomes; they must rely on the reports of the agencies disbursing the aid, and so tend to focus on the *volume* of aid, not its *effectiveness*. The aid agencies, in turn, are accountable to their ultimate donors, and there is no mechanism that holds them responsible if things go wrong for the recipients. I once asked an official of one of the most prominent nongovernmental aid agencies in which part of the world she spent most of her time. "The West Coast"—which turned out not to be Africa, but the United States, where several of the agency's largest donors lived. As we have already seen, World Bank officials have long moved on to other things by the time the effects of their handiwork become visible. There is no responsibility of donors to the recipients of their aid.[30]

Sometimes the agencies *know* that aid is going wrong and are alarmed by what they see, but can do nothing about it. The director of one national aid agency gave me a bloodcurdling account of how aid funds had gone to gangs of murderers—people who had already carried out one massacre and were training and arming themselves to return to finish the job. I asked him why he continued to supply aid. Because, he replied, the citizens of this country believe that it is their duty to give and will accept no argument that aid is hurting people. The best that he could do was to try to limit the harm.

Even when donors *know* what conditions ought to be imposed, they will often be reluctant to penalize recipient governments who flout them. Donors may threaten punishment to induce good behavior, but when the good behavior is not forthcoming they may be reluctant to take action if the penalties harm themselves or their constituents. This would hardly apply to the arming of murderers, but it can be a problem in lesser cases. In effect, aid conditionality is "time-inconsistent," a favorite term of economists: what you want to do in advance is no longer in your interests after the fact. The governments who are receiving aid understand this very well; they can call the donor's bluff and ignore the conditions with impunity.

Why the reluctance to enforce conditionality?

The economist Ravi Kanbur was the World Bank representative in Ghana in 1992. He was called upon to enforce conditionality by withholding a tranche of a previously agreed loan in response to the government having violated the agreement by awarding an 80 percent pay increase to public-sector workers. The tranche was large, almost an eighth of Ghana's annual import bill. Opposition to the cut-off came from many sources, not just the government of Ghana. Many innocent bystanders would be hurt, both Ghanaians and foreign contractors, who would likely not be paid. More fundamentally, the normal, good relations between the donors and the government would be disrupted, threatening not only the government but also the operations of the aid industry itself; "the donors control so much in the way of funds that to stop these, at any rate to stop them sharply, would cause major chaos in the economy." In effect, it is the aid industry's job to disburse funds, and its operatives are paid to do so and to maintain good relations with its client countries. A face-saving compromise was eventually reached, and the loan went ahead.[31]

Kenya provides another example of the dance among donors, the president, and parliament. The donors periodically become exasperated by the corruption of the president and his cronies, and they turn off the flow of aid. Parliament meets and starts discussing how to raise the revenue required for the government to meet its obligations. The donors heave a huge sigh of relief—they too are under threat if the aid ceases to flow—and turn the taps back on; parliament is shuttered until the next time.[32] Government ministers also sigh with relief and order up the latest-model Mercedes from Germany; the locals refer to these wealthy beneficiaries as the "WaBenzi."

The award for sheer creativity might go to Maaouya Ould Sid'Ahmed Taya, president of Mauritania from 1984 to 2005. He adopted a pro-Western stance and in 1991 abandoned his previous support for the Saddam Hussein regime in Iraq. Even so, in the early 1990s, his domestic repression became too much for donors, and aid was withdrawn. Real political reforms were begun—at least until the president had the brilliant idea of becoming one of the few Arab countries to recognize Israel. The aid taps were reopened and the reforms rescinded.

Domestic policies in the *donor* countries can also make it difficult to turn off aid. Government aid agencies are under pressure from their domestic constituencies to "do something" about global poverty —a pressure that is stoked by a well-intentioned but necessarily poorly informed domestic population—and this makes it hard for government agencies to cut back on aid even when their representatives on the ground know that it is doing harm. Politicians in both donor and recipient countries understand this process. Recipient governments can use their own poor people as "hostages to extract aid from the donors."[33] In one of the worst such cases, government officials in Sierra Leone held a party to celebrate the fact that UNDP had, once again, classed their country as the worst in the world and thus guaranteed another year's worth of aid.[34]

On the other side, donor politicians can give aid to buy political credibility at home when they are deeply unpopular for unrelated reasons; they too will oppose the cessation of aid, even when it is clearly being misused. When this happens—as it did with British aid during the Kenyan elections in 2001, when aid was used to subvert the elections and preserve the power of a corrupt elite—Africans suffer to burnish the tarnished reputations of Western politicians.[35] Lyndon Johnson helped hype a largely nonexistent famine in India in order to distract attention from the Vietnam War, not to mention to gather support from American farmers by buying their crops.[36] The givers and receivers of aid, the governments in both countries, are allied against their own peoples. All that has changed from colonial times is the nature of what is being extracted.

There are also practical reasons that restrict the ability of donors to enforce conditionality. Aid is fungible; a recipient can promise to spend aid on health care and do so with projects that would have been undertaken in any case, freeing up funds for nonapproved purposes. It is often difficult for donors to monitor such diversions. The aid industry is competitive, and if one country refuses to fund another will often step in, with a different set of priorities and conditions. The donor who tries to enforce conditions is then shut out and may lose political influence or commercial opportunities, with no compensating gain.

Aid agencies have recently tried to move away from conditionality, and their language has moved toward an emphasis on partnership. The recipient proposes a plan according to its own needs, and the donor decides what to finance. Of course, none of this disposes of the reality that the donors are responsible to their constituents in the rich world, and that the recipients, knowing this, will design plans that mimic just what they think the donors would have proposed on their own—a process that has been aptly described as "ventriloquism."[37] It is not clear what sort of partnership is sustainable when one side has all the money.

Politics and politicians, doing what they regularly do, undermine aid effectiveness, but it works the other way too: aid flows undermine the effectiveness of politics. Donors decide matters that should be decided by recipients; even democratic politics in donor countries has no business deciding whether HIV/AIDS should be prioritized over antenatal care in Africa. Conditionality violates national sovereignty. Imagine a well-funded Swedish aid agency coming to Washington, D.C., and promising to pay off the national debt and fund Medicare for fifty years. The conditions are that the United States abolish capital punishment and fully legalize gay marriage. Perhaps some governments are so dysfunctional that such violations have little cost to their populations. But taking a country into foreign receivership is hardly a good start on building the kind of contract between government and governed that might support economic growth over the long haul. It is not possible to develop someone else's country from the outside.

We have already seen that it is difficult to give convincing evidence of the effects of aid on economic growth, and the same applies when we look at the effects of aid on democracy or on other institutions. Yet once again, we have the fact that small countries that get a lot of aid also tend to be less democratic; sub-Saharan Africa is the least democratic area of the world, and the one that receives the most aid. Countries that receive aid from their ex-colonists are not the most democratic. Perhaps most interesting is a counterpoint to Figures 1 and 2: there has been an upsurge not only in growth but also in democracy in Africa since the cut in aid that followed the end of the Cold War. As always, there are other possible explanations for these facts, but they are what we would expect if democracy were undermined by foreign aid.

The antidemocratic aspects of foreign aid have been exacerbated by the long-held donors' belief that aid—and economic development itself—is a technical issue, not a political one. In the hydraulic theory (recall, we are just fixing the plumbing), there can be no legitimate dispute over what needs to be done. This belief has led donors and advisers to ignore or be impatient with local politics. Worse still, the donors have often deeply misunderstood what people needed or wanted. Population control is the worst case; to the donors it was obvious that if there were fewer people each person would be better off, while to the recipients, the opposite was just as obviously (and correctly) true. Western-led population control, often with the assistance of nondemocratic or well-rewarded recipient governments, is the most egregious example of antidemocratic and oppressive aid. Effective democracy is the antidote to the tyranny of foreign good intentions.[38]

The anthropologist James Ferguson, in *The Anti-Politics Machine,* one of the greatest books about aid and economic development, describes a large Canadian-funded development project in Lesotho in the 1980s that was based on a profound misunderstanding of the way the economy functioned; what in reality was a reservoir of labor for the South African mines was reimagined as a textbook subsistence-farming economy. The agricultural investment projects designed for the imagined economy were about as likely to be successful as a project to grow flowers on the moon. The project administrators—busily fixing the plumbing—remained unaware of how the project was being manipulated by the ruling party for its own political purposes and against its political opponents. In the end, there was no development or poverty reduction, only an extension of the state's monopoly of political control, an anti-politics machine that made an extractive elite even less responsive to its people.[39]

The technical, anti-political view of development assistance has survived the inconvenient fact that the apparently clear technical solutions kept changing—from industrialization, planning, and the construction of infrastructure to macroeconomic structural adjustment, to health and education, and most recently back to infrastructure. That the ideas kept changing did nothing to imbue the developers with humility or uncertainty, nor did the sensitivity of the fashions to first-world politics appear to undercut the technical certainty of the aid industry. The antipoverty rhetoric of the World Bank when Lyndon Johnson was U.S. president was replaced by the "getting prices right" rhetoric when Ronald Reagan was president. "Our" politics seems to be a legitimate part of development thinking, while "their" politics is not.

Aid and aid-funded projects have undoubtedly done much good; the roads, dams, and clinics exist and would not have existed otherwise. But the negative forces are always present; even in good environments, aid compromises institutions, it contaminates local politics, and it undermines democracy. If poverty and underdevelopment are primarily consequences of poor institutions, then by weakening those institutions or stunting their development, large aid flows do exactly the opposite of what they are intended to do. It is hardly surprising then that, in spite of the direct effects of aid that are often positive, the record of aid shows no evidence of any overall beneficial effect.

The arguments about foreign aid and poverty reduction are quite different from the arguments about *domestic* aid to the poor. Those who oppose welfare benefits often argue that aid to the poor creates incentives for poor behavior that help to perpetuate poverty. These are not the arguments here. The concern with foreign aid is not about what it does to poor *people* around the world—indeed it touches them too rarely—but about what it does to *governments* in poor countries. The argument that foreign aid can make poverty worse is an argument that foreign aid makes governments less responsive to the needs of the poor, and thus does them harm.

The harm of aid—even in the presence of some good—poses difficult ethical problems. The philosopher Leif Wenar, criticizing Peter Singer's vision, with which I began this chapter, notes that "poverty is no pond"; Singer's analogy is not helpful.[40] Those who advocate more aid need to explain how it can be given in a way that deals with the political constraints. They should also think hard about the parallels with the colonialism that came before the era of aid. We now think of colonialism as bad, harming others to benefit ourselves, and aid as good, hurting us (albeit very mildly) to help others. But that view is too simple, too ignorant of history, and too self-congratulatory. The rhetoric of colonialism too was all about helping people, albeit about bringing civilization and enlightenment to people whose humanity was far from fully recognized.[41] This may have been little more than a cover for theft and exploitation. The preamble to the charter of the UN, with its ringing and inspiring rhetoric, was written by Jan Smuts, premier of South Africa, who saw the UN as the best hope of preserving the British Empire and the dominance of white "civilization."[42] Yet at its worst, decolonization installed leaders who differed little from those who preceded them, except for where they were born and the color of their skins.

Even today, when our humanitarian rhetoric acts as a cover for our politicians to buy themselves virtue, and when aid is our way of meeting our moral obligations to deal with global poverty, we need to be sure that we are *not* doing harm. If we are, we are doing it for "us," not for "them." [43]

## Is Health Aid Different?

External aid has saved millions of lives in poor countries. UNICEF and other agencies brought antibiotics and vaccinations to millions of children, reducing infant and child mortality. The control and elimination of disease-bearing pests have made safe once-dangerous regions of the world. An international effort eliminated smallpox, and a current effort is close to doing the same for polio. Aid agencies have made oral rehydration therapy available to millions of children and are providing insecticide-treated bed nets to protect against malaria, a disease that still kills a million African children every year. Between 1974 and 2002, a joint effort by the World Bank, the World Health Organization, UNDP, and the UN Food and Agriculture Organization all but eliminated river blindness as a public health problem in Africa.[44]

Most recently, billions of dollars have been donated for the treatment of HIV/AIDS, again mostly in Africa. By the end of 2010, the number of people receiving antiretroviral treatment—which is not a cure but keeps people alive—had reached ten million from less than a million in 2003.[45] The most important donors are the Global Fund to Fight AIDS, Tuberculosis and Malaria, whose largest funder is the United States, and the President's Emergency Plan for AIDS Relief (PEPFAR); the former acts multilaterally to fund country-driven