I am driving out of Addis Ababa, Ethiopia to the countryside. An endless line of women and girls is marching in the opposite direction into the city. They range in age from 9 to 59. Each one is bent nearly double under a load of firewood. The heavy load propels them forward almost at a trot. I think of slaves driven along by an invisible slave-driver. They are carrying the firewood from miles outside of Addis Ababa, where there are eucalyptus forests, across the denuded lands circling the
city. They bring the wood to the main city market, where they will sell the load for a couple of dollars. That will be it for their day’s income, as it takes all day to heft firewood into Addis and to walk back.

I later found that BBC News had posted a story about one of the firewood collectors. Amaretch, age 10, woke up at 3 a.m. to collect eucalyptus branches and leaves, then began the long and painful march into the city. Amaretch, whose name means “beautiful one,” is the youngest of 4 children in her family. She says:

> I don’t want to have to carry wood all my life. But at the moment I have no choice because we are so poor. All of us children carry wood to help our mother and father buy food for us. I would prefer to be able to just go to school and not have to worry about getting money. [1]

**The two tragedies**

UK Chancellor of the Exchequer Gordon Brown recently gave a compassionate speech about the tragedy of extreme poverty afflicting billions of people, with millions of children dying from easily preventable diseases. He called for a doubling of foreign aid, a Marshall Plan for the world’s poor. He offered hope by pointing out how easy it is to do good. Medicine that would prevent half of malaria deaths costs only 12 cents a dose. A bed net to prevent a child from getting malaria costs only $4. Preventing 5 million child deaths over the next 10 years would cost just $3 for each new mother. A program to get Amaretch into school would cost little.

However, Gordon Brown was silent about the other tragedy of the world’s poor. This is the tragedy in which the West already spent $2.3 trillion on foreign aid over the last 5 decades and still had not managed to get 12-cent medicines to children to prevent half of all malaria deaths. The West spent $2.3 trillion and still had not managed to get $4 bed nets to poor families. The West spent $2.3 trillion and still had not managed to
get $3 to each new mother to prevent 5 million child deaths. The West spent $2.3 trillion and Amaretch is still carrying firewood. It’s a tragedy that so much well-meaning compassion did not bring these results for needy people.

The West's efforts to aid the Rest have been even less successful at goals such as promoting rapid economic growth, changes in government economic policy to facilitate markets, or promotion of honest and democratic government. The evidence is stark: $568 billion spent on aid to Africa, and yet the typical African country no richer today than 40 years ago. Dozens of “structural adjustment” loans (aid loans conditional on policy reforms) made to Africa, the former Soviet Union, and Latin America, only to see the failure of both policy reform and economic growth. The evidence suggests that aid results in less democratic and honest government, not more. Yet, unchastened by this experience, we still have such absurdities as the grandiose plans by Jeffrey Sachs and the United Nations to do 449 separate interventions to reach 54 separate goals by the year 2015 (the Millennium Development Goals), accompanied by urgent pleas to double aid money.

Economic development happens, not through aid, but through the homegrown efforts of entrepreneurs and social and political reformers. While the West was agonizing over a few tens of billion dollars in aid, the citizens of India and China raised their own incomes by $715 billion by their own efforts in free markets. Once aid agencies realize that aid CANNOT achieve general economic and political development, they could start concentrating on fixing the system that fails to get 12-cent medicines to malaria victims.

**Feedback and accountability**

The two key elements necessary to make aid work, and the absence of which has been fatal to aid's effectiveness in the past, are FEEDBACK and ACCOUNTABILITY. The needs of the rich get met through feedback and accountability. Consumers tell the firm “this
product is worth the price” by buying the product, or decide the product is worthless and return it to the store. Voters tell their elected representatives that “these public services are bad” and the politician tries to fix the problem.

Of course, feedback only works if somebody listens. Profit-seeking firms make a product they find to be in high demand, but they also take responsibility for the product — if the product poisons the customer, they are liable, or at least they go out of business. Elected representatives take responsibility for the quality of public services. If something goes wrong, they pay politically, perhaps by losing office. If it succeeds, they get the political rewards.

Aid agencies can be held accountable for specific tasks, rather than the weak incentives that follow from collective responsibility of all aid agencies and recipient governments for those broad goals that depend on many other things besides aid agency effort. Examples of the latter include such unaccountable goals as the very fashionable campaign to achieve the UN Millennium Development Goals, or the sweeping goals of economic growth, government reform, and democracy for poor countries mentioned above. If a bureaucracy shares responsibilities with other agencies to achieve many different general goals that depend on many other things, then it is not accountable to its intended beneficiaries—the poor. No one aid agent is individually responsible for successfully achieving any one task in the current aid system. Without accountability, then the incentive for finding out what works is weak. True accountability would mean having an aid agency take responsibility for a specific, monitorable task to help the poor, whose outcome depends almost entirely on what the agency does. Then independent evaluation of how well the agency does the task will then create strong incentives for performance.

Although evaluation has taken place for a long time in foreign aid, it is often self-evaluation, using reports from the same people who implemented the project. My students at NYU would not study very hard if I gave them the right to assign themselves their
own grades.

The World Bank makes some attempt to achieve independence for its Operations Evaluation Department (OED), which reports directly to the Board of the World Bank, not to the President. However, staff move back and forth between OED and the rest of the Bank—a negative evaluation could hurt staff’s career prospects. The OED evaluation is subjective.

Unclear methods lead to evaluation disconnects like that delicately described in Mali:

> it has to be asked how the largely positive findings of the evaluations can be reconciled with the poor development outcomes observed over the same period (1985-1995) and the unfavourable views of local people. (p. 26)

Even when internal evaluation points out failure, do agencies hold anyone responsible or change aid agency practices? It is hard to find out from a review of the World Bank’s evaluation web site. The OED in 2004 indicated how eight “influential evaluations” influenced actions of the borrower in 32 different ways, but mentioned only two instances of affecting behavior within the World Bank itself (one of them for the worse).

**Moving forward**

The way forward is politically difficult—truly independent scientific evaluation of specific aid efforts. Not overall sweeping evaluations of a whole nationwide development program, but specific and continuous evaluation of particular interventions from which agencies can learn. Only outside political pressure on aid agencies are likely to create the incentives to do these evaluations. A World Bank study of evaluation in 2000 began with the confession “Despite the billions of dollars spent on development assistance each year, there is still very little known about the actual impact of projects on the poor.”
The solution is as obvious as it is unpopular—create a truly independent group of evaluators who have no conflict of interest with the World Bank or other multilateral development banks. Of course, there has to be incentives to do something as a result of the evaluations – allocations of money to multilateral development banks should go up or down depending on their average performance as rated by the independent evaluators. Also multilateral development banks should get credit for discontinuing failed programs or fixing them if they are fixable, while inaction should be correspondingly penalized.

**Success through evaluation**

In 1997, the Mexican Deputy Minister of Finance, a well-known economist named Santiago Levy, came up with an innovative program to help poor people help themselves. Called PROGRESA (Programa Nacional de Educación, Salud y Alimentación), the program provides cash grants to mothers IF they keep their children in school, participate in health education programs, and bring the kids to health clinics for nutrition supplements and regular checkups. Since the Mexican federal budget didn’t have enough money to reach everyone, Levy doled out the scarce funds in a way that the program could be scientifically evaluated. The program randomly selected two hundred and fifty-three villages to get the benefits, with another two hundred and fifty-three villages (not yet getting benefits) chosen as comparators. Data was collected on all 506 villages before and after the beginning of the program. The Mexican government gave the task of evaluating the program to the International Food Policy Research Institute (IFPRI), who commissioned academic studies of the program’s effects.

The academic findings confirmed that the program worked. Children receiving PROGRESA benefits had a 23 percent reduction in the incidence of illness, a 1-4 percent increase in height, and an 18 percent reduction in anemia. Adults had 19 percent fewer days lost to illness. There was a 3.4 percent increase in enrollment for all students in grades 1 through 8; the increase was largest among girls who had completed grade 6, at 14.8 percent. [2]
More anecdotally, people in a small village called Buenavista have noticed the difference. One mother says that she can feed her children meat twice a week now to supplement the tortillas, thanks to the money she receives from PROGRESA. Schoolteacher Santiago Dias notices that attendance is up in Buenavista’s two-room schoolhouse. Moreover, Dias says “because they are better fed, the children can concentrate for longer periods. And knowing that their mothers’ benefits depend on their being at school, the children seem more eager to learn.” [3]

Because the program was such a clearly documented success, it was continued despite the voters’ rejection of the long-time ruling party in Mexico’s democratic revolution in 2000. By that time, PROGRESA was reaching 10 percent of the families in Mexico and had a budget of $800 million. The new government expanded it to cover the urban poor. Similar programs began in neighboring countries with support from the World Bank. [4]

The lesson for aid reformers is: a combination of free choice and scientific evaluation can build support for an aid program where things that work can be expanded rapidly. The cash-for-education-and-nutrition in itself could be expanded, with suitable local adjustments, to more countries and on a much larger scale than it is now. A program like this in Ethiopia could get Amaretch and the other girls around Addis Ababa out of being slaves to firewood and get them in school where they can gain the skills to escape poverty.

**Is it time yet?**

It is time for an end to the second tragedy of the world’s poor, which will help make progress on the first tragedy. To gradually figure out how the poor can give *more* feedback to *more* accountable agents on what THEY know and what THEY most want and need. The Big Utopian Dreams about ending world poverty, such as the UN Millennium Development Goals hold nobody accountable. Can’t we just hold the agents of
charity accountable, so they do get 12-cent medicines to children to keep them dying from malaria, do get $4 bed-nets to the poor to prevent malaria, do get $3 to each new mother to prevent child deaths, do get Amaretch into school?

_Authors_ 

*This article is a modified excerpt from the my new book, _The White Man’s Burden: Why the West’s Efforts to Aid the Rest Have Done So Much Ill and So Little Good_ (The Penguin Press: New York), 2006.*

[1] Here is a picture of Amaretch from the BBC story.


**ALSO FROM THIS ISSUE**

**Lead Essay**

- **Why Doesn’t Aid Work?** by William Easterly

  It is a tragedy that billions suffer from extreme poverty. The second tragedy of the world’s poor, William Easterly maintains in this month’s lead essay, is that trillions spent on foreign aid have done so little to help. Aid efforts so rarely succeed because they so often lack feedback and accountability. The way forward, Easterly argues, is “truly independent scientific evaluation of specific aid efforts ... continuous evaluation of particular interventions from which agencies can learn.”

**Response Essays**
Why Doesn't Aid Work? | Cato Unbound

11/28/18, 3:03 PM

Thought-Provoking and Misleading by Branko Milanovic

In his spirited reply to this month’s lead essay the World Bank’s Branko Milanovic claims that William Easterly’s argument is misleading. Easterly, Milanovic argues, is not clear about the definition of “aid,” and he both underestimates how much governments can do to help the poor and overestimates the likely effectiveness of his proposed new “grandiose bureaucracy” to assess aid effectiveness. Easterly, Milanovic writes, “provides an argument for those who have long argued that the best policy is to do nothing and ignore the poor world.”

There is No Fix for Aid by Deepak Lal

In his reply essay, Deepak Lal, the James S. Coleman Professor of International Development Studies at UCLA, argues that like almost all aid efforts, Easterly’s proposed evaluation initiative is likely to fail. “Short of direct or indirect imperialism,” Lal argues, “there seems to be little hope of overcoming the domestic political obstacles to the efficient utilization of foreign aid.” Easterly’s proposal is just more fodder for the “Lords of Poverty,” the middle class professionals who derive a good living from the international business of alleviating world poverty.

Evidence Beats Rhetoric, Every Time by Steve Radelet

The Center for Global Development's Steve Radelet argues against Easterly that, in fact, “aid amounts have been modest” and that the evidence shows that aid is often effective. Without successful health interventions, “millions of these people would be dead,” Radelet writes. Furthermore, he argues, aid does promote economic growth. “Here is the dirty little secret: most of the published research over the past decade has shown a modest positive relationship between aid and growth.”

The Conversation

Reply to Comments: Logic Beats Illogic, Every Time by William Easterly

Why Not a Global Welfare Agency? by Branko Milanovic

The Record of Aid in a Complex World by Steve Radelet

Remittances Aren’t Aid by Branko Milanovic

Econometrics, Global Welfare, and Palliative Measures by Deepak Lal

Tobin Tax, Imperialism, and Globalization by Branko Milanovic
• **Taking the “Con” Out of Aid and Growth Econometrics** by William Easterly

• **Response to Milanovic on the Tobin Tax, Empire, and Migration** by Deepak Lal

• **Rejoinder to Lal: Global Welfare, Empire, and Playing God** by Branko Milanovic

• **Last Rejoinder to Milanovic** by Deepak Lal

• **Five Ways to Make Aid More Effective** by Steve Radelet

• **The Challenges of the Millennium Challenge Account** by Steve Radelet

• **The Last Word** by William Easterly