



Does aid work?

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In this lecture I will share with you what research and other evidence can tell us about whether aid works. But I need to start by lowering your expectations. There are at least three reasons why we cannot give one conclusive answer on the question.

One reason is that in spite of much research over decades, we simply do not have enough knowledge yet.

Another reason is, as I've previously noted, the question is not as straightforward as it might seem. For what does it mean that aid "works"?

- That the interventions financed by aid are successful in transforming funds into results?
- That the results are relevant and useful for those expected to benefit?
- That aid leads to long-term improvements, such as economic growth, more inclusive societies or better governments?
- Or that aid receiving countries over time are better off than they would have been without aid?

At least we have to specify what we mean by the question, before trying to find an answer.

A third reason is that aid is so diverse that it is not necessarily meaningful to find a GENERAL answer.

Aid is provided:

- To more than a hundred countries
- through all kinds of institutions ranging from the biggest World bank megaprojects to small village associations
- in many different sectors
- and it aims at many different policy objective. And some of the objectives can even be internally conflicting, so that success against one objective may be at the cost of other objectives.

We may expect that aid sometimes works and sometimes does not; and it may work according to certain objectives, but not other objectives. Anyway, let us see what evidence we can build on when trying to find an answer.

Sources that describe the effects of aid

First, we have the **project and programme reports** from aid agencies. These are valuable because they have more in-depth knowledge of the projects than any other written sources, and are often quite detailed. From an academic point of view, they do not satisfy criteria for high quality evidence, but researchers can still use project reports as a source of information.

One challenge is that there is a tendency to over-estimate results – but that has been controlled for [HOW] and the problem of over-reporting is not as high as one might expect. A bigger challenge is what they *do not* tell. There are two major limitations in these reports: One is that they only tell whether improvements have happened in line with the project objectives. They do not tell us whether those

improvements were because of aid, and they tell little about positive or negative effects that were unanticipated.

Another is that most of them only report on achievements within the **project period**, since donors usually lose interest when the project ends. They tell very little about the long-term effects of projects.

Then we have evaluations of projects, normally done by independent or semi-independent experts. They are very useful in verifying whether project reports are reliable. Good evaluations can also tell us about **causality** so that we know whether the project really made a difference; or they may give us more insight into the long-term effects beyond the scope of the project reports; or tell us about unintended side-effects. But many evaluations are limited to more or less the same information as are found in the project reports, or are concerned about things other than the results of projects (such as whether projects are well-managed, or whether certain policy interests are taken into account – like gender or human rights). These are important questions, but they don't tell us very much more about whether aid "works."

We also have an increasing number of systematic studies of these evaluations or project reports. Some are made by aid agencies and some by independent researchers. The best ones will take into account the quality of the evidence provided in each report, so that they will put more weight on the most robust evidence. These are very useful to aggregate what evaluations or reports really tell us, and I find these very valuable. But they cannot overcome the limitations from the reports they build on, and since we still do not have a sufficient really good, robust evaluations, the systematic studies still do not tell us enough about to what degree aid works.

But so far I have talked about sources that in some way or other are based on what the aid agencies themselves have produced or commissioned. Luckily, there are also truly independent studies that do not depend on aid agencies. In general terms they can be divided in two types:

One is **independent research that takes specific projects, or a selection of projects as their starting point**. There are probably thousands of such studies, over many decades. We have economic studies, anthropological studies, environmental studies and so on. These are normally very reliable, since they are based on empirical research and recognised methodologies from social science. They should be able to tell us a lot about whether aid works—but you may be disappointed. Most of them do not. In fact many of these studies don't even try to find out whether projects are successful (in terms of achieving their own objectives). Researchers may instead try to answer many other types of research questions, such as looking at adverse side effects but ignoring the main impacts. They are also very diverse (in research questions, methodologies, findings) that it is difficult to aggregate their results into any general conclusion. But there is **another group of academic studies** that can be used to answer whether it works. It is the studies that can tell us about **the aggregate effects of all aid, not of particular interventions**. The most well known are **econometric studies** based on statistical data on how much aid different countries have received, and how they have developed. They use advanced statistical methods that can tell us not only about correlation, but also causality.

Other research can also reveal aggregate effects, such as effects of aid on national political development or on local power relations. These are **qualitative studies**, which provide valuable insights, but are not as robust as the statistical studies. They do not give the precise answers that policy makers often ask for, so they don't seem to have the same influence.

What does this evidence tell us?

So, these are the diverse range of sources we have for evidence on whether aid works. What does all this evidence tell us? I told you that you won't get a conclusive answer, but nonetheless, available evidence seems to point to some general patterns.

First. Most projects seem to work, at least on short and medium term. All major reviews of project documents leave little doubt that throughout history, the majority of aid projects have achieved their **immediate, specific objectives** – what aid agencies call *output* or *outcome* level.

Overall success rates of aid projects range from 70-85%, with most donors recording more than 75%. Success rates vary depending on donors, recipients, time periods and type of interventions, from just below 50 to above 90 per cent. We may have to deduct some for the tendency among donors to overstate their results, but there is no significant systematic discrepancy between the project reports and the many independent or semi-independent evaluations.

This does not necessarily mean that those achievements were *because* of the project, and it does not tell us whether the results were *relevant and useful* or that the results *represent value for money*. But to some degree, they tell us that most projects can be regarded a success according to their stated goals.

However, most donors would not be satisfied with short and medium term success. They want to contribute to wider societal change, but project reports do not tell us much about that.

Second. We know very little about long-term effects of projects, simply because aid agencies do not report on what happens after they have left, and they rarely commission evaluations or other studies on what happens after a project ends. There are numerous anecdotes about projects having little or no long-term impact, e.g. about poorly maintained roads, empty factories a few years after project completion, or aid-financed welfare services that discontinue when funding ends. But it is difficult to interpret such anecdotal stories: failures may receive more attention than success.

A warning here: unfortunately, social science cannot give us a general conclusion about the long-term effects of any single project. With longer time horizons, it becomes increasingly difficult to distinguish cause and effect. Only a few studies have been done, but in many cases there are simply no methods available in social science to isolate the effects of aid from other factors that can influence on development. We have to accept that we cannot get a definitive answer.

But we can still see a **pattern in the available evidence**. One pattern we see is that donors' expectations are often quite unrealistic. Whether it's infrastructure, factories, public service institutions or civil society organisations—almost none of these develop as expected after the donors leave. Another pattern is that some types of projects stand out as particularly disappointing, in terms of long-term effects. They include most attempts to build institutional capacity, attempts to re-organise poor people or to make them change their behaviour, and attempts to influence governance or policy processes. There are thousands of cases where Western experts have tried to change the way institutions work, without seeing results. They have drafted laws and policies that are never implemented. They have organised the poor in groups that dissolve as soon as they leave. This does not mean that they never succeed, but there is little doubt that the long-term effects they had hoped for do not materialise.

All that was about the individual projects. What about the aggregate effects in the long-term? While it is not easy to draw conclusions, in this case, social science **does** have some methods available to study these with some degree of precision—namely, econometric studies. The main limitation here is not our methodology, but the availability of good data.

By far the best-studied question in such studies is whether **aid leads to economic growth**. All these studies have not led to any definitive conclusion. Some differ in their results because they use different methods or they have selected countries and time periods in their statistical analysis. But most of them agree that the effect of aid on economic growth is very small. Many find that the effect also depends on recipient countries' institutions and/or policies.

But these studies must be seen in the light of what aid aims at. Already in the 1970s there was agreement among donors that growth alone is not the primary objective of aid and not a good measure of success. Since the year 1990, only about a quarter of all Western aid has been of that nature - infrastructure, economic development - that makes it reasonable to measure success in terms of growth. In any case, the good news is that all studies that have tried to measure the effect of those particular forms of aid on growth, conclude positively. Some studies even conclude that such forms of aid have quite impressive rates of return, compared to comparable domestic investments in Western countries.

The rest of aid has been aimed at other policy objectives, like poverty reduction, governance, or policy changes that may or may not have been achieved—but success in those areas cannot be directly translated into growth. There are some studies that try to find the effects of aid on those other policy objectives, but they are fewer and not always very robust. The main reason is that we do not have enough data. The only dataset available that can tell us about development over long time, is national economic data and sparse demographic and health data. Even the main goal for aid, poverty reduction, is not well-supported with data before this millennium. In most countries we simply do not know how many people who have been poor at different times in history.

Researchers must be creative and use different types of indicators [for example, under-five mortality as an indicator for poverty, or mortality as a proxy for health] to assess the effects of aid on other policy objectives, and what is found is generally positive.

For studies that seek to measure the effects of aid on poverty are positive.

The effects of aid on health and education shows more variation between findings, but most of them point at what we called the fungibility of aid: aid spending on health and education seem to correlate with less government spending on the same. When this is the case, the effects of aid to health and education - at least in terms of spending - are less than the aid spent, but even in this case, most studies still conclude on positive effects.

The most disappointing parts of this research literature are the studies that try to assess the effects of aid on social or political change, or on institutional development—for example public institutions or state administration in general. Here, most available research, as well as most of aid agencies' own attempts to summarise results, have a negative conclusion. Not only does it say that aid in general has negative effects on state administration; several studies also find that even aid that aims at strengthening state institutions has little effect.

In terms of other social or political effects of aid, it is even more difficult to find statistical evidence, but those studies that have tried, generally conclude negatively. In these policy objectives for aid, we may perhaps say that the effects of aid are at best small and positive – at worst, many studies indicate that aid may have adverse effects.

So to conclude: what the research points to when it comes to whether “aid works”, we can say that aid can work for most policy objectives, and its aggregate effects are positive when measured against the policy objectives aid is designed to support. The important exception, however, is that it is doubtful that aid can lead to social, institutional or political change.

I feel this is a valuable lesson here. These policy objectives have in common that they to large degree depend on people changing their mindsets or the way people organise and interact; and perhaps that is something aid cannot change. Ironically, many donors would say that aid is not worthwhile if it does not also lead to such changes. So for the moment, it seems that donors are not willing to learn from evidence, but they still spend a lot of money on purposes where there is most doubt about whether aid can work.