Poverty and Development in a Globalized World:
Does development aid help development?

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EDITOR'S NOTE
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1 Since decolonization, international cooperation has been considered as a major instrument for a community which, for humanitarian or geopolitical reasons, has been anxious not to leave a large part of the global population utterly destitute.

2 In the current state of knowledge on the effectiveness of aid, however, donors are faced with a dilemma. As potential beneficiaries differ with respect to their needs and their effectiveness in actually ensuring that the aid they receive reaches the most destitute, donors must choose between countries with better governance but less acute poverty than elsewhere, and poorer countries where governance is often weaker. Of course, there would be no need for this trade-off if donors could exert control over the use of aid. In practice, however, this control is limited, bar exceptional cases such as economic or humanitarian crises. This selectiveness of granting aid according to the characteristics of beneficiary countries is very directly observable and has significant consequences.

3 The International Development Association (IDA), the arm of the World Bank which manages the appeal funds entrusted to it by donor countries, allocates its resources to low-income countries based on a three-term mathematical formula: an index describing the quality of the country’s institutions and policies, its per capita income, and its population. The first factor, which sums up expectations regarding the quality of a country’s governance, is however given excessive importance.
As national development aid agencies in rich countries tend to follow the same strategy, the last few years have witnessed the emergence not only of “favourites” but also “orphans” of aid, depending on how satisfactory a country’s governance is considered to be. Moreover, regarding the use of aid, a clear trend has developed, whereby so-called “social” sectors – health, education and social benefits – are favoured at the expense of infrastructure and civil engineering, where embezzlement is said to be easier.

This aid allocation strategy is counter-productive. As countries that benefit from better governance often grow faster than others, aid is geared towards populations with greater prospects of improved living conditions. It thus neglects poor populations, which are inadequately governed by unscrupulous elites and whose suffering from poverty is therefore likely to increase. These countries, which the donor community calls “fragile”, are thus more or less left behind, and it would be illusory to think that this sanction affects only the ruling classes.

More direct control in these “fragile” countries is perhaps the only way to improve the effectiveness of development aid. After all, that is what China does when it delivers part of its African development aid in the form of turnkey infrastructure built by Chinese companies, thereby short-circuiting the countries’ government and local companies. This practice is actually currently banned for Western donors within the OECD Development Assistance Committee. Additionally, taking away ruling elites’ sense of responsibility does not seem to be the best way to encourage them to manage their economies efficiently and transparently.

The debate on international cooperation in the development field seems to focus on the question of aid. But analysis shows that the external constraints exerted on the poorest countries cannot all be lifted solely with aid. Be it through trade, migration, the environment, or knowledge transfer, the policies of rich countries and increasingly of emerging countries are likely not only to accelerate but also, in some cases, to curb the least developed countries’ growth. Several advanced countries, which are particularly attentive to development issues, are currently seeking to introduce explicit coherence in all their policies. This may directly or indirectly affect the developing world.

- A video of the Lecture is available at www.college-de-france.fr, on the professor’s page.

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