Health Economics, Policy and Law (2008), **3:** 313–319
© Cambridge University Press 2008 doi:10.1017/S1744133108004519

Review Essay

Aid, truth, and policy: what do we know?

TONY BARNETT*
LSE Health and LSEAIDS, London School of Economics and Political Science, UK and London School of Hygiene and Tropical Medicine, UK

Making Aid Work
Abjhit Vinayak Banerjee with Alice H. Amsden, Robert H. Bates, Jagdish Bhagwati, Angus Deaton, Nicholas Stern, and others
Cambridge, MA and London: MIT Press, 2007

The Bottom Billion: Why the poorest countries are failing and what can be done about it
Paul Collier
Oxford: Oxford University Press, 2007

Does Foreign Aid Really Work?
Roger C. Riddell
Oxford: Oxford University Press, 2007

Paul Collier was at Oxford in 1968 and joined the Oxford Revolutionary Socialists, a name he now wryly and perhaps a little angrily recalls as 'beyond parody'. A few years earlier in the 1960s, prior to university, I spent a year as a volunteer teacher at a missionary secondary school in Kailahun, a small town in recently independent Sierra Leone, not far from the border with the also newly independent Republic of Guinea. It was a time of great idealism, hope and the formalized euphoria of 'freedom'. Colonialism was on the run and my younger self believed for a (very brief) moment that the people of Sierra Leone required a good dose of altruism combined with some hard work and the transfer of material resources and skills and their lives would be improved. In other words, aid. What I did not understand was that these people were not without history and despite what I had learned from avid reading of popular books by Margaret Mead and Ruth Benedict, they might have their own perspectives and even be ambivalent about having me around – however altruistic my motivations.

*Correspondence to: Professor Tony Barnett, LSE Health and LSEAIDS, The London School of Economics & Political Science, Houghton Street, London WC2A 2AE, UK. Email: A.S.Barnett@lse.ac.uk

https://doi.org/10.1017/S1744133108004519 Published online by Cambridge University Press

During my time in Sierra Leone, I discovered from the boys at the school (and from Roland Oliver's books) that Africa had a history and that idealism was not enough: it was here after all that I also heard of Kennedy's assassination. Here I had my first encounter with the flotsam and jetsam of the aid world. I was in the company of Peace Corps idealists anxious to build the new frontier, of idealistic young African men who spoke of negritude, of fervent fundamentalist American missionaries come to save sinners and teach the natives, and of course of old style English Methodists not at all sure why they were there. In Sierra Leone, I learned my first very important lesson about 'development': that it was not and is not mainly or even significantly a technical problem; in fact it was not a puzzle with an answer, rather it was a problem and thus without any definitive solution. Development is – in the words of Harold Macmillan – 'events'. It is also 'history'. It was and remains a complex set of technical, political, cultural, economic and even religious questions, and there are many profoundly different views as to what a good and desirable, 'developed' world might consist of. Anybody who offers easy answers is either simple minded, a person with a mission, ignorant or stupid, and more often than not all of those things.

Forty years on from that quaint world of a recently decolonized Sierra Leone, these three books all offer complex reflections on the experience and lessons of decades of massive programmatic transfers of resources between world regions with the goal of achieving variously democracy, economic growth, national strategic advantage, gender equality, empowerment, social development, human rights, and whatever other fashion currently informs the public policy rhetoric of aid.

During my year in Sierra Leone, I took a brief trip to Conakry. Vibrant on the surface but threatening below, rumours abounding concerning activities of the Soviets and strange encounters with mysterious Palestinians, where people danced the high-life and spoke of *liberté* while the recently vacated colonial buildings with their electrics ripped out showed the effects of French governmental (and particularly General De Gaulle's) ire at having been rejected in favour of 'independence'. Meanwhile, back in Kailahun, life was altogether calmer on the surface, a little colonial backwater a few kilometres from the backwater of a backwater where Graham Green had in 1936 crossed the River Moa in preparing his book *Journey without Maps*. An election took place, a contest between two slightly comically named parties, a first step on the long winding road to national decay, terror, and a horrible civil war really only ended by a light-handed return of the former colonial power in the form of the SAS and Operation Palliser in 2000.

Paul Collier would certainly have no problem with such an intervention. Indeed, in his already widely (and largely positively) reviewed book (the exception is Bill Easterly's 2007 review in The Lancet), he suggests that – despite the awful failure of the US and UK intervention in Iraq – in some circumstances military intervention is desirable and the returns on the investment are enormous. Such an intervention was good in the Sierra Leone case because it was 'cheap, confident and sustained', because it stopped plenty of bad things from happening and because

https://doi.org/10.1017/S1744133108004519 Published online by Cambridge University Press

the costs of the intervention, apparently provided to him in a telephone call to the FCO, were 30 times less than the benefits. This was a no brainer: military intervention was a good idea, anyone can see that when it is presented through the simplifying prism of cost–benefit analysis. A thousand British troops prepared to take losses results in a massive improvement in the lives of the people of what is one of the world's very poorest countries.

At one level, this book is an extended essay in cost–benefit and regression analysis and their use in confronting important questions sociologists and some other social scientists have long forgotten in favour of preoccupations with obscure French philosophy and their own position in relation to their research. Here we have a carefully written, relatively accessible book drawing on a long research programme undertaken by Collier and his colleagues (particularly Anke Hoeffler) at the Oxford Centre for the Study of African Economies and during his tenure as Director of the Development Research group at the World Bank from April 1998 to April 2003.

This research has long represented some of the most incisive in the field of development studies, laying out a variety of apparently intransigent problems on the dissecting table and subjecting them to forensic examination by skilful deployment of the scalpels of cost–benefit and regression analysis. Thus, the effects of relative landlockedness, abundant or scarce natural resources, conflict, corruption, inter-temporal syndrome (sacrifice of future for present gain – in other words, greed) on African states have all been dragged out of the body of (mainly) Africa, laid out on the laboratory bench, and their internal structures and relationships probed and conclusions reached. The conclusions are as follows. There is a set of countries, most but not all of which are in Africa, in which live the most wretched people on earth, the bottom billion, the large minority of the world's people whose states have gone astray and are in danger of being cast adrift from the global system. These people live in states which 'are not just falling behind, they are in danger of falling apart'. In contrast to most other countries in the world, where poverty has been going out of fashion since the 1980s, spectacularly so in the case of India and China, in many African countries and others like Haiti, Laos, Burma, parts of Central Asia, the future looks terribly bleak. These countries do not all share the same diagnosis but certainly share some of the same symptoms, various combinations of trap: conflict, natural resources, landlockedness with bad neighbours, and bad governance in a small country. In a nutshell, these are key criteria that define the countries of the bottom billion. While this is a diverse and highly differentiated set of countries and in no way does Collier seek to homogenize them, from a series of data sets he uses a number of quantitative techniques to show that these are the four key relationships that explain a large part of poor population welfare outcomes, state decay, and fragility and hopelessness in the 58 countries making up the bottom billion. Among these findings are the true implications of civil war for 'Civil war ... has nothing much to do with the legacy of colonialism, or income inequality, or the political repression of minorities.

https://doi.org/10.1017/S1744133108004519 Published online by Cambridge University Press

Three things turn out to increase the risk of conflict: a relatively high proportion of young, uneducated men; an imbalance between ethnic groups, with one tending to outnumber the rest; and a supply of natural resources like diamonds or oil, which simultaneously encourages and helps to finance rebellion.' So much for the Oxford Revolutionary Socialists of yesteryear!

There are technical answers to these challenges, but they are neither short-term measures, nor are they certain of success. They are not easy. They certainly don't depend on giving out money, although this may be part of the process. But aid is not for Collier about budget support or transfer of funds with no strings attached. Real aid is about international standard setting, trade policy which frees up markets (he has no time for Fairtrade because it really achieves so little for so few) and occasional military intervention.

Which brings us back to Sierra Leone. Why should we care about places like Sierra Leone; why should we give aid and work for trade adjustment, international standards and provide military intervention? Enlightened self interest: Collier says we should do it for our children who will otherwise 'face and alarmingly divided world and all its consequences'. This is a hard-headed book with a small glimmer of golden heart somewhere at its core. Collier still believes that poverty is wrong and is concerned about the continuation of that poverty. Is he right in his analyses and in his prescriptions? The analysis rests on elaborate regression exercises and the results – particularly about the likelihood and effects of civil wars in the states of the bottom billion – have been used over the past ten years in various forms to inform and justify variously the December 2004 report of the UN High Level Panel intended to prepare the ground for UN reform, to justify various UN peace-building exercises and Tony Blair's Commission for Africa Report. In each case, as in this book (in which the reader is referred to the author's website for the data), original cautious statements of probability, regression, and correlation are replaced by statements of certainty and the subtleties of the original analyses, which have sometimes been revised, are generalized, as for example with the materials on civil war and its likelihood and recurrence. In other words, this brave and fascinating book written for an intelligent general public has found its mark and has been widely read and correctly recommended. But beware – regression analyses can be based on selective reading of data sets; in particular, the proxies deployed may be some distance from and only vague representations of the variables they are said to represent. The calibration of the analysis may determine the results, the problem of reverse causality and the difficulties of distinguishing correlation and cause remain unresolved and in fact undiscussed. In the end, elegant simplicity is dangerous because it is presented in figures that carry with them a reassuring and only apparent precision. Such figures may seduce politicians, policy makers, and even the intelligent reader. It is not that Collier's book is wrong, it is that it is seductive in its certainty and its clarity and yet really to judge both the analysis and the policy recommendations would require careful study of the entire corpus of his work over the last 15 years, not just this book. And indeed, who

https://doi.org/10.1017/S1744133108004519 Published online by Cambridge University Press

knows, his policy recommendations may do no harm and possibly more good than many of the other sets of popular 'development' ideas, that have been tried since Collier first arrived at Oxford in 1968? For the people of Sierra Leone, things did get temporarily better; whether they will continue on this trajectory is quite another question.

Riddel's book is altogether more complex and nuanced and smacks of an older tradition, one not simplified by the armamentarium of quantitative analysis. This book is more in the tradition of 'development studies' than it is in the tradition of 'development economics' and begins with an examination of the moral position that 'Those who can should help those who are in extreme need' and then points out that such altruistic moral positions are inappropriate because 'foreign aid' is anything but simple. And for anybody who wants to understand the complexities of foreign aid, its history and its various theories and policy outcomes, this is the book. But be warned – unlike Collier's it is not an easy read and it will not provide easily assimilated analysis or answers suitable for a political speech or a key policy briefing. Where Collier aims for surgical simplicity, this book is a work of therapy and unravelling. As the client, international aid, is eased on to the psychiatrist's couch, the complex history is related, the moral and ethical cases are examined and the gross divisions between different types of aid are anatomized. And within them the subtle distinctions made apparent, the institutional structures, often overlapping, duplicating, contradicting and competing with each other and between countries and between the proliferating multilateral agencies, and in the last 20 years a sprouting of NGOs, INGOs and in some cases the development of national NGOs–which at times seem to be and are in themselves sometimes little other than the 'income generating activities' now so frequently recommended as part of aid initiatives. Once the patient has been analysed, the question is what use is aid? Part III of this very large and useful book is among the most interesting and stands in stark counterpoint to Colliers'. Where the latter offers relative certainty based on quantitative method and numerical evidence, this book examines the assessment of the impact of aid as a problem. If you want to know how hard it is to know something about anything as complex as this, then go to Chapter 10 and work forward from there. First, there is the problem of data quality at the national and international levels. Then there are the different methods used for comparing the effects of aid at the national and comparative levels together with a host of other technical problems. But the overarching problem Riddel identifies is the short-term nature of most aid, an artefact of the 'primacy of politics, and the continued use of official aid agencies to dispense and control aid' as 'immutable 'givens'', the foundation of the official aid system. It is the recasting of these relationships and structures that form the recommendations of the book, nothing less than a revolution in the international aid architecture: a new International Aid Office, an International Aid Fund, funded by compulsory contributions from the world's richest countries, earmarking of funds for countries channelled either directly to government budgets if

https://doi.org/10.1017/S1744133108004519 Published online by Cambridge University Press

the country meets some basic criteria of good governance or of if this were not possible, via a National Aid Implementation Agency with the responsibility of allocating aid 'as it deemed appropriate', structures whereby recipient countries would contract expertise to ensure that aid funds were transparently and efficiently used, and finally provision of additional resources outside these structures with conditions attached according to voluntary agreement between donor and recipient countries. All this may seem, as Riddel recognizes, idealistic, academic, and politically naïve. It would seem so. But the argument is driven by a strong moral case, in contrast to the hard-headed realism of Colliers more simple prescriptions.

At base, each of these two books is about two sets of things: evidence about past aid efforts and policy recommendations for the future. In his concluding essay in the small but powerful edited collection, Bannerji notes that much of development economics has been a footnote to the ideas of the French enlightenment in the work of the physiocrat François Quesnay who first wrote about the economic system as a separate system of relations encompassing the life of human societies and developed his *Tableau Economique* in 1758 in an attempt to understand the workings of the economy. Adam Smith wrote of this effort: 'This system, however, with all its imperfections, is, perhaps, the nearest approximation to the truth that has yet been published upon the subject of political economy, and is upon that account well worth the consideration of every man who wishes to examine with attention the principles of that very important science.' While William Easterly in his pessimistic yet widely acclaimed book, *The White Man's Burden,* comes very close to suggesting that there are no recipes for growth, Collier, Riddel and Bannerji take widely differing views. For Bannerji, the problem is that we don't know what works because we don't use the right methods to find out – an heuristic problem – or even have adequate data to answer the questions we would like to ask about aid and development. He calls for more rigorous evaluation methods to help us to ask and answer the questions. Hence he calls for a method called 'randomized impact evaluation'. Seems a good idea, not sure about the evidence as to whether it really tells us very much. But this book is richly loaded with good and interesting ideas and in many respects, with its insightful essays by Angus Deaton, Howard White, Ruth Levine, Nicholas Stern, and others, reprises the arguments about complexity which are made by Riddel and which Collier tries to ignore. And that, in different ways, is the message of all of these excellent books: how little we still know about the role of aid, why it is given, what it does if anything, where it should be allocated, what we should do with it. After four decades and tens of billions of dollars, pounds, yen, and roubles, this is an odd place to be. Forty years after Collier arrived at Oxford and I in Sierra Leone, we have learned a lot more about what we don't know, rather than how to do the right thing. The transition from 'is' to 'ought' remains unresolved – not least because we really don't understand what is. While Sierra Leone has gone down the pan, another country with

https://doi.org/10.1017/S1744133108004519 Published online by Cambridge University Press

a very similar resource base, Malaysia, has forged ahead, while identifiable 'development' seems to be occurring in two countries, which are most certainly not in the bottom billion, India and China. Are we any the wiser about aid in general and – in relation to the concerns of this journal – are we any the wiser about the implications of these books for health policy and health economics analysts working in poor countries?

Experience from the last two decades of response to the HIV/AIDS epidemic – which has hit hardest in some of the world's poorest and most poorly organized societies – provides some clues. This epidemic has resulted in mobilization of vast sums for research and has certainly revolutionized some areas of virology. An entire global institutional structure has come into existence since AIDS was first reported in the pages of the *Morbidity and Mortality Weekly Review* in 1981. The Joint United Nations programme on HIV/AIDS, UNAIDS, the first UN agency devoted entirely to a single disease; the Global Fund for AIDS, TB and Malaria, an innovative mechanism for raising and disbursing funds that has contributed enormously to the roll out of anti-retroviral treatments in poor countries; the huge contributions to research by the Gates Foundation and by the Soros Foundation in support of civil society responses in parts of the Former Soviet Union; the activities of the Clinton and Mandela Foundations in pressing for price reductions for medications. These activities have saved and extended lives, reduced the numbers of orphans, and supported local activists in campaigning for the care and support they required. However, the role of economic and health policy analysis in all of this is obscure. A recent review[1] suggests that major questions about the dynamic of the HIV epidemic remain unclear. Some campaigners and some analysts would claim poverty's role in feeding HIV epidemics and HIV epidemics as a major factor in feeding poverty as articles of faith. In fact, the evidence is very poor for either of these beliefs. And yet, huge resources have been allocated despite this lack of clarity. There is a general lesson here; health, illness, and aid are big business, no less so in the academic world than elsewhere. However, as with aid, so also with AIDS and other aspects of health, illness, and well being: resources are as likely to follow political influence and effective advocacy as any scholarly or academically generated 'truths'. 'Policy' and rational analysis are often far removed from each other.

1 Tony Barnett and Daphne Topouzis, 'HIV/AIDS and rural poverty: challenges for the next decade', February 2008, unpublished report for University of Kiel, Institut für Weltwirtschaft.

https://doi.org/10.1017/S1744133108004519 Published online by Cambridge University Press