

Response from David Devlin-Foltz, with research and editorial help from Josh Weissburg:

A pollster remarked, “most people don’t think about most things most of the time.” In my work over the past 15 years at the Aspen Institute, I have spent a lot of time thinking about things my cousin Donna in Indiana has few occasions to think about. Among them: strategies for effective development assistance, especially in Africa – where I lived for some five years as a volunteer and then as a program director for an NGO. My cousin Donna doesn’t think much about Africa. And I don’t blame her.

Her perceptions of Africa, shaped as they are by television, are pretty gruesome: it’s a place filled apparently with kleptocrats, chaos and innocent victims.

(Not unlike the Bear Stearns offices over the weekend, perhaps. But I digress).

Whenever we talk about whether foreign aid “works” in Africa or elsewhere, let’s immediately clarify the question: Works to do what? For whom?

It’s also helpful to disaggregate “Africa” a bit: there’s a great image I used to show my high school students: the continental United States tucked neatly within the Sahara Desert. One of them remarked: “Geez – Africa is a big country.”

Well...yeah. Big, diverse, complex. Deepak and Sarath acknowledge that, for purposes of this article, ‘Africa’ means the forty-eight countries of sub-Saharan Africa.” I believe we might well learn more – or different things - from a study that is a bit more disaggregated.

For example, the paper notes Botswana’s generally successful economic and social performance over many decades. Those successes, such as they are, can perhaps tell us something useful about what might work in the future. Botswana has diamonds, of course, but what has permitted Botswana to escape the “resource curse” one might have anticipated? Some would argue that it is the social cohesion that comes with an ethnically homogenous population.

I suspect that proximity to South African capital markets, technical expertise, and transportation links helped Botswana. But those same factors were not enough to save Zimbabwe, once a far wealthier country than its neighbor Botswana. Mugabe’s ruthless misrule, adroitly playing off racism, ethnic tensions and weariness after years of civil war, has destroyed an economy some once thought was poised for takeoff. How could such different results occur right next door to one another? Now that’s an interesting paradox.

Other studies suggest that we disaggregate still further: within a given country, what kind of aid seems to have had the greatest impact?

Has foreign aid to Africa created strong, functioning markets and good institutions, as it did in Europe after the Marshall Plan? My colleagues ably prove that it has not. If those were the stated goals of aid to Africa, we could talk about the abject failure of large-scale aid.

But the goals of aid to Africa have been extremely mixed. They include maintaining or strengthening geostrategic alliances during the Cold War. And as is more common during these days of the 24 hour news cycle, we find aid aimed at helping to alleviate the immediate famine, drought, disease and civil war that my cousin Donna and other westerners see on their televisions.

To the extent that the actual goal was to keep Cold War “allies” in power or put “adversaries” off-balance, aid to African rulers like Zaire’s Mobutu Sese Seko was quite successful.

In fact, in this way the Marshall Plan’s support for the reconstruction of West Germany and France and Italy was quite similar to Cold War-era support for Zaire and, say, Somalia. On both continents, with very different means, we helped stabilize governments we wanted to keep in place.

I would argue that the most marked successes of economic development aid in Africa have come – not surprisingly – when the purpose of the aid was, well, aid. That is, not simply a transfer of funds intended to, as the authors assert, “[keep] governments in power that ignored the general welfare of their populations.”

Steve Radelet’s “Primer on Foreign Aid” published in July 2006 as a working paper of the Center for Global Development and his collaboration in 2004 with Michael Clemens and Rikhiv Bhanani underscore that all aid is not created equal. It is easy to see why aid didn’t produce growth in those “Cold War” cases. Mobutu and his ilk of course did not care about the welfare of his people. And our aid to him was also, as it were, need-blind.

The 2004 paper, “Counting Chickens When They Hatch,” also points out that emergency and relief aid, delivered when a country is (by definition) in crisis following, say, a drought or flood, is likely to coincide with a period of low economic growth.

It’s not surprising: Drought aid to farmers in the Southeastern US earlier this year, or emergency help to oceanfront hotels and businesses on Mississippi’s Gulf Coast after Hurricane Katrina, probably arrived during a period of pretty awful balance sheets for those businesses. But we’re unlikely to label that aid a failure because it coincides with a period of huge economic losses. Radelet and colleagues find, in contrast, that aid intended to assist productive sectors in the economy generally does yield a positive economic return within a four-year period. Quibble though one might with the analysis or the data sets, Radelet’s work should be enough to make us hesitate to deliver sweeping condemnations of all aid to Africa on the basis of a grossly over-simplified set of correlations with GDP. We are, or should be, beyond that.

It might be useful instead to consider which behavior by the United States is most likely to reduce misery and create opportunities for sustained economic growth.

The authors mention a couple of key recommendations: “rich nations should keep markets for African goods open.” Even a small increase in the percentage of global trade comprised of exports from Africa would yield total benefits that dwarf the magnitude of current aid levels.

The authors note that “growth has recovered in a third of [sub-Saharan African] countries in the past five years, mostly due to the recovery of commodity prices.” They correctly add that “these are subject to cyclical fluctuations and do not guarantee long-term growth.” Dependence on commodity exports is, however, in part a by-product of the economic patterns created before independence and perpetuated since then, in part by the emphasis on export-led growth that has characterized much of the advice, and the incentives offered through aid projects, over decades. Restrictions on US and EU markets made it harder for Africa to export finished products, locking them into dependence on primary exports that are, yes, subject to cyclical fluctuations.

This conversation that we’re having here today is important, not because I wish to defend aid in the myriad dumb ways it has been given or the many counter-productive goals it has pursued. Nor is it my intention to defend terrible decisions made by African leaders.

But this conversation is valuable precisely because it can help us get to the bottom of what we expect from foreign aid. If we give to alleviate suffering, we must be careful not to promise - or even let the expectation persist - that we will create Western European style free-market democracies in Africa. We won’t. We’re not very good at creating Western European free-market democracies in the Middle East, as no less an authority than AEI’s own Danielle Pletka acknowledged in her NY Times op-ed contribution this past week. Sometimes we’re not even good at creating Western European free-market democracies in... Western Europe. So it’s time advocates for large-scale aid programs spoke a bit more humbly, and a bit more clearly, about what they aim to achieve.

But by delineating the differences that make current aid a poor comparison to the Marshall Plan, Deepak and Sarath have paved the way for us to create something that does mirror what George Marshall had in mind.

The authors persuasively argue that aid to Africa was not the same as the Marshall Plan. Therefore, the Marshall Plan has not been tried in Africa. But that does not mean something like the Marshall Plan wouldn’t work – if we could focus on the elements of the actual Marshall Plan that might make sense to apply in Africa. Now, I don’t know enough to do that. But interestingly, I can rely on more reliable local sources here at AEI: R. Glenn Hubbard, a member of AEI’s Council of Academic Advisers, and William Duggan, former Ford Foundation representative for West Africa and associate professor at Columbia Business School, published an op-ed in the Financial Times in June of last year arguing precisely this point: aid to Africa *does not* resemble the Marshall Plan. But

we sure could get a lot done there if it did. In “Why Africa Needs a Marshall Plan,” Hubbard and Duggan lay out how such a plan should be structured:

“A real Marshall plan for Africa would stand apart from the aid system of governments and non-governmental organisations... An African Marshall plan would have its own institutions along international, regional and national lines. The equivalent of an ECA would collect and manage donor funds. A country would become eligible through specific policies in place to foster business development.... The Marshall plan was competitive among countries: if one did not co-operate, another country was happy to take the funds instead. An African Marshall plan would do the same....

“An African Marshall plan would do only business development. Africa has tremendous social needs that call for concentrated attention from expert agencies: that is the proper role for governments and NGOs. ...

“The original Marshall plan started out with only 14 percent of the U.S. public in support. The tide for action was turned by an aggressive information campaign by U.S. business leaders, in this case the Committee for Economic Development. By contrast, business leaders have been conspicuously absent from the growing debate on African poverty.”

Interestingly, on this last point I disagree with Drs. Hubbard and Duggan: business-led groups like the Initiative for Global Development and Business for Diplomatic Action are taking public positions in favor of fighting poverty for both pragmatic and moral reasons. Public support for this work will be substantial, despite the many legitimate domestic calls on those resources. There is solid public support for effective development assistance, whether through business, NGOs, or government with the right assurances about its effectiveness and accountability and responsiveness to the stated needs of the poor.

Granted, no matter how we restructure and rethink aid according to the original Marshall Plan formula, most African nations will still lack the initial conditions and strong institutions that Europe enjoyed before the plan was put into effect. But who is to say that a different sort of aid that gets serious about business might not have completely different effects than the sort we're accustomed to? And what about aid that builds those conditions and institutions where they remain missing or have eroded over time? Programs like the Millennium Challenge Corporation's embody some of these principles: demand driven; responsive; promoting conditions that are associated with market-led growth.

But there is another issue here. My cousin Donna will continue to respond with compassion to terrible suffering. She wants us to deliver humanitarian relief, treat and

prevent disease, and offer opportunities for education. Good for her. These are legitimate impulses, and ones of which Americans are justly proud, particularly in a world that is growing more interconnected.

My colleagues here have deep and well-documented skepticism about the Planners – advocates of big new transfers of dollars in accordance with some big theory about how development happens. This is the same deep skepticism that former World Banker, Bill Easterly has voiced. And they are right to point out that development is not a linear path, and its prescriptions are not scientific. Still, one cannot ignore the fact that some foreign assistance, carefully managed and intelligently applied with appropriate local involvement, has made progress addressing human needs. Indeed, Bill Easterly was part of the review team that endorsed the global health success stories documented in *Millions Saved*.

Another World Bank alumnus, Geoffrey Lamb, who is currently an advisor to the Bill and Melinda Gates Foundation, is an articulate defender of positive human impact of foreign aid in Africa. Too often, he notes, the market system simply ignores the great majority of the poor. And there are strong theoretical as well as practical reasons for interventions to help the poor help themselves. Lamb confirms that Africa's economies have not gotten much of a boost from aid: between 1980 and 1995, Africa's share of world trade fell by half, from 4% to 2%. But Africa's social indicators overperform relative to growth on the continent. Foreign aid makes up this difference and pays the recurring costs for meeting social needs. Ideally, this sort of aid can prop up budgets, help meet immediate needs while freeing a country to make economic progress.

Ultimately, we must acknowledge that external aid will always be marginal; development must be powered from within. Without a concerted drive that is internalized by a country's leadership and becomes part of its sense of self - as we now see in India and China - foreign aid will help or hurt only at the margins. A subtle economic history that pays close attention to the state, markets, and civil society institutions is needed to explain both development and underdevelopment.

Rather than throwing out the idea of concerted development efforts altogether, we should continue to learn from development experiences, both positive and negative. As the authors hint, there are such lessons to learn from the original Marshall Plan. But whether we adapt its specific provisions or not, we should be clear about the goals and expectations we set as we begin any aid enterprise. We should listen to the goals and expectations of those we seek to help. And we should seek the intriguing specifics that lie beyond the big, continental picture.