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AID

What types of government should be refused what types of aid?

by Dudley Seers

The defiant gesture of the US Senate in drastically amending the Administration's aid bill, because (*inter alia*) some liberal Senators had become disillusioned at the persistence of aid to military dictatorships, has given new point to the question posed in the title. All agencies, bilateral and multilateral, have been spurred to think again.

1. Development and the Moral Choices It Implies

Elsewhere² I have argued that development is a moral concept, and that the reduction of poverty involves the reduction of unemployment and inequality. The well-worn equation of development with economic growth has not stood up to the test of the experience of the 1960's when, especially in Latin America, high growth rates have frequently been accompanied by increasing inequality and unemployment³: the onus of proof is surely now on those who use growth as a proxy for development to show how it would appreciably reduce poverty.

¹ These ideas were first mooted at a meeting of the New York Chapter of SID in early 1971. I have gained a great deal from comments of colleagues on a draft, in particular from Bernard Schaffer.

² "The Meaning of Development", *International Development Review*, Vol. 11, No.4, 1969. (A later version, entitled "What are we trying to measure?" will shortly appear in the *Journal of Development Studies*). This present article is an attempt to draw the aid policy implications of that paper and other recent work.

³ See "Towards Full Employment", the report of the inter-agency mission to Colombia, ILO, Geneva, 1970; also a note on income distribution and unemployment in the *Bulletin of the Institute of Development Studies*, July 1970, Vol. 2, No.4. When I use the words "concentration" or "inequality" I am thinking primarily of the size distribution of personal income, but there are of course other dimensions - profits/employment incomes; salaries/wages; urban/rural incomes. These are closely related to the size distribution; some of them are more relevant than the latter for the discussion of certain issues.

For my part, I believe that aid should be distributed with the aim of reinforcing a co-ordinated attack on poverty, inequality and unemployment.

2. The Recipient Government

These aims imply the need to judge the effects of the policies of particular governments. The blunt reality - though this is very difficult for international civil servants to accept because it can hardly be reconciled with their organisational rules - is that many governments are themselves the chief obstacles to development, as I have defined it. Some are clearly in office precisely to preserve existing inequalities; others may well wish to eliminate poverty but lack the political support or the administrative capacity to do so¹. To the charge that examining the recipient's policy constitutes 'political bias' or 'interference', the answer is that all aid constitutes interference.

It is by no means easy to decide whether any particular regime obstructs development. Two people who both knew a country quite well, and shared a common political philosophy, and thus the same criteria for development, might well come to different conclusions on what will be the ultimate consequences of - say - the policies of the military regime in Brazil.

Whether a regime is 'democratic' is certainly not the only issue, as is sometimes pretended - often by those with other reasons for helping or not helping a particular government. Apart altogether from the ambiguities surrounding the word 'democracy', the question may not even be relevant. A regime which opposes development may have more or less genuine popular, even electoral, support (people do not lightly give up the *status quo*, and can even be induced to like it). On the other hand, as in Peru for example, military regimes may be the agents of what most observers would call development.²

Despite these difficulties, some criteria can be established to guide aid policy to the stated objectives. One key question (though not the only one) is whether the government draws its basic support from the rich or from the poor. We can get clues here from the style of governing. Does it in fact welcome local

¹ It follows from this that statistics which add together the aid to different sorts of governments (and global aid targets, such as the 1 per cent target) do not have much meaning.

² In any case, as argued in "The Meaning of Development" (*op. cit.*), so long as people are starving, parliamentary democracy can hardly be a priority objective (though it may be important as a means of change).

incl. political and economic development

participation in the political process, or rely on patronage and repression to contain forces working for social change? Do those of some race or tribe enjoy special privileges, such as a majority of key positions? Still more illuminating are questions which reveal what choices have been made: is foreign exchange being used to buy perfumes, motor cars and whisky, or fertilisers (for poor peasants) and dried milk for children? Will the factories which are being set up produce cola or pharmaceuticals? Are more public funds being spent on motorways or rural housing?

None of these questions is sufficient in itself. But the answers to them help to build up a picture which identifies the regime. If a government 'fails' most such tests, one must treat very cautiously any claims that to help it encourages development.

3. The Effects of Financial Aid

But this does not mean we should immediately decide that such a government ought to be denied all aid. If we applied these tests strictly, very few governments would appear aidworthy! What it does suggest is that we need to look carefully at the effects of aiding it. In the Colombia report (*op.cit.*) we looked at the effects of aid on development (which is defined there as implying a reduction in unemployment). Here I shall discuss the effects of different types of aid to 'bad' governments.

We need a framework for analysing these effects,¹ and I suggest that a double distinction between economic and political effects in both the short and the long term, provides a fruitful approach.

One short term political effect is the 'announcement effect'. I define this as the political consequence of the knowledge that a government is being aided by a foreign government.² A political party or junta can use access to aid to justify reaching or keeping political power - though in an era of rising nationalism, this effect may be diminishing (especially if the aid comes from a 'big' country). When such an announcement strengthens a

¹ I will not deal here with the various forms of military aid, which range from direct or indirect intervention (via mercenaries or another country's armed forces) to equipment and military advice. Naturally the results, whether in short-run human costs or in developmental effects (by increasing the political power of the military) can be very great - those supplying such aid take on the moral responsibility for all its consequences, including any ways in which the equipment concerned is actually used, externally or internally.

² There is also of course the negative "announcement effect" of a statement that aid is being cut off.

repressive and unrepresentative government, the risk is increased of investment patterns being distorted by corruption.

Developmental criteria for aid imply the need to weigh the political cost of the announcement effect and of the short-term impact on employment, while the loan is being spent, against longer-term economic and (possibly political) benefits. Conventional cost-benefit analysis is clearly not of much help to us¹ since it leaves out the most important costs! Nor is an emotional reaction against the government concerned very helpful either. The interactions are complex. Will the reduction of unemployment and poverty, due to aid, reduce or increase political opposition? This echoes an older controversy (an argument which reappears from time to time in the form of a debate over the effectiveness of sanctions): does reducing misery make revolutions more or less likely?²

The answer is by no means obvious. Regimes like those of Stroessner, Salazar and Duvalier have survived quite safely despite a spectacular lack of development. Conversely, periods of economic progress require institutional change and can lead to the emergence of more developmental governments. People struggling for survival lack the energy or even interest required for sustained militancy, let alone revolutionary action, especially if machinery for suppressing it is effective. Those who argue that aid impedes the development of a country by inhibiting revolution take on in any case a fearful responsibility - even more fearful if they apply this to all countries. They are laying down that it is desirable for people to suffer indefinitely and to undergo the horrors of an eventual revolution, often without even enquiring whether the preconditions for this exist (including the existence of a substantial and experienced revolutionary organisation).

In my view, one must allow for the possibility that long-term benefits will accrue to a 'better' government. The balance between the short and long term economic effects of aid depends on the phasing of its economic consequences over time. This in turn depends very much on the technique of the act of

1 It even distorts this comparison by discounting the long-term benefits, which may be the only positive ones.

2 In this debate there is an enormous amount of special pleading. Both economists and Marxists tend to assume, almost without question, that economic progress strengthens the political system in which it occurs. They find it easy to believe that aiding regimes they dislike (or alternatively imposing sanctions against them) will be effective.

investment.¹ The choice of technique is a decision on who is to receive the consequent income (at least in the first round of the multiplier process); if installation costs are relatively low, the bulk of the short-term income and employment benefits will accrue to the citizens of the donor country. This is especially likely to happen if, as is usually the case, aid cannot be used to cover local costs. In the not-so-longer term, the supply of imported equipment like tractors or automatic plant may well displace labour in the receiving country. It is true that it may also mean a faster increase in output, but if this implies a rising bill for imported spare parts, fuel, etc., and if the increased local income benefits mostly large land owners (who find it easy to raise credit), its development effect may be limited.

The phasing - and therefore the net effect on development - depends finally on the sector concerned. I can only briefly note here some relevant points. The economic benefits of education - especially of primary education, of course - are mainly long-term. Moreover, education can gradually awaken political consciousness (this depends naturally on what is taught) and may indeed be a necessary condition for eventual constructive change. By easing shortages of high level manpower, it can also in time help achieve a less concentrated distribution of income.

Agricultural projects, especially river valley development schemes, also have mainly long term effects because of the time these take to mature. Such effects may well be considerable. They include not only the obvious increases in the output of food or exportable commodities, but also the economic and political consequences of redressing the rural-urban imbalance (which can also result from educational and other projects in rural areas or small towns).² This is probably a positive effect - for one thing it will lessen the pressure of migration on the cities (another benefit which is omitted from conventional methods of project evaluation).

¹ It also depends on the term of aid. Thus grace period benefit the existing government, whereas the rate of interest will principally affect future governments.

² Though the expansion of secondary and higher education may temporarily, at least, aggravate inequalities, because the rich usually enjoy overwhelming advantages of access to them.

³ Provided the benefits of such projects do not accrue mainly to large landlords.

Industrial projects, on the other hand, show long-term effects (in the sense used here) fairly soon. These may be helpful to employment by saving (or earning) foreign exchange. On the other hand, major new, highly mechanised, factories, especially in textiles, may at an early date bankrupt thousands of artisans, or at least inhibit the growth of employment.'

This short outline of possible effects reflects partly our limited ability - in the present state of the social sciences - to make any but the most uncertain predictions of the effects of aid. But we must not get too sophisticated about this. Some governments (Bolivia, Greece and South Vietnam to mention a few current examples) seem so obviously determined to prevent development that financial aid to them seems counter-productive, whatever its terms, whatever the techniques conveyed, whatever the sectors involved (with the possible exception of primary education), because the announcement and other short-term effects will out-weigh any benefits to a future regime. In most other cases, whatever one thinks about the government, some types of aid at least, are on balance beneficial. In a period when aid is scarce, it is of course better to concentrate on giving aid in situations where a big announcement effect and a heavy short-term impact will consolidate and reinforce existing egalitarian policies - i.e. where governments are 'good'.

4. The Effects of Technical Assistance

In technical assistance, the announcement effect and the immediate economic impact are both usually limited. When, say, a hydrologist or veterinary surgeon is sent abroad, the effect is probably significant only in the longer term.

It is more difficult to judge the effects when assistance is provided to the heart of the administration - to help a planning office, say. In such cases, the long-term economic effects may not, as a rash platitude, be as great as they seem to be. On the other hand the announcement effect may well be very important. Broadly speaking the nearer technical assistance is to the centre of power, the more carefully one should look at the announcement effect, for it might easily provide a regime which is passively, or even actively, obstructing development, with a 'liberal' veneer (e.g. by enabling a sophisticated 'plan' to be produced or a report which at least accepts the assumptions of government policy). This is the effect of some aid from COMECON countries, which often takes the form of the delivery of complete, highly automatic, factories.

aid + technical experts enter advice

Moreover, administrative improvements may make a 'bad' government more efficient in carrying out 'bad' policies and prolong its life.¹

Whatever the policies of the recipient government the very presence of a sizeable body of experts has considerable effects. Experts enjoy foreign levels of salaries, and this may have a significant long-term effect on the salaries, and even patterns of consumption, of the local officials with whom they work. This has political implications (encouraging 'elitism') but also economic ones: for wages policy and import controls become more difficult to operate.

More profoundly, policy and institutions will be influenced by what are inevitably foreign values and attitudes, and by techniques and theories not necessarily appropriate in the local context, though this largely depends on the experts concerned.

This is also true of teachers. A teacher imparts not merely a technique, but also (and this is almost certainly more important in the long run) a set of values, reflected in his priorities (especially his attitudes to examinations), his relations with his pupils, his social life, and so on. In principle, he could do a great deal to instill standards of objectivity and to awaken his pupils to the realities of the world, including the needs of development. Unfortunately, few are equipped to do this (though an increasing number are aware of the need to attempt it). To make the adaptation is not at all easy. The line of least resistance for most is to

1 The expert himself has also some responsibility. He is there at the request of the government. If he finds this unpalatable - perhaps because of a political shift - should he resign? There is no easy answer here. The guiding principle should be, in my view, that, what ever the formalities, the responsibility of the expert is to the people of the country, not to whoever happens to be the government, or even to the national state. But, as we have seen, it is a great responsibility and a highly complex task to decide what are the best interests of the people, including those yet unborn. An expert could only decide that a government is 'bad' if he was convinced that its fall would lead to an improvement in development prospects - and a stranger to the country would rarely come to such a definite conclusion, unless he were politically bigoted. Still, perhaps the ethics of technical assistance need more airing than they have had so far.

repeat uncritically what they have learned at home (e.g. history and geography through European eyes; mechanical crafts unadapted to local materials and needs).

University teachers on technical assistance can have a more immediate impact. It is true that a regime which obstructs development may well try to control the universities so tightly that it is very difficult for anyone, even (or especially?) a foreigner to teach or research on controversial, and therefore important, issues. But such control is broadly hardly feasibly except perhaps in semi-industrialised countries such as Argentina and Brazil; in a country of tropical Africa or Asia, the government, however repressive, is unlikely to have worked out its ideology in such detail as to know which theories are 'dangerous'. Although the education given students lasts (with some obsolescence) a lifetime, it can also have important short-run effects: many students will rise in a few years to senior administrative posts. Exactly how their studies affect their approach to development depends of course very much on the teachers and on whether the curriculum in the discipline concerned has been adapted to local reality.

Similar points apply to training overseas, in the industrial countries. Because of the present ferment in their universities anyone coming from a country with a 'bad' regime is likely to return home with more motivation to change policies and institutions. This can be helpful to development, though not if it means, for example, a crude attempt to supply neo-classicism, Marxism, or other conventional models uncritically to local circumstances. Returning students may also be less effective as agents of change if they have absorbed too readily the values and attitudes current in developed countries. In any case, the effect on development depends of course also on their age - the younger they are, the more likely that they will return as critics and also the more of their life work will be under later governments. It would rarely, if ever, be justifiable to reject a young man or woman for an educational course simply because of the nature of their government.

This analysis suggests the general proposition that some governments should (on the value premisses outlined) receive

I I have written elsewhere on the ways in which the syllabus of one social science needs adapting for this purpose - see "The Debate on the Teaching of Economics in Africa" in the Report on the Conference on the Teaching of Economics in African Universities, Dar-es-Salaam, mimeo, Dar, 1970 (also available in the IDS Communications Series, No. 60).

technical but not financial assistance. Technical aid (in the strict sense of 'technical') and training are likely to be on the whole beneficial, provided that the experts and teachers are not inappropriate.

5. The Possibilities of Influencing Aid Allocation

People who work in the development field but not for official agencies can and should assess aid programmes critically in terms of their effect on development. Would, however, an aid agency official who is really interested in development have any opportunity to apply this sort of analysis?

While the composition of a bilateral programme is shaped by foreign and commercial policies, these are usually both ambiguous and confused. Moreover, as I have shown, although the motives for aid may have little to do with development, its effects can still be developmental. So an official, even quite a junior one, can to a degree influence the content of an aid programme - it is not hard to find some advantages to the donor in what would be, on the above analysis, appropriate forms of aid to almost any government.

The pressures on an official in a multilateral agency are, superficially at least, weaker than on bilateral officials. No international official, however, can ignore the political facts of life, especially the influence of leading powers on the policies of his organisation. Moreover, these agencies do not enjoy much geographical flexibility. They have to start from the astonishing premise that all member governments are good; those which request aid have to be accommodated in some degree, sooner or later.

If an official cares to be perversely Machiavellian he might try to undermine governments which are patently obstructing development by financing the capital-intensive projects which are precisely those put forward by such regimes. A herd of white elephants would, however, be an unfair legacy to future governments.

So one is left with the conclusion that in many cases the only thing an official can do when dealing with 'bad' governments I¹ leave out of account here ways in which agency officials can influence attitudes to development (by the research they do or sponsor) or the composition of technical assistance - by selection and training of experts, and by affecting the content of university courses in donor countries. The implications of my analysis are fairly obvious.

will be to steer aid into forms which have a long-term effect and do not yield much short-term political benefit.¹

¹ He can also speed up or delay the processing of aid requests!