Why Isn’t US Foreign Development Assistance More Effective?

It’s Time to Ask

Gina Yannitell Reinhardt
Bush School of Government and Public Service
Texas A&M University
Aid Effectiveness: By the Numbers

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Aid Effectiveness: The Traditional Story
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The Market:
  - Asymmetric Information
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And yet... effectiveness is still up for debate
How do I settle it?
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- Contracts!
  - Contractors as implementers
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In other words...
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  - transferred rent-seeking
  - institutionally-strengthening fungibility
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So what?
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Implementation:
Mechanisms $\rightarrow$ Effectiveness
- International relations
- Economic growth
- Human development
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- Implementation:
  - Mechanisms → Effectiveness
    - International relations
    - Economic growth
    - Human development

- Solves puzzles about effectiveness:
  - Different Sectors
  - Different Measures
  - Multiple Measures in Multiple Sectors
Contracting: What Changes?

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Three Questions:

- What are donors’ goals?
  - Growth, Development, Diplomacy/Strategy

- How do donors try to achieve them?
  - Recipient Governments v. Contractors

- Is development assistance effective at achieving these goals?
Data and Methods

- 2003-2013
- Documents, reports, press releases
- 132 Open-format Interviews
  - 32 – 172 minutes (avg: 73 min.)
  - In-person, telephone, internet (mode: in-person)
- US, Brazil, Nicaragua, Japan, Canada
- Recipient and Donor organizations

Regional and Global Directors
- USAID (US)
- AECID (Spain)
- EuropeAid (EU)
- CIDA (Canada)
- DEZA (Switzerland)
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- Researchers, Scientists, Innovators
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In-Country Implementers

- Host Country Governments
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How much of US ODA do Host Country Governments Implement?

Percent of U.S. ODA Going to Foreign Governments

Compiled from USAID Foreign Assistance Database (FADB) via http://gbk.eads.usaidallnet.gov/
How much money are we talking about?

U.S. ODA, in Billions of Dollars

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How AID tries to achieve them:

**Tactics**

- Promoting broad-scale human progress
  - Further education
  - Improve global health
  - Safeguard water and sanitation
  - Advance food security and agriculture

- Expanding stable, free societies
  - Strengthen and protect democracy, human rights, and governance
  - Further gender equality and women’s empowerment
  - Help prevent and recover from crises and conflict

- Creating markets/trade partners for the US
  - Promote economic growth and trade
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  - Identifies organizations supporting the work

Achieving Goodwill: Branding and Marking

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- Can apply for exemption

Achieving Goodwill: Results
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- Multi-faceted goals
  - multitude effectiveness outcomes
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- Donors choose contractors v. government implementers based on the goals they wish to achieve.

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  - Publicity campaigns and branding enhance awareness of US and “good news stories”
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- Measure of “effectiveness”
  - Consider multiple facets; multiple Y variables
  - Data Envelopment Analysis (DEA)
  - Distance Function
Thank you!

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Proportion of ODA
Going to Foreign Governments

US Australia EU (via EuropeAid)
This project is financed by the EUROPEAN UNION.

Implementing partner: CONTRACTOR

Start of the works: xx.xx.xxxx
End of the works: xx.xx.xxxx
Moral Hazard

• USAID grants, contracts, and partnerships are known as the most onerous to maintain and conform to, of all foreign development assistance.

• Regardless of the implementing partner, AID rules and procedures are designed to combat moral hazard
  • All Host Government agencies have to report, just as contractors, NGOs, and other implementers do

• Measurement and reporting requirements must be structured to capture actual growth, development, and strategy goals
  • If not, meeting requirements is only about meeting requirements, rather than growing or developing

(AECID’s are the most tedious: “Why do they need everything in triplicate? Can’t they just print 3 copies when it gets there?”)

Rents

• Foreign interest lobbying in Washington DC is active.
• Development organizations petition AID and Congress to direct development initiatives toward their sectors: AIDS, environment, democratization, water security, etc.