

Fund and Flag

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Don't throw away DFID and its good work in a fit of unthinking nationalism

It is tough being the Department for International Development (DFID), the UK aid agency, in India these days. While Indian politicians are all too happy to score points against the erstwhile colonial masters and Indian leader writers hold forth about blood money and colonialism by other means, newspapers back in the UK scream that aid money is not buying enough influence or allegiance.

The only real justification for foreign aid has to be that we care about desperately poor people, irrespective of who they are or where they live. It makes sense for the DFID to be in India, because after all the bluster and brave talk from Indian elites, it is still true that 30 per cent of the world's poorest live in India. And this ought not to be a surprise. Despite a couple of decades of fast growth, despite the Bollywood billionaires and space programmes, India is still a very poor country, with per capita incomes around 10 per cent of those in the United Kingdom, after adjusting for differences in prices and such things. All the talk about India possibly becoming the second largest economy in the world in two decades, apart from perhaps being slightly over-optimistic (growth rates are slowing dramatically right now), obscures the fact that this is mainly because India will have 1.5 billion people by then, and something like half of them would have grown up half-fed and quarter-educated.

This does mean that there is a limit to how much the UK government can do to help out. Even if they wanted to, they simply don't have the money. We in India will ultimately have to do most of the work of solving our own problems. But that does not mean that help right now is not needed. I have long been an advocate of taxing the rich more (wealth taxes, for example), but in the short run, given how footloose the smart money tends to be and all the other challenges of tax collection, it is hard to imagine India raising more than a few per cent of GDP by raising taxes. That is a lot of money, but there are lots of problems to solve — education is a mess and so is healthcare, not to speak of infrastructure. Or, take nutrition — 50 per cent of children in India show signs of serious malnutrition, that's several hundred million children. And every little bit helps. What logic would justify walking away from them, because the pride of a few elite Indians is affronted by what they view as British charity?

Of course, the argument does not end here. Perhaps even with the best of intentions, aid is doomed to be ineffective because it is foreign, as a number of scholars (and many leader writers) have suggested. My sense is that the evidence on this, like the evidence of most propositions in economics at this level of generality, is too ambiguous to bear the weight that is given to it — many social programmes fail, even in the developed world — and I'm not sure that aid-funded social programmes fail more than the rest (though it is always easy to find instances of aid funded — and non-aid funded — disasters).

More importantly, the DFID, at least in India, has been very careful to avoid the standard pitfalls of donor-funded programmes. They have focused on specific problems — mainly nutrition, sanitation and child and maternal health — without offering a recipe for all of poverty. They have gone where the poor are — in Bihar, Madhya

Pradesh and Orissa. And, perhaps most importantly, they have stayed away from offering readymade solutions. Their work has always emphasised that we do not know why these problems are the way they are and that research will have to play a central role in coming up with effective solutions.

This last point highlights what I see as the most important contribution foreign aid can make to India. The culture in most government departments in India is dominated by a combination of expediency and received wisdom (this, sadly, might be one of colonialism's most lasting contributions). Departments are mostly run by non-specialists who expect to hold the job for a year or two and, therefore, don't necessarily have the time, inclination or capacity to learn what is needed to really tackle hard problems. And even when they want to get it right, the nature of politics is such that those in government never want to emphasise the possibility of failure or the need to scale down ambitions. This is where donors have the potential, and where the UK aid agency has shown a particular commitment. Precisely because it is not the government, the DFID can focus on a single problem or two, take the long view, emphasise trial-and-error, get to know the subject area well and think carefully. Through all that, it can get us to solutions that the government system may not be able to get to and more generally, inspire, through acculturation and imitation, a model of governing that will enable India to ultimately solve its own problems. It is not the money that the UK government gives us that is its biggest gift but the ability of its aid agency to be patient, serious and open, and it would be a tragedy if we throw it away in a fit of unthinking nationalism.

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