

## BOOK REVIEW

*Naudet, Jean-David. Finding the Solutions to Fit the Problem: Twenty Years of Aid to the Sahel, OECD, 2000. 312. \$50.*

According to Elliot Berg, Africa now absorbs almost 40% of total official development assistance. However, per capita income growth in this region was negative in five of the six years between 1990 and 1995. Elsewhere in the developing world, growth was more than 4%. Therefore, if increased economic productivity is the desired output, something must be wrong with foreign assistance. Some of the reasons leading to this poor performance include: the donor-driven character of most aid, the lack of recipient ownership, poor donor coordination, weak host country aid management, unfavorable policy environment, and the use of inappropriate instruments. Many stakeholders have identified some of the same problems. However, there is no consensus on who is responsible or what should be done. Is there a problem because wrong policies and projects are funded, because the recipients are incapable of benefiting from good projects or because of unsuitable methods or processes of aid delivery? The last two identified options have received the most attention because of the accountability placed on the recipient countries and the donors, respectively. In Jean-David Naudet's work, donors are given the responsibility to correct deficiencies in aid practices, processes, and instruments.

On the 20th anniversary of the Club du Sahel, its members decided to openly consider development aid cooperation, in the Sahel, with much input from the Sahelians. Naudet's work is based on papers and workshops organized by the Club du Sahel debating the merits of foreign assistance for the past 20 years. Input was garnered from the stakeholders in the Club du Sahel. These include OECD member countries, multilateral organizations, such as the World Bank, European Commission, FAO, UNDP, and non-government partners. Also providing input were citizens from the States of CILSS, the inter-state committee for drought prevention in the Sahel, Burkina Faso, Cape Verde, Chad, Gambia, Guinea Bissau, Mali, Mauritania, Niger, and Senegal. In addition, civil society represented by regional bodies for the private sector, rural areas, women, and municipal officials contributed.

In part one, Naudet states that the rationale for aid falls in three categories: need, self-interest, and effectiveness. Then he looks for the rationality and impact of aid distribution - only to find none in economic indicators. Unsatisfied after considering arguments to counter the lack of evidence of positive economic impact of aid, he looks for answers in the conditions of the Sahel in part two. Within the Sahel, he identifies many imprints of aid, but acknowledges that assistance cannot be responsible for building an economy. This limits his expectations of what can be achieved. He disapproves of current effectiveness measured according to the activity, because, when donors sponsor projects they often focus on their strengths rather than the need of partners.

In part three, Naudet states, dissatisfaction of donors and recipients in foreign aid practice results from wrong conclusions gained from their analyses getting in the way of reform. Donors are not meeting the needs of the recipients - due to standardized solutions and a lack of understanding of the implications of aid on the recipients. The relationship of partners is a one-way street with the similar problems of donor superiority, rigidity, and insensitivity raised in *The Ugly American*.

*The Lords of Poverty* is congruent with this thinking - stating that many projects have failed because of misunderstanding, arrogance, and lack of participation by those that they were supposed to help. *The Road to Hell* blames donors' zealousness without understanding or training in the assignments they undertake. It supports Naudet's assertion that there are too many charity missions in African countries that distort local economies, recruit good government workers for their projects, and reward corrupt native elites. However, Naudet goes beyond *The Road to Hell* by using empirical data and offering solutions, such as experimentation to the one size fits all approach.

Unlike the former critiques of aid, which were mostly written by disgruntled crusading employees with little clout, *Finding Problems to Fit the Solutions* is published by the OECD and written by a respected economist who

is drawing from the views of some of his contemporaries in the field. As a result, it may have much greater impact on the minds of those in the field.

Naudet moves beyond earlier works by raising the issue of proactivity of donor communities. Often donors create projects to supply them rather than responding to the demand of the recipients. Field officers have the incentive to give as much aid as budgeted in order to increase their presence and importance in the community. Myopic managers want short-term successes to improve their careers at the expense of what may be best for the community. He points to a bias against long-term projects because of high discount rates used for cost-benefit analysis, a high degree of uncertainty and risk, and lack of incentives for long-term vision. Also, Naudet finds that country officers may desire as much money as possible appropriated to their projects in order to increase personal importance within the countries they serve. They are in a difficult position pleasing their host country's officials, but accountable to their organization. This situation may promote the incentive to exaggerate a project's benefits of projects and hide the shortcomings of their recipients.

The World Bank Operations Evaluation Department's Report, Investing in Health Development Effectiveness in the Health, Nutrition, and Population Sector, finds the same problems with donor staff and project implementation. There is lack of accountability for the donors who are not under the direct control of anyone. Therefore, perverse incentives emerge in donor institutions to give out as much aid as possible, since most organizations evaluate employees on the amount of aid dispersed. Short tenures necessitating quick successes leads to competition among donor's organizations for best projects to fund. Lack of viable projects leads them to create their own. With such importance placed on front-end performance rather than evaluation and monitoring, agents are pressured to approve projects and disperse as much money as budgeted. If they spend all of their allocated funds, they expect to gain more money in the following years. The philosophy of the development business and the way it has developed, may be the biggest obstacle to greater efficiency and effectiveness. Those who have already become addicted to the way aid is dolled out as well as anyone who is benefiting in any way, have no interest in changing a system that systematically rewards them.

Since it is difficult for those from outside the system to change these perverse incentives, change from inside the system would be much more effective. The WHO and the World Bank are currently implementing reform. Reform in foreign assistance is a priority of the new administration. Naudet wants parsimony applied as much as possible, to help regulate bad management and dependency. In order to accomplish this goal, incentives besides money will be needed to satisfy the egos of the people in development. Only when performance incentives are changed can funds be allocated more effectively and efficiently.

In part four, Naudet proposes that the solution to control the excess in funding is for donor organizations to show more restraint in giving out aid, and be less proactive in finding problems to which they give canned solutions. The developing nations need to identify the issues they want resolved and have greater participation in the solutions. More careful analysis needs to be done to established true needs and recipients should learn how to live without donors' help for their projects. Furthermore, recipients should work towards self-sufficiency and have confidence in their abilities - using aid only as a last resort. Developing nations need to come up with effective institutions to coordinate programs and use aid within that framework.

Since Naudet's livelihood has been augmented by foreign assistance, there is the underlying perception that aid is good and necessary and beneficial and that economic considerations are the primary measurement of success. Naudet assumes that aid will continue and that its benefits outweigh the costs. However, the concept of development has come under attack by those who see development efforts as a distortion of the world market and of those who see development as the imperialism of knowledge, imposing on the world, a modernity that it does not necessarily want. The rationale behind aid is that a more productive and longer life is more important than the quality of life.

Naudet considers four possible future scenarios of foreign aid. These are - status quo, aid given according to merit, abolishing aid, or greater partnership. The first scenario's problems have been discussed above. Since powerful people benefit from status quo, this is the most likely future outcome. The second scenario, giving aid according to merit has been concisely presented by the World Bank Policy Research Report, Assessing Aid. This

policy report is an important work that identifies poor management (corruption) as a critical barrier to successful outcomes. It is the first effort to identify prerequisites in order to find fertile ground for most effective allocation of resources. The third scenario of abolishing aid is a conservative solution that suffers from aid caused dependency and market distortion. Only through the withdrawal of aid will countries know their true potential and be able to plan with less bureaucracy and competing goals. As a result, the issue of dependency would be resolved, with countries assessing their own capabilities and developing on their own. In the last scenario, the recipients determine their needs and dictate their future with help given from the donors only when requested. Finding Problems to Fit the Solutions has an appropriate title and gives a clear overview of the problems of the modus operandi of many of the players in the Sahel development game. It sets forth what many people have tried to say, but failed. It authoritatively raises the issue that the foreign assistance structure is the problem and that only through reform in policies and practices can development outcomes be more successful.

The aid relationships described by Naudet are similar to situations of many countries that may want to consider better communication among stakeholders in order to clarify their goals and mission. The proposals for reform may be relevant to the rest of Africa, but one must be careful not to consider this the next universal solution, which is contrary to Naudet's recommendations to customize solutions for each project. Naudet has cited many reliable sources and looked at data sets produced by organizations with different political views. Analysis was experience-based with interesting case studies and anecdotes. With well organized, clear, concise, easy to read informative passages, Naudet logically develops his thesis and uses appropriate evidence to back his findings, advocating more power for the recipient and greater restraint from the donors.

The largest shortcoming of this diagnosis is that Naudet does not fully consider political or cultural factors, which may be critical when dealing with any region. In many places the reason things are left undone may be because of the political system. Many of the coalition governments of the developing countries are struggling democracies with no strong majority. Therefore it is extremely difficult to find recipient consensus on projects needed throughout the country. Prevailing political reality may be that the planning framework is focused on elections, which in many counties can be called anytime. However, often instead of calling expensive elections, politicians may continue with the current government without governing consensus. In these situations, the government may remain in limbo not allowing anything to get accomplished until the next election. Another example of political reality is that farmers are powerful stakeholders, so if the IMF calls for reduction of farming subsidies of free water or electricity and the government complies the government may fall.

Naudet's analysis does not consider how to appease the individual political players, their egos, or the pride of the donor communities. His solution assumes that organizations that have worked in this capacity of intervention can change to a hands off approach or a "wait and see attitude." Aid organizations and countries are on a very different time frame. It also does not fully address corruption or possible racism, which make moving away from paternalism in Africa very difficult.

The West considers well-managed democratic, open market, and free enterprise, as their base values, but these do not always work well in underdeveloped economies. Should the countries be forced to move in this direction as a reward for aid or should the West be compelled to help people only on the recipient's terms? What if the populations value family more than work? Is a project worthwhile if it gives the population more free time, but does not increase economic indicators? For example, if there was a project to get drinking water to a village and it saved the women and children each three hours a day and that time freed up was used to gossip instead of productive work, would the project be considered a success?

This analysis places too much blame on the organizations and not enough accountability on the recipients. Cultural expectations show that accountability concerns are different from one country to another. Even though something may be illegal it can be made culturally legitimate. Nepotism may be considered a necessary means to take care of the family in underdeveloped countries that have few opportunities to make money on merit. Often in these countries it would be shameful to be in a powerful position and not tend to familial duties. Also, if the person in the powerful position did not have money, he would not be respected in his position. Therefore if his salary is not good enough to live up to that standard, he may have to augment his income with bribes, kickbacks, and theft. The significance is that there usually is a different desired output in the developed countries than in the

West. Donors are thinking and measuring their desired output in terms of efficiency and effectiveness in a merit-based system whereas recipients may have completely different goals based on family, personal achievement, and community.

Since the behavior in many of the developing countries is ascribed by their culture, which may be very difficult to understand, donors make the mistake of not understanding what they want or need. Real rules that are followed and the public face disguise the hidden agendas. Nobody wants to talk about what is really happening. The donors are afraid to insult their hosts by being direct with them and the recipients have become very sophisticated in playing the game of telling the donors what they want to hear. Only when the countries become more developed will they be able to think in terms of a meritocracy, but perhaps, if this happens, there will be no need for aid. Since there are so many things to be done in the developing world there is a high opportunity cost for any project. Shadow prices are used in the cost-benefit analysis of these projects to make corrections for the real cost of capital. A similar system should be constructed in each country to anticipate and account for the culturally ascribed behavior of the politicians. There is still the belief that the West knows what is best for developed countries and uses economic indicators as the measurement of success. How would the world be if the donors were not proactive? Since diseases know no political boundaries, how can developed countries not intercede on behalf of their citizens health by preventing outbreaks in the developing countries? Therefore, there are some problems with the solution that places a great deal of responsibility in the hands of the recipients. How will the recipient remove themselves from dependency and perverse incentives to line their pockets? If the community has different goals than the donors, at what point do donors step in to assure that their money is appropriated, as they want? What if the countries cannot identify what they need? What would happen in developing countries that are given only expertise instead of projects and money?

The last question may be a problem. According to the World Bank Operations Evaluation Department's Report: Investing in Health Development Effectiveness in the health, Nutrition, and Population Sector, many of those who are suppose to wield expertise do not have the training. Furthermore, if the process is at fault and the same groups of people are implementing the process, it may not get fixed. Since this book is the product of discussions of those already in the field who may not have the technical abilities to help countries since they are overburdened, not accountable, and reluctant to restructure projects because of the fear of admitting failure. Many development institutions need to find more concerned, committed, and competent people who can spend more effort on monitoring and evaluation. The donors are responsible to assess the appropriateness of aid in the same way that someone who assesses the appropriateness of a gift to a friend. The better he/she knows the person the more appropriate the gift will be. If the recipient does not like the gift is it the fault of the giver? Or if the receiver is not a good steward of the gift, can the giver take it away?

It seems that one ideology will supplant another, and another policy will try to fix the unanticipated damage caused by the last solution. In *The Logic of Failure*, Dörner examines the psychological factors bearing on human planning and decision-making. He makes observations related to general behavior tendencies in situations characterized by uncertainty, complexity, and lack of clarity (which is the norm for project development.) In these situations some behavioral tendencies are that people tend to over-steer, are rewarded by breaking safety rules, ignore warning signals, under time pressure apply overdoses of established measures, and are experienced personnel who act intuitively versus analytically. This is another book that reinforces the assertion that the managers of aid are unwittingly responsible for many of the disasters. They exhibit the above behaviors when faced with a crisis and cannot get out of their established behavior pattern.

In the complicated post-cold war world, what is the role of foreign aid? The economist Jean-David Naudet has produced an intelligent analysis of development aid problems and makes moderate proposals for reform. It is one of the latest products in action research using experimentation to work toward a solution. It reflects the new paradigm of development that sees education and health as investments alongside energy and infrastructure to build a stronger economy. He clearly explains many of the current aid issues, the underlying values of the players, and their worldviews that determine their behavior. He is an insider who has listened to both sides of the story and has given thoughtful descriptions of what is happening on the ground as well as in the minds of the powerful. The book is easy to read with many good illustrations that show the frustration and lack of communication between the participants.

Naudet's book has perhaps set forth the next great theme of development aid. The new school of thought will spawn many consultant gurus who will undoubtedly get rich preaching the "partnership mantra." In the DAC Journal, Volume 2, 2001: Development Co-operation Report - Efforts and Policies of the Members of the Development Assistance Committee No. 1. They are unequivocal about the merits of cooperation putting forth, "Partnerships are vital - between developing and developed countries; among governments, civil society and the private sector; and among international organizations. Partnership means sharing responsibility for achieving goals, which have received unprecedented international endorsement, and working together towards a world free of poverty and the misery it brings. Success will depend on stronger voices and choices for poor women, men and children; on economic growth and stability; on basic social services for all, including basic education and health care; on adequate and well-directed development resources." So Naudet is not a lone wolf in the OECD, but instead either a visionary or marketer for the latest version of aid.

Jean-David Naudet is at present working as an economist at DIAL (Développement et insertion internationale), a scientific interest grouping.

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