

Book Review

Assessing Aid: What Works, What Doesn't and Why? *World Bank Policy Research Report: David Dollar and Lant Pritchett* *Oxford University Press, 1998.*

In the post-Cold War international environment, the amount of financial aid that donor agencies provide has decreased. This decrease is the result of a number of factors: the lessened importance of aid for strategic foreign policy planning, the fiscal problems reported in OECD countries, and a general growth in private capital flows to developing countries. It is within this "shrinking aid" environment that Dollar and Pritchett ask and seek to answer the question: "How can development assistance be most effective at reducing global poverty?" For the researchers, the answer reduces to one simple formula - target aid to countries with good institutional and policy environments. It is from this policy framework that the authors provide recommendations to donor agencies that are looking to make their dollars effective.

According to the authors, the 1990s witnessed a change in development perspectives. Rather than viewing either the government or the private sector as the vehicle for development, Dollar and Pritchett report the shift to a more balanced view of government-private sector cooperation. With this shift, development assistance is now more about promoting and supporting good institutions and policies rather than simply dispersing funds. Given this belief, the question necessarily becomes "what constitutes "good" policy or how does one know a "good" institution when one sees it?" This is a question that the research group fails to answer adequately. The authors offer a traditional neoliberal description of what constitutes "good" policy for the World Bank: stable macroeconomic environments, open trade regimes, protected property rights, and efficient public bureaucracies. While the authors may be accurate about the need for such neoliberal policies, they take these policies as a given rather than examining more closely how they relate to "good" policy recommendations.

The researchers advance the finding that "development aid performs better (i.e., has the greatest impact in reducing poverty) in countries with better policies and better institutions." While such a comment may appear novel, it is a truism. Nobody argues that aid performs better in chaotic political and institutional environments or even has performed as well in such environments? No, what the authors want to argue is that aid performs better in countries pursuing decentralization, trade liberalization, and privatization policies. If the researchers dissected the notion of "good" policy in greater detail, their analysis and recommendations could more precisely tell donor agencies which policies have the greatest impact on development. In other words, a donor agency might target a country with a greater focus on decentralization versus liberalization policies.

Following their discussion of the need to target aid to good policy environments, the researchers then ask how can aid promote good institutions and policies. Here, the authors offer three suggestions:

- Agencies must focus on long-term reform
- Donors must work in partnership, and
- Donors must develop and create institutional space for improved evaluation methods

In so doing, say the authors, development agencies will become more selective, more knowledge-based, better coordinated, and more self-critical. In terms of their arguments, selectivity refers to the donors' targeting of aid to good policy environment. Being more knowledge-based concerns the degree to which aid focuses on the need to train the next generation of leaders, promoting civil society and community participation, and encouraging trained personnel to remain employed in the public sector. Better coordinated refers to the degree to which aid agencies work together, preferably through multilateral channels, to provide development assistance. Finally, more self-critical means that donor agencies must begin to recognize the need for better evaluation and being willing to make the changes suggested by such evaluations.

The policy report concludes with a brief discussion of four case studies. Each case study is meant to show how the

recommendations appear in development policy practices. Although the case studies are informative they are not critical examinations of the case itself. The case studies are just provided as "evidence" of the "truth" of their previous arguments. In this regard, the case studies do not provide much insight into the policy recommendations that the authors provide.

In conclusion, *Assessing Aid* does not assess aid at its roots. The report fails to address the more radical critiques of development assistance, i.e., aid is fundamentally flawed. While it offers policy recommendations, those recommendations assume that development assistance is a "good thing" - it only must be made better. Furthermore, it only promotes better decision-making when it comes to which countries to give aid. The report does not address the problems of good policy or good institutions within the donor community itself. Instead, policy and institutional weaknesses are viewed as only a problem of the recipients not the donors. In this regard, the report is a one-sided assessment of the aid system.

Book review by Douglas Spencer Moore Jr.