



**Webinar**

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# "Foreign Aid and the Tyranny of Experts"

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**Pakistan Institute of  
Development Economics**

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PAKISTAN INSTITUTE OF DEVELOPMENT  
ECONOMICS, ISLAMABAD

LIVE WEBINAR

# FOREIGN AID AND THE TYRANNY OF EXPERTS

## SPEAKER

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In the field of development economics, foreign aid is divisive. There are two distinct camps to consider: One argument is that official aid is ineffective and has harmed poor countries over time. Official aid, according to this viewpoint, creates dependency, fosters corruption, and encourages currency overvaluation. It also prevents countries from taking advantage of the global economy's opportunities. Another camp believes that aid levels have been too low and that significant increases would aid in poverty reduction. This camp believes that the way aid is delivered needs to be reconsidered. Specific interventions, such as anti-malaria programs, should be highlighted in particular.

### **Key Messages**

- A widely agreed principle among development economists is that institutions are key to economic development.
- Institutions mean political and economic freedom or political and economic rights for poor people. Poor people's property rights should be respected, as should their political rights so that they can protest if their economic rights are violated.
- All of this is linked as key to development, but then the big question is does the aid agencies themselves respect the political and economic rights of the poor.
- In 2010 the World Bank International Finance Corporation did a project in District Mubende, Uganda. It was a forestry project which was designed to replace subsistence farming with forestry which seemed like a more productive and higher revenue development initiative than subsistence farming.
- What happened was men with guns showed up and started shooting the cattle of the farmers, burning down the houses of the farmers, and marched down the farmers at gunpoint away from their villages onto a very poor quality refugees camp where they did not have access to farming and essential services.
- This was a development success as far as increasing the value of the land, but it was not a success for the farmers of the Mubende; it was a disaster.
- Human Rights Watch documented how several World Bank Projects violated political and economic rights. A group of journalists formed a consortium to investigate the negative outcomes, and forced resettlements in World Bank Projects, and the finding showed a pervasive violation of the rights of the poor happening in aid projects.
- More alarming was the little protest against the aid project which was contradicting the rights of the poor by the development community about this. If nothing else this is a little indicator of how little the issue of respecting the rights of the poor has an economic development.
- Even though we think that the rights of the poor are the key to economic development, our aid project itself starts violating it and hinders the poor from their basic rights.
- Millennium Development Goals (MDGs) were introduced in 2000 globally to fight against poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women. Later those goals were resurrected to Sustainable Development Goals (SDGs) because the original goals were not achieved, and essentially restated the goals for 2030.
- Not only the aid is helping the poor but also disrespecting the rights of the poor, not working to achieve development MDGs or SDGs.
- When political and economic rights are respected, it opens up a whole world of trade in which poor people can find the cheapest goods possible for them on the world markets, and also have a big opportunity to earn money by exporting to world markets.
- Trading with the world economy can help a lot in reducing poverty. For example, Egypt earns a lot of export revenues by exporting toilet ceramic to Italy. Kenya profits by exporting flowers to the Netherlands, while Ecuador profits by sending cut flowers to Russia.
- So each country by product and specialization accounts for a lot of their revenues. Global trade is a homegrown and un-planned effort and it's very hard for the World Bank planners to decide that Egyptians should send toilet ceramic to Italy, and so on.
- The market allows the poor to solve their problems through grown economic efforts, in contrast in aid when aid is going into an environment in which political and economic rights are routinely violated then aid becomes part of the problem rather than a part of the solution.

- The US Agency for International Development started an initiative by sending food aid to countries around the world intended to reach the MDG and SDG ending world hunger but research showed that food aid in the recipient countries increased violence.
- Food aid is injected into a system that is based on violence and coercion rather than respecting the political and economic rights of the poor. For example, Somali warlords captured food aid when food aid came into Somalia, similarly, the Taliban captured food aid when it came into Afghanistan, and they used the food aid to pay for more arms and weapons which increased the violence rather than eliminating hunger.
- There are two types of groups involved in the aid process. One is planners and the others are searchers. Planners are those who try to impose their ideas and policies to achieve their goals like the MSGs or SDGs.
- Searchers are the market-based approach to solve the complex problems of the economies with effective reforms and policies.
- Planners are failing to achieve their goals and still failing to achieve their goals, while the searchers don't have any preconceived notion of what's going to lead to success. In searchers, agents are motivated by good political and economic incentives to find things that work and meet the needs of the poor.
- The top-down aid agencies are more likely to follow the planners' approach rather than the search approach.
- A big problem in the aid programs is of goals set by the international community such as the MDGs or SDGs. Because these goals are set by the tyrannical experts, they often overemphasize the wrong things (like enrollment targets) and ignore important things (like individual rights).
- This is, in part, due to the top-down nature of goal setting and in part the result of the political constraints facing institutions that are controlled by myriad countries, such as the World Bank and the United Nations. These constraints result in a regression to a low mean, in terms of what goals are acceptable.

## Conclusion

There is a longstanding debate about whether development assistance and related policies have helped or hurt the poor. It is a difficult question to resolve because of the absence of a counterfactual. There is no way of knowing whether many poor countries would be better off or worse off without foreign assistance because we cannot observe how they would have done had they not received aid. In addition, most foreign aid flows to countries with difficult problems, rather than to those endowed with sound institutions and competent economic management. Because of all these complicating factors, contrasting the outcomes of countries based on how much development assistance they receive is not very meaningful. Success is possible and in a way that meets the ultimate objectives of development policy: giving individuals freedom of choice and the opportunity to flourish.



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