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The Aid Debate: Helping Hand, or Hardly Helping?

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BODY:

“Happy to receive you, World Bank,” sang dozens of mostly shoeless youngsters as a group of journalists and bank representatives approached a rural Ugandan school earlier this month on a trip sponsored by the World Bank. There’s something jarring when local politicians, teachers and children genuflect before minor bank officials. But it’s hard to blame them. Western donors wield oversize influence because they provide vital money to an H.I.V.-ravaged country where people live on a dollar a day and 40 percent of the children are stunted from malnutrition.

Yet there is a serious debate over the value of foreign aid, symbolized by an odd couple of traveling companions, Treasury Secretary Paul H. O’Neill and the rock star Bono of U2, who arrived in sub-Saharan Africa last week on a fact-finding visit to four nations. Bono is the pied piper, championing aid because he’s convinced it saves lives and raises living standards. Mr. O’Neill is the skeptic, unpersuaded that aid is effective and concerned that it creates dependency. In fact, he has accused some international donors of driving poor countries “into a ditch.” At stake is some \$50 billion a year, primarily from 22 donor nations, which supplements loans by the World Bank to promote development. That figure represents less than 0.2 percent of the donors’ collective gross national income, down from 0.3 percent 10 years ago. (The United States spends about \$10 billion annually, or 0.1 percent of its national income, ranking it the lowest of the 22 nations.) Even though much of the money has gone to corrupt, ineffective governments -- down

a “rat hole,” according to Senator Jesse Helms of North Carolina -- recent research shows that specific assistance can do wonders when given to governments that demonstrate a commitment to bolstering education and fighting poverty and AIDS.

Nonetheless, there is plenty of data to back the skeptics. William Easterly, a former economist at the World Bank, said that despite \$1 trillion in loans since the 1960’s, the per-capita growth rate of the typical developing country over the past 20 years was zero. Even after an infusion of \$2 billion in Zambia, for example, living standards are 40 percent lower now than when it gained independence in 1964.

At first glance, the Ugandan schoolyard ditty seems to buttress the skeptics: the rundown school and the appalling poverty of the students suggest that aid has been wasted and done little more than create dependence. But on closer look, the classrooms are packed, because a government program, backed by Western donors, has waived fees in an effort to make primary school universal. Teachers pointed to chairs and desks in their classrooms, also courtesy of foreign aid.

Over the past decade, Uganda has used Western aid to double the number of children in schools, cut the rate of H.I.V. infection among pregnant women by 80 percent, reduce poverty by about 35 percent and bring inflation from almost 200 percent per year to around 2 percent. These are huge gains that experts and government officials attribute largely to outside aid.

Advocates point to specific aid-supported projects behind these gaudy results. Veronica Moss, the head of Mildmay, a center built with British aid money to provide palliative care to AIDS victims, said the program does far more than offer humanitarian assistance: it keeps young adults healthy enough to raise children and stay in the work force longer.

TOBY MADDISON, who exports roses and daisies grown in vast greenhouses with the help of about 400 workers, overcame some daunting obstacles with help from Western donors, mostly in the form of business and agronomic advice. With their support, Mr. Maddison and 20 or so other growers were able to build businesses near the Entebbe Airport, giving them a crucial air link to Europe in a landlocked country with decrepit roads and railroads -- barriers that have made

other exports economically unfeasible.

Uganda isn't the only example of success. The O'Neill-Bono road show, which includes stops in Ghana and Ethiopia, is passing through South Africa, where a government-donor partnership called Nurcha has helped promote home ownership. The donors provide loan guarantees to banks that lend construction money to developers, who build homes that low-income families can buy with government subsidies. The program, which has given housing to more than 100,000 families since 1995, would have been hard to imagine without Western aid, said Herbert J. Sturz of the Open Society Institute, a major partner in the project.

Other aid supporters say relatively small, tightly controlled investments can have a major impact. The economist Jeffrey D. Sachs, the incoming director of the Earth Institute at Columbia University, estimated in a recent report for the World Health Organization that by spending a mere \$25 billion to fight malaria, tuberculosis and other preventable diseases, the West could save eight million lives a year in poor countries. Such aid would go to practical health measures like vaccines for measles, antibiotics for tuberculosis, insecticide-treated nets for malaria and condoms for AIDS.

How can the two faces of aid -- waste versus lifeline -- be reconciled? The World Bank's research department provides some clues. For starters, much of what counts as aid in official statistics isn't aid at all. Huge loans that the bank and other donors made to African dictators were political bribes for lining up with the West during the cold war. The amount of money that actually trickles down to the poor has been negligible for decades. No wonder past studies have found little measurable impact of aid on poverty.

More important, aid handed over to inept or corrupt governments does not work, even if the money is initially spent on worthwhile health, education or infrastructure projects. Tanzania was given money to build roads, for example, but since the government failed to maintain them, they disintegrated as quickly as donors supplied fresh money to build new ones.

But the larger point made by the bank's researchers is that aid can have tangible results when directed to

those governments truly committed to fighting poverty, like Uganda, Ghana and Mauritius.

No one expects the debate to be resolved soon. When Mr. O'Neill and Bono visited a housing project in Soweto, South Africa, on Friday, they were greeted by schoolchildren dancing and singing to the U2 hit "I Still Haven't Found What I'm Looking For." That's a tune both Bono and Mr. O'Neill would surely hum together.

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GRAPHIC: Photo: In South Africa, a government partnership with Western donors is building homes for low-income families. (Siphiwe Sibeko/Open Society Institute)