The Impact of Aid on Development

The AusAID PNG Rapid Impact Assessment

Craig Sugden et al
The Conventional View

- There are major development problems
- The country has achieved little and may be going backwards
  “Despite considerable natural wealth and substantial and sustained external assistance, in its nearly 25 years of independence Papua New Guinea has been unable to achieve tangible development outcomes – whether measured in terms of economic growth…– or from the perspective of access to basic services and poverty.” (World Bank 1999)
- Shortcomings in Government are a major contributor to the disappointing outcomes
- Aid is guilty by association
The Actual Outcome

Life expectancy

Infant mortality

Adult literacy

Non-mining GDP per capita
The Data Suggest

- There have been substantial development gains since independence
- Even though there has been little increase in government expenditure and incomes (on a per capita, real basis)
- The rate of improvement is broadly comparable to benchmark countries
- Except for income growth, which has been poor
The Tentative Conclusions

- Good public programs have probably contributed to the development gains
- Aid has been an integral part of public programs since independence
- So aid has probably helped and can claim some credit
- The presence of some positive project results supports this conclusion
Life expectancy in the region

![Graph showing life expectancy over years for different countries in the region. The graph compares data from 1980 and 2000. The countries listed include CI, Fiji, Niue, Sam, Tok, Ton, FSM, Pal, SI, Van, MI, Tuv, Kir, Nau, and PNG.](image-url)
Infant mortality in the region

Rate per '000

CI  Nau  Fiji  Ton  Pal  Sam  SI  FSM  Tuv  Van  MI  Kir  PNG

1980

2000
Adult literacy in the region

% of adults

Kir Niue Ton Sam Tuv Pal Nau CI Fiji FSM PNG Van SI

1980 2000
Long run growth rates

<table>
<thead>
<tr>
<th>Country</th>
<th>Compound % growth rate, p.a.</th>
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<tbody>
<tr>
<td>Niue</td>
<td>6.2</td>
</tr>
<tr>
<td>CI</td>
<td>4.7</td>
</tr>
<tr>
<td>Tuv</td>
<td>2.9</td>
</tr>
<tr>
<td>Ton</td>
<td>2.2</td>
</tr>
<tr>
<td>Sam</td>
<td>1.8</td>
</tr>
<tr>
<td>Van</td>
<td>1.6</td>
</tr>
<tr>
<td>SI</td>
<td>1.3</td>
</tr>
<tr>
<td>Fiji</td>
<td>1.2</td>
</tr>
<tr>
<td>PNG</td>
<td>0.9</td>
</tr>
<tr>
<td>Pal</td>
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<tr>
<td>MI</td>
<td>0.5</td>
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<tr>
<td>FSM</td>
<td>0.4</td>
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<tr>
<td>Kir</td>
<td>0.3</td>
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<tr>
<td>Nau</td>
<td>-0.3</td>
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</tbody>
</table>
Development in the Pacific

- There has been widespread improvement in development indicators
- Polynesia is the most developed group, with Melanesia the least developed
- Development gains have been made even when governance has been poor
- Good governance appears to provide for better income growth, and perhaps equity
Aid in the Pacific

- The focus of aid has shifted away from infrastructure and rural development
- Governance has become very important
- Direct support for basic education and health care has been and remains low
  - but major gains were made nonetheless
- There is considerable potential to lift returns on governance-type initiatives
- Aid has been a major problem in some countries, eg the ex-US Trust Territories
The tentative conclusion of the PNG rapid assessment made sense at the time and may remain valid.

But there is a need to rationalise the Pacific experience.

And there is an opportunity to use this thinking to help inform debate on PNG.