



Overcoming the Samaritan's Dilemma in Development Aid

Elinor Ostrom

Workshop in Political Theory and Policy Analysis

Indiana University

Center for Study of Institutional Diversity

Arizona State University

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Development Aid Under Attack

- Aid to developing countries is strongly criticized
 - Scholars and policymakers increasingly express doubt that development aid will
 - Increase economic growth
 - Alleviate poverty
 - Promote social development
 - Foster democratic regimes
 - Or, have a positive sustainable impact

What's Wrong? Why Not Sustainable?

- ❑ Not enough money being spent?
- ❑ Can't really help from the outside?
- ❑ Just takes a long time?
- ❑ Too many perverse incentives?
- ❑ In our earlier study of SIDA, we found the last reason is most important – many development aid incentives are perverse – true for other IDAs
- ❑ Lets draw on that study (Gibson, Andersson, Ostrom, & Shivakumar. 2005. *The Samaritan's Dilemma: The Political Economy of Development Aid*. New York: Oxford University Press)



A Basic Definition of Development

- Individuals realizing improved well-being through
 - Production and exchange of private goods
 - Cooperation and coordination in providing public goods and common-pool resources
- Governments provide the macro-institutional environments within which development can be realized

Collective Action Situations at the Heart of Development

- Situations where contributions from multiple actors required to produce joint outcomes
- *Motivation* problems
 - If benefits can be obtained by an actor without contributing, temptation *always* exists to free ride on the efforts of others. May also face overuse.
 - Potential conflict between individual and collective benefits – e.g., social dilemmas
- *Information* problems
 - Missing information
 - Asymmetric information
 - Principle-agent problems

Motivation Problems in Collective-Action Dilemmas

- Provision of public goods (public safety, health, knowledge, etc.)
- Provision and maintenance of common-pool resources (protection of forests, wildlife, species, lakes, rivers, oceans, atmosphere)
- The Samaritan's Dilemma is a key motivational problem in development

The Samaritan's Dilemma

		Recipient	
		High Effort	Low Effort
Samaritan	No Help	2,2	1,1
	Help	4,3	3,4

Source: Adapted from Buchanan (1977: 170).

An Example of the Samaritan's Dilemma: Food Relief

		Recipient			
		High Effort	No Effort		
Samaritan	No Food	Save funds but watch hard work and starvation	Try to improve farm productivity but starvation	Save funds and no results	Don't try to overcome long-term starvation
	Provide Relief Food	Watch farmer improve short-term and long-term nutrition	Eat relief food and improve future farm productivity	Watch farmers eat but not grow any food	Eat relief food and don't farm



Further Examples of Samaritan's Dilemma

- Programs of infrastructure construction
- Humanitarian provision of health and educational services and facilities
- All forms of long-term development assistance may become a Samaritan's Dilemma even though everyone hopes otherwise



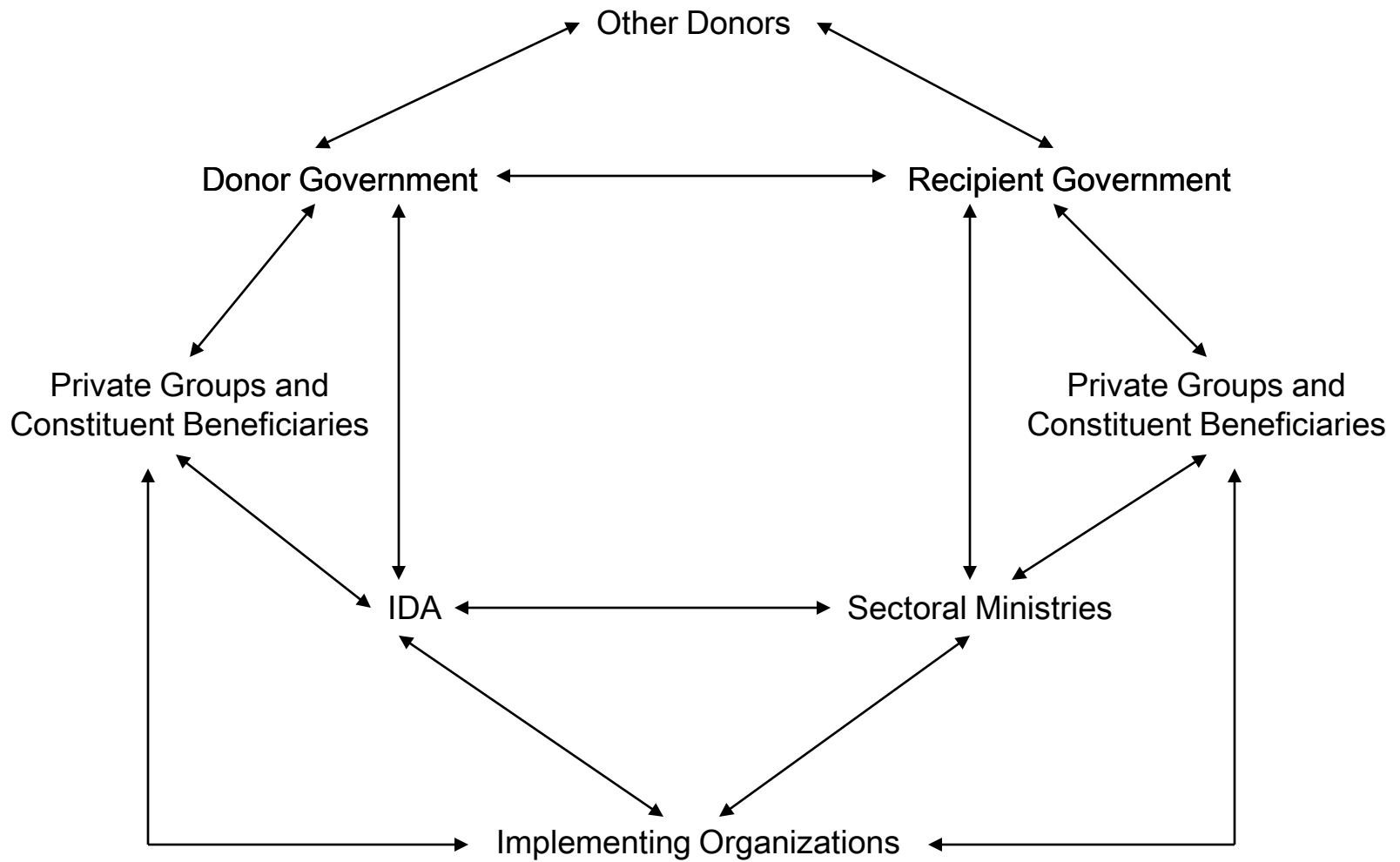
Other Perverse Incentives in Aid

- Asymmetric power relationships
 - Contemporary efforts to offset earlier forms of asymmetric power has led to modern authoritarian regimes
- Problems of rent seeking and corruption
- Problems of missing and asymmetric Information
- And, others

Why Perverse Incentives in Development Assistance?

- Institutional defects exist among multiple actors
- IDAs try to restructure configuration of institutions
- Many countries in need of aid already lack effective contemporary institutions, but may have had some effective indigenous institutions that are not recognized
- Many actors in a tangle of relationships
- Let's look at an analytical device: The Octangle

The International Development Assistance Octangle





Within the Octangle

- ❑ Every dyad and triad is subject to motivational, informational, and power problems
- ❑ Many participants want short-term benefits
- ❑ Lack of effective counteracting institutions (may even exacerbate problems)
- ❑ A failure at any one node of the Octangle likely to lead to major problems – very little self-correction in the system as a whole



Lessons from the Octangle

- ❑ Many stakeholders – no effective ownership
- ❑ Institutional incentives as important, or more, than size of financial investment
- ❑ Incentives facing consultants need careful consideration
- ❑ Beneficiaries are important stakeholders, but frequently no voice and little power

Case Studies Design

	Aid Independent -- India	Aid Dependent -- Zambia
Natural Resources/ Agriculture	Participatory management of degraded forests in Orissa	Conservation Farming Unit
Infrastructure	Chandrapur- Padghe HVDC Converter Terminal Project	Energy Regulation Board/Kafue Gorge Hydropower Rehabilitation Project



Lessons from Field Studies

- Infrastructure projects are still attractive
 - Generate immediate benefits
 - Move large sums of money with low staff time and involve domestic firms
 - Many are not sustainable
 - Institutions to enhance sustainability are not seriously crafted
 - Maintenance of infrastructure difficult without pricing or other mechanisms to generate revenue

Small Investments in Building Human Skills

- If designed well for local environment
 - Can be effective in building productivity and self-reliance
 - Must design loans and other inducements so that those who perform receive future benefits and those who do not perform are screened out
 - Require substantial investments of human capital rather than financial capital

Lessons from Interviews at Headquarters

- Sida is blessed with highly motivated staff
- Considerable investment in recruitment and good personnel practices
- High morale and dedication – evidence that staff are able to learn
- Is this enough?
- A necessary, but not sufficient, condition for learning how to achieve sustainable development-assistance programs



How Can *Individual* Learning about Sustainability Be Enhanced?

Four means to enhance individual learning

1. Long-term assignments
2. Continued information about projects
3. Efforts to retain younger staff
4. Career advancement based to some extent on past participation in highly successful projects

What did we learn about individual learning strategies?



Length of Assignments (1)

- ❑ Large variation in length of assignments
- ❑ For 46 permanent staff members interviewed in 2000, length of time in an assignment varied from 5 months to as long as 18 years (in Headquarters)
- ❑ Average was four years – but that included time in Headquarters
- ❑ Many field assignments are for 1-3 years



Frequent Shifts

- Long-term staff gain substantial knowledge of array of Sida activities
- Rapid shifts do not enable a staff member to follow a project from design through major implementation
- Large proportion of interviewed Sida staff members (75%) indicated that rapid turnover of assignments had a negative impact on Sida's performance

Information After Completion of Assignment (2)

- Little contact with earlier projects
- Shift into another type of project
- Do not usually participate in any follow-up on activities
- 47% of respondents with multiple assignment had *no* contact with prior assignments

Temporary Contracts (3)

- Frequency changed over time from 12% to 15%
- Typical contract varies from 3-12 months
- A large proportion of Desk Officers in Stockholm can be temporary at the same time
 - Spring of 2000 –
 - 4 of 6 Desk Officers in Latin American Department were temporary
 - 8 out of 12 Desk Officers in Africa Department were temporary



Career Advancement Criteria (4)

- Difficulties of rewarding past contributions
 - No single staff member responsible for what happens on a project
 - Octangle teaches us that many participants involved
- How to avoid all participants eschewing responsibility?
- Currently, few Sida staff believe that the fate of their projects will impact on their career
- Results – None of the Four Strategies for Enhancing Individual Learning are in Place

How Can *Organizational* Learning about Sustainability Be Enhanced?

- Five Techniques
 - Mid-term evaluations
 - Beneficiaries involved in evaluations
 - Stress on cumulating knowledge about key factors such as ownership
 - Processes to read and discuss evaluations
 - Making evaluations really useful
- What Did We Learn about These Five?

Evaluation Timing and Distribution (1 & 2)

- Sida's own report on evaluations finds that:
 - Evaluations conducted too late to be useful to an ongoing project
 - Beneficiaries are not involved
 - Not very effective in general



Cumulation of Knowledge (3 & 4)

- Given the official emphasis on the importance of ownership, one would expect it to be discussed
 - In 16 Evaluation Reports – overtly discussed ownership in only one – HESAWA project
- Little reference in own evaluations to factors leading to sustainability or to findings from other evaluations



Making Evaluations Useful (5)

- Little agreement on performance criteria to use in evaluations reported by staff
- Reports discuss many different factors – but are not oriented to cumulating knowledge across evaluation
- 85% of Sida respondents consider evaluations ineffective
- Lots of informal discussions, but few formal efforts to cumulate knowledge about sustainability



No Support for Self-Conscious Individual or Organizational Learning

- And, this is characterizing one of the better IDAs in the world today
- Partly due to time and budget pressures
- Budget pressures have other effects as well



The Impact of Budgetary Pressures

- All government agencies in all parts of the world face budgetary pressures to spend all of their funds each budgetary cycle
- Sida's official policy is to discourage this
- Informally, however, most staff do face pressures to allocate all budgeted funds by end of fiscal year
- Continue funding existing projects as one strategy to cope with these pressures



General Findings

- ❑ The type of project affects likelihood of sustainability – big infrastructure moves money, but may do little else
- ❑ Highly motivated staff is not sufficient to overcome many incentives to invest funds rather than time
- ❑ Lack of feedback from citizens in recipient (as well as donor) countries to their own officials and development-assistance staff
- ❑ Sida staff are themselves interested in finding ways of improving performance still further



No Magic Bullet

- ❑ Collective-action problems are difficult to solve in donor countries. Recipients do not have a monopoly on these kind of problems
- ❑ Need to increase knowledge base about incentives and sustainability while trying to cope with the problems in ongoing projects
- ❑ Need multiple strategies – no single one will work in all cases



How Are These Pervasive Problems Overcome?

- Not easy!
- Well-crafted institutions are needed in both public and private realms
- Have to fit local culture and circumstances
- Have to be understood by participants and considered to be legitimate and effective



What Can We *All* Do in the Future?

1. **Revisit Ownership and Sustainability**
2. **Examine the Role of Consultants**
3. **Examine the Nature of the Good**
4. **Analyze the Politics of Aid**
5. **Understand the Pressure to Disburse**
6. **Use Evaluations**

Revisit Ownership and Sustainability

- Use of real ownership – to solve info/motivation problems – recipient “beneficiaries” need to be able to say yes or no!
- Problems – number of actors, responsibilities, accountability
 - articulate specific responsibilities devolved to specific actors and accountability
 - identify incentives of institutional context, aid modality, underlying good
 - inclusion of beneficiaries provision, production, consumption, and alienation



Examine the Nature of the Good

- Need to integrate research findings on public goods and common-pool resources
 - Levels of contribution depend on institutional incentives
 - Can build high levels of contribution, but not overnight
- Effect of goods on ownership and sustainability
 - Hardware versus institution building

Analyze the Politics of Aid

- Good reasons for traditional aid
 - Recipients like hardware and money: distribution within the status quo (moral hazard for bad policy)
 - Donors can monitor more easily
 - Helps to move the money
- Institutional change is difficult
 - Threatens the status quo
 - Long term
- If you want institutional change, need engagement for the long haul

Understand the Pressure to Disburse

- Pressure to disburse erodes success
 - Choosing projects to move money
 - Infrastructure
 - Balance of payments
 - Adverse selection
 - Recipients know this preference, will forward projects that move the money
 - Incentives are exactly opposite to enhance institutional change



All of these Need Time

- The major need is building institutions
 - This takes a long time and major participation of recipients
 - Need much more academic foundation as a basis for policy research
 - True in developed, as well as developing, countries
- We have much to contribute over time and need to get to work!



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Time for Questions
