Fading faith in good works

Aid brought Liberia back from the brink. It also weakened its fledgling government

DRIVING through the Liberian countryside, on a rare paved highway, two kinds of roadside sign catch the eye. One advertises local Protestant churches. The other sort advertises the splendid work done by aid agencies. USAID, the European Union, Japan's development agency and others take credit for this youth programme or that forest rehabilitation scheme. An unscientific survey suggests that the Americans are winning the battle of the boards. But USAID does not command Liberia's prime location. The capitol building in Monrovia, which is being enlarged, is plastered with China Aid signs.

It is barely disputable that this small West African country might need financial help. Always poor, Liberia was pulverized by civil wars between 1989 and 2003 that obliterated as much as 90% of the economy—a shock almost without parallel (see chart 1). It remains the world's fourth- or fifth-poorest country, and the poorest one with a solid government. In 2014 half of all households ran short of food. Even in the cities three-quarters of people lack electricity, and most of those with power get it from diesel generators or car batteries.

Liberia is not just profoundly needy. It is also the kind of needy that entices aid agencies and charities. Because it is so small, with only about 4m inhabitants, donors can make a visible difference. And since 2006 Liberia has been run by Ellen Johnson Sirleaf. Ma Ellen, as the president is known, is Africa's first elected female leader and a potent symbol of good governance. She is also a skillful politician who is fluent in aid jargon, having previously worked for the UN and the World Bank.

Almost as soon as Ms Sirleaf formed a government, foreign aid began to pour in, along with advice from Western experts. Natty Davis, a former cabinet minister, remembers “an extreme amount of goodwill”. As a share of Liberia’s puny economy (which is smaller than that of the Isle of Wight, off England’s south coast) foreign aid remains enormous. If you count the cost of UN peacekeepers, it has amounted to at least a third of gross national income for each of the past ten years. Only Tuvalu, a tiny Pacific nation with good snorkeling, consistently gets as much.

That makes Liberia an excellent place to seek an answer to one of the most vexing questions in development economics. Whereas politicians and conservative newspapers tend to criticise aid agencies for wasting money on silly projects and falling prey to fraudsters, aid-watchers have a more profound worry. They know that countries without clean, effective governments seldom escape poverty. Might aid actually make it harder to govern a poor country, even when (indeed, especially when) that country is a democracy?

It is quite likely that without foreign assistance, especially the blue-helmeted UN troops, Liberia would have slid back into war. If aid has prevented such a calamity, it would have been worthwhile. But that is unknowable. All that is known is how things have turned out. And what has happened in Liberia is that aid has quietly weakened the state even as it has built roads, schools and other good things.

That has happened in two ways. First, aid has corroded Liberia from the top, by distracting ministers and distorting the government’s plans. Second, it has seeped into the crack between government and people, encouraging citizens to wonder what their leaders are for. Running a country that so plainly depends on aid, says Gyude Moore, the public works minister, is like trying to be a good husband and father when your neighbour is feeding you.

Around the time that Liberia’s child soldiers were putting down their guns, Western governments and aid agencies were resolving to give more wisely. During the cold war, aid had been a tool of foreign policy. There was scarcely a government too brutal or corrupt to receive it, so long as it was on the right side in the battle against communism. Much aid was "tied", requiring goods to be bought from Western companies. If it turned out to help the inhabitants of the world's poorest countries, that was an incidental benefit.

Promises, promises

At a series of meetings, including one in Paris in 2005, the West resolved to do better. Aid would be untied. Rather than charging into poor countries and flinging money at the causes they deemed worthy, donors would respect plans created by those countries' politicians. Where possible, aid would flow through poor-country bureaucracies, not around them. When donors funnel money to their own programmes, and assess those programmes themselves, a parallel state can emerge to rival the main one. Donors would stick around longer, too: fewer sudden surges of aid followed by abrupt drawdowns, which wreck long-term plans.

Liberia's new government had some ideas of its own about aid. The inflow after the war had been messy and inefficient. Fuel for generators had been provided, but no generators; books had been donated but, because libraries had no shelves, they were heaped on the ground. Ms Sirleaf brought in ministers and advisers with experience of aid, who set out to build a better system. Ambitiously, given Liberia's deep neediness, they resolved that the government would assert control over development and not be tugged off course by donors. "The typical attitude is: we need the donor money; here's what the donors want to do; we'd better not upset them," explains Steve Radelet, one of those advisers, who is now at Georgetown University.

Liberia would be a test. Could the government of a poor country take charge of aid, as both sides claimed they wanted? Might it succeed in using that aid to speed out of poverty? Chile and Indonesia had jump-started growth by allowing American-educated economists, known respectively as the Chicago Boys and the Berkeley Mafia, to steer policy. Liberia also had an impressive diaspora, some members of which were being lured home by Western-level salaries paid by charities. Perhaps they could pull off a similar trick.

The assertive approach was epitomised by the Liberia Reconstruction and Development Committee, or LRDC. This small, focused group met monthly, usually chaired by the president and attended only by the most senior ministers and largest aid agencies. It set the broad direction of development policy and tracked progress. The LRDC did good work: Antoinette Sayeh, the finance minister at the time, says it was especially useful for nailing down a poverty-reduction strategy. It may well have reduced duplication of effort.

Yet it soon became clear that aid agencies would not easily be corralled. Ministers were called into seemingly endless, distracting meetings with them—"everybody who doesn't meet the minister of finance feels upset," says Ms Sayeh. Donors sometimes failed to tell the government how much they were spending, or what they were spending it on. And, despite the promises made in Paris, aid continued to go directly on programmes rather than passing through the state. That still happens. Only 12% of aid to Liberia in the 2015-16 fiscal year was "on-budget".

Aid agencies are often barred from giving money directly to governments, either formally or because politicians back home persuade them not to. And anybody who operates in Liberia has an obvious excuse for bypassing state systems. Among other sad superlatives, Liberia is by one measure the world's most corrupt country: 70% of businesses told surveyors for the World Bank that they had been asked for bribes. One poll suggests that half of Liberians who interact with medical clinicians, and two-thirds of those who encounter cops, pay bribes or do favours for them. (As your correspondent was leaving Liberia, a member of the airport staff suggested that some British banknotes would make "a nice souvenir"; journalists, however, are good at feigning incomprehension.)

Many Liberian civil servants are former fighters who were given jobs to buy their good behaviour. Others do not exist: they are "ghosts" whose pay goes to someone else. Since 2015 the education ministry has removed some 1,900 ghosts from the payroll. Although the civil service is gradually improving, it cannot draw the most talented Liberians. Starting salaries are too low, especially compared with what the donors can offer. James Cooper, an IT and politics graduate who has worked for a Liberian senator, says aid agencies and charities pay about three times as much.

Gradually, the difficulties of operating in Liberia eroded the idealistic promises about government-led development. Then the government lost interest. In 2010, after much manoeuvring, Ms Sirleaf won a colossal write-down of Liberia's debts under the Heavily Indebted Poor Countries programme (see chart 2). In the afterglow of that victory, the LRDC was wound up. Aid would henceforth be overseen largely by ministers, rather than the president—a big mistake. With the chief less involved, drift set in. Whereas all ministers felt compelled to attend meetings chaired by the president, they felt free to skip meetings called by other ministers. The aid agencies began to do more or less as they pleased.

He who pays the piper

Today relations between donors and ministers are cordial, and the aid agencies still justify their projects by pointing to national plans. But few think Liberia's government is in control. Mr Davis describes the situation as "chaos". Clarence Moniba, a minister who chairs the Philanthropy Secretariat, a steering group, says the state has little sway over the roughly 330 charities working in Liberia. "They come and tell us what they are doing, and we agree."

The cost of this poor co-ordination is impossible to measure precisely, but is probably high. Unless a government is wholly corrupt (and Liberia's is not) it has two big advantages over a donor. First, it is mostly interested in outcomes. Aid agencies and charities often focus on inputs—the number of clinics built, the number of farmers using superior hybrid seeds. Governments care more about mortality rates, food prices and the like. Those are what matter in the end.

Second, governments take a national view. Donors often do not. USAID, the biggest bilateral donor in Liberia, concentrates on six out of 15 counties, in a block north and east of the capital. It points out that these are relatively densely populated; besides, economic growth generated in them is likely to spill over. George Werner, the education minister, thinks that may be confusing cause and effect. "Why are those counties highly populated?" he asks. Partly, he thinks, "because people sense that's where the aid is".

The upper layers of the Liberian government are thick with American-educated technocrats who are admired by the aid agencies and able to cope with their complex demands. Brad Parks of AidData, a project based at the College of William and Mary, points out that some of the most successful World Bank projects in Liberia have relied on high-level policymaking. The country has, for example, simplified business rules, required government employees to disclose their assets and enacted a new procurement law.

Gifts with reservation

Dig below the surface, though, and problems abound. Knowing humble bureaucrats to be much less capable, donors have largely bypassed ministries and delivered services around them. That is more evident in some departments than others. Consider health and education.

At the end of the civil war Liberia had about 50 doctors and hardly any equipment or medicines. For a few years health services were provided almost entirely by charities. But the country had an impressive health minister, Walter Gwenigale, who had stuck out the war doing surgery in a rural hospital, where he occasionally had to persuade fighters to leave their guns outside. With the help of sympathetic aid agencies, he created a funding mechanism that split the difference between a charitable programme and a government agency. Donors (notably Irish Aid and DfID, Britain's aid department) pay into a health pool fund, which distributes money as the government sees fit.

Although the health pool fund distributes little more than $5m a year, and probably accounts for about a tenth of medical aid to Liberia, it has proved hugely useful. It has been used to pay for medical care in parts of Liberia where foreign aid agencies do not operate. It seems to have made bureaucrats more competent: the health ministry is widely regarded as among Liberia's most adept. The pool fund helped keep basic health services ticking over—just barely—when Liberia was struck by Ebola in 2014. Disease and premature death are still appallingly common, but they are becoming less so. The mortality rate for children younger than five has come down from 182 per 1,000 in the year 2000 to 70 per 1,000 in 2015. On some measures, Liberia is now a little healthier than better-off African countries such as Nigeria.

Education, by contrast, is a jumble. Donors almost always fund projects of their own, wielding budgets that can be as large as the state's. The ministry has an annual budget of $44m, of which all but about $7m goes on salaries. By contrast, a single education scheme paid for by USAID and delivered by a Boston-based charity, which aims to reach 48,000 out-of-school children, has a budget of $34m.

Highway stars

"If the resources were put together, they would be adequate in achieving the results we want," says Mr Werner. Not only does that not happen; the education ministry and the aid agencies sometimes pull in opposite directions. Shocked by the persistent weakness of Liberia's schools (only 35% of women who attended secondary school can read a full sentence), the minister has invited charities and education firms to manage 93 public schools. Donors disapprove, and are withholding some aid from those schools.

The result is a mess. Justin Sandefur of the Centre for Global Development, who is assessing Liberia's education experiment, has described it as "an education system of stand-alone aid projects, a ministry with no budget, and no one running a coherent, overall policy planning process".

Liberia is extreme. No country in the modern era has suffered such a destructive war and become so dependent on aid. But the Liberian government's difficulties are hardly unique. Aid analysts have argued for years that aid-dependent countries seldom manage to build resilient governments and wean themselves off charity (two that did are South Korea and Taiwan). In 2004 Deborah Bräutigam and Stephen Knack—the former an academic, the latter a World Bank economist—showed that high levels of aid went hand-in-hand with weak governance and low tax revenues in African countries. Other researchers have found much the same.

Sierra Leone, to the north, has a different history, different needs, a different constellation of charities and aid agencies—and similar problems. Like Liberia, it came out of a civil war in 2002 determined to control aid, much of which comes from Britain, the former colonial power. And it has done better in one important way: a higher share of aid is "on-budget" than in Liberia. Yet Abou Bakarr Kamara, an economist who works for the International Growth Centre, thinks the impression of government control is misleading. Partners decide what they want to do before consulting the government, he says—and the government tends to agree. "They'd rather be getting money for something that isn't a priority than not getting money at all."

Even projects that look like uncomplicated triumphs can conceal problems. The most tangible thing aid has done in Liberia is a smooth 250km Chinese-built road from Monrovia to Ganta, on the border with Guinea (see map). Paid for from an infrastructure trust fund overseen by the World Bank and the government, and completed last year, the road seems already to have helped those who live close to it. Emmanuel Johnson Nimbuen, who works for the agriculture ministry, reckons that travel times to Monrovia from Gbarnga, 190km away, have been cut by up to two-thirds, depending on the season. More large lorries are making the journey, which means more buyers for cocoa farmers' crops.

The World Bank is shyer than many aid agencies about erecting signs celebrating its good work, and local people seem unsure whom to hold responsible. Near Gbarnga, a group of traders selling pineapples and bush snails next to the road say that politicians have recently attempted to claim credit. One man, wearing a necklace with a large gold cross, thinks he knows who is responsible: an outfit he calls the "World National Bank".

What happens to free lunch

The public-works ministry deals unusually well with donors. Mr Moore, the minister, even declares that aid has gone to the right projects (admittedly, agreeing where to build a new road is simpler than deciding how to educate a country's children). He has made plans for several other highways, which he hopes his successor will stick to. Yet Mr Moore worries about what Liberians think when they look at the country's infrastructure. "The whole point of having a state is to provide services," he says. "If everybody assumes that new roads are being built by the World Bank or the African Development Bank, what is the point of having a state?"