The Economist

Developing Bangladesh

How to spend it

An ambitious attempt to work out the best use for scarce resources

May 7th 2016 | From the print edition

Sifting through the options

EVERY government minister, senior civil servant and charity official is familiar with the pitch. Spend money on my project, says the supplicant: it will bring such large benefits that you will actually save money in the long run. At this, the official sighs, knowing that another supplicant with an equally bold pitch is waiting outside. How can he pick among competing pleas for bridges, IT systems, deworming medicines and a thousand other things?

Next week, at a conference in Dhaka, the Copenhagen Consensus will try to answer that question. For more than a decade the think-tank has assessed the global costs and benefits of different development schemes. Now it has commissioned studies, mostly by academics at BRAC, a local charity, into 70-odd activities in Bangladesh. Better drains are weighed against cash transfers to the poor and research into more nutritious rice. The idea is to give a tailwind to the best ideas and a headwind to the worst, says Bjorn Lomborg, who runs the Copenhagen Consensus. The results are clear—indeed, rather too clear.

Most of the interventions score between one and 20, meaning that a dollar spent on them will yield $1-20 of economic, social and environmental benefits. A stiffer, better-enforced tobacco tax would supposedly repay at a ratio of eight to one, for example, whereas expanding village courts would yield 18 to one. A few interventions, including unconditional handouts of cash to poor Bangladeshis and treating and immunising against cervical cancer, score less than one.

The winner, yielding a fantastic $663 in benefits for every $1 spent, is digital procurement. Bangladesh's government requires most would-be suppliers to submit bids in person. That is a costly nuisance for them; it also encourages corruption. Powerful bidders intimidate weaker ones and even employ thugs to seize rivals' bids—a phenomenon known as "tender snatching". One study suggests that e-procurement cuts the price of contracts by about 12%. Because switching to online bids is fairly cheap, the assumed returns are huge.

Weighing the costs and benefits of diverse projects is astute, and not only for poor countries like Bangladesh or Haiti (next in line for the Copenhagen Consensus treatment). Cost-benefit analysis is common in the West, although it is often applied to just one project—a high-speed railway, say—rather than a menu of options. But there is a hitch. "Cost-benefit analysis gives you a number," says Munshi Sulaiman of BRAC, who contributed a study of anti-poverty programmes. "It doesn't tell you how much confidence you can have in that number."

Some projects have been rigorously analysed. A "graduation" programme for the very poor, which combines training with gifts of livestock, has been subjected to several large randomised controlled trials. It comes out comparatively badly, with returns of two to one—but at least the benefits are certain. For other projects the evidence is weaker. Stimulating the minds of stunted children is assumed to repay at 18 to one because a small Jamaican programme that began in 1986 got good results. The e-procurement study extrapolates from the experience of Bangladesh's local engineering department.

Ahmed Mushfiq Mobarak of Yale University, who has experimented with encouraging Bangladeshi farmers to migrate to cities during the lean season, thinks it unfair to compare carefully tested projects to others where the cost-benefit numbers are “essentially made up”. Binning reliable, low-scoring projects for untested high-scoring ones would be foolish. But if the upshot is more scrutiny for promising projects, the exercise is useful. And almost anything would be better than spending money on projects because their backers can tell a good story, or because they are supported by powerful politicians.