



USAID
FROM THE AMERICAN PEOPLE

2010 USAID Economic Growth Officers' Conference

USAID Economic Growth Programming: Ultimate Impacts

Bruce Bolnick
Chief Economist, International Group
Nathan Associates Inc.
BBolnick@nathaninc.com



The bottom line



- EG programs are vitally important – for the people
- EG programs work
- However, USAID needs to strengthen program evaluation and institutional learning

Why Raise these Issues?

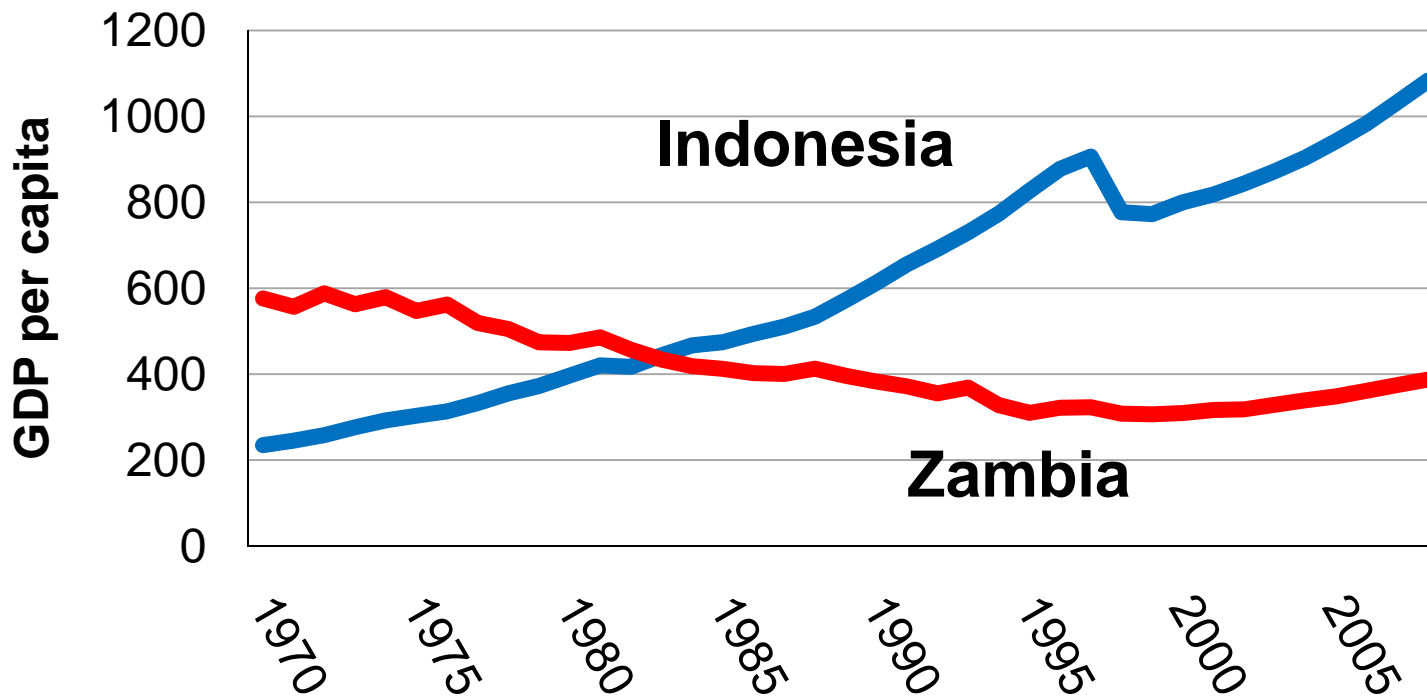


- Discussions on foreign assistance priorities
- Public controversies over the role of foreign aid
- Need to pull together evidence on EG program *effectiveness*
- Development as the ultimate goal of development assistance!

Divergent growth—Indonesia and Zambia

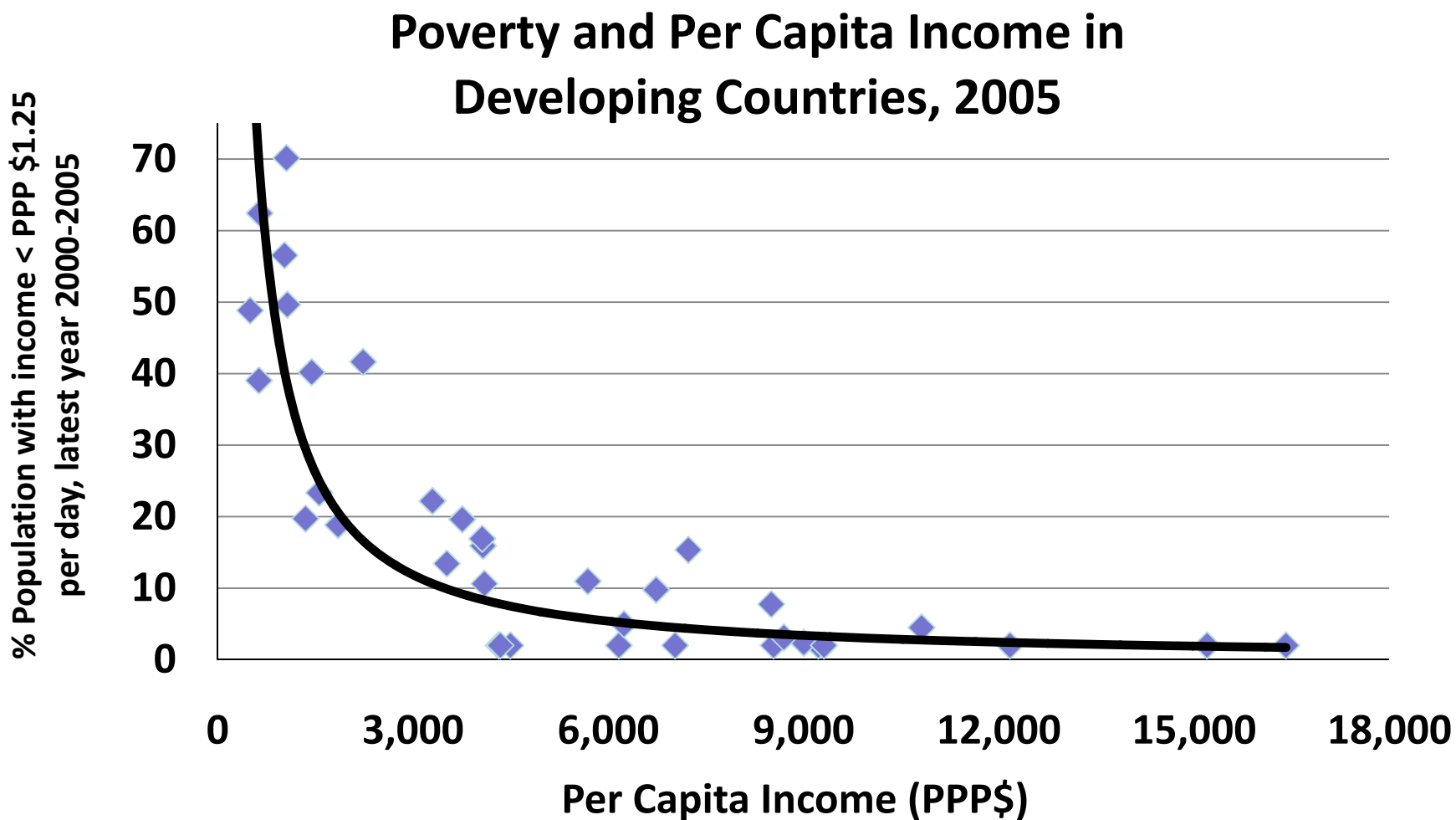


**GDP per capita in Zambia and Indonesia
1970 - 2008 (constant 2000 US\$)**



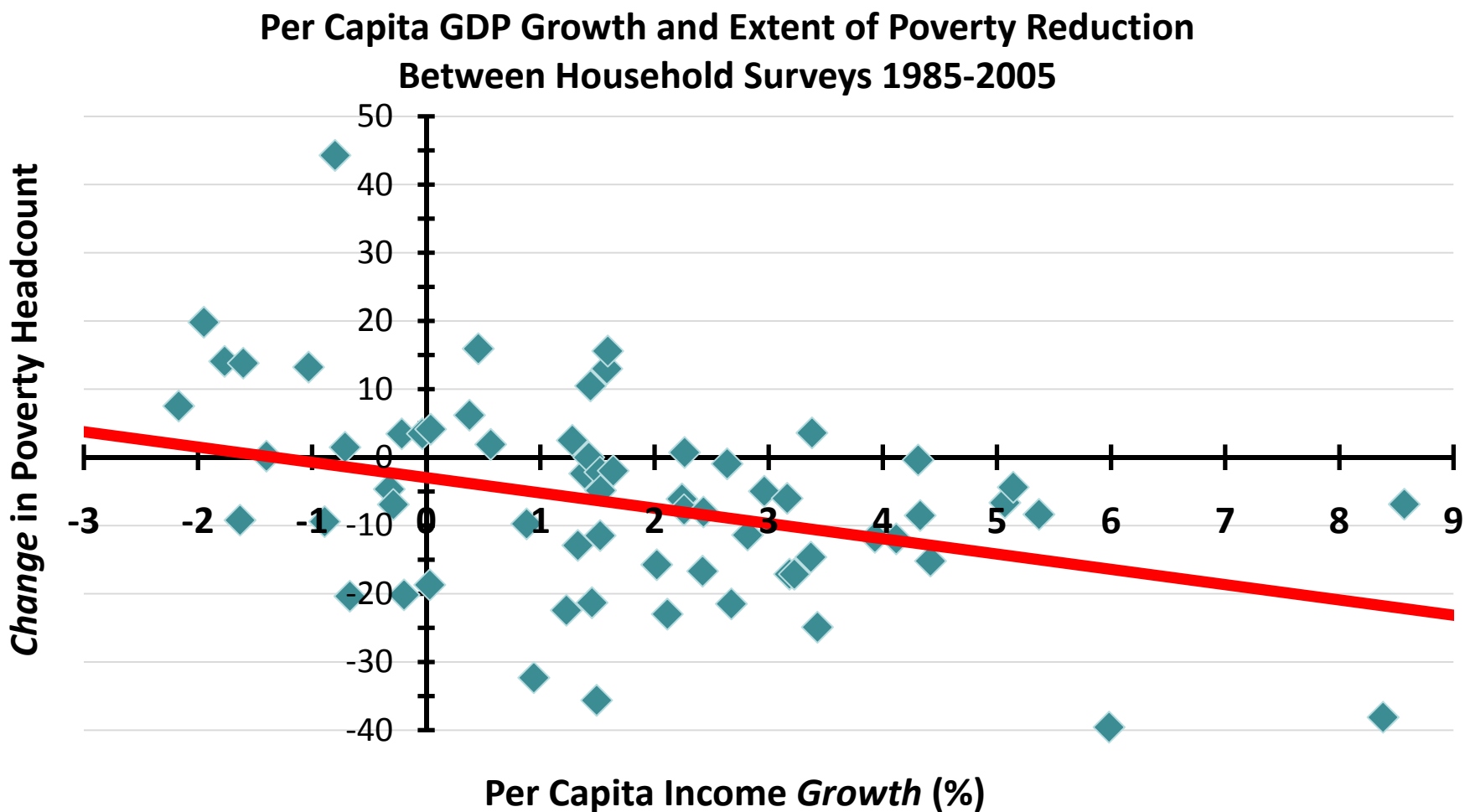
Source: World Development Indicators. Income is measured in terms of Gross Domestic Product

Higher income, less poverty



Source: World Development Indicators, 2010 and author's calculations

Faster Growth, Faster Poverty Reduction



Source: World Development Indicators, 2010 and author's estimates.

How to spur economic growth?



- Half century of experience & empirical studies
 - No simple recipe for growth
 - Programs must be customized to country conditions
- But broad agreement on main obstacles and principles
 - Private initiative is primary source of growth
 - Rising productivity is the key
 - Good economic governance is essential
 - Local leadership and ownership is vital to success

Measuring Effectiveness



- Impact evaluation
 - comparing outcomes to a “counterfactual”
- *Economic* impact evaluation
 - valuation of benefits vs. costs
- Rigorous methods rarely used by USAID
 - Often difficult to implement for EG programs
- Limitations of available evidence

So what do we know?

Economic Impact Can Be Huge



- EG impact evaluations few, but tend to show large benefits relative to cost
- Private sector development
 - e.g., *Pakistan (dairy industry)*
- Business environment
 - e.g., *Georgia (time to trade...)*
- Trade and Investment
 - e.g., *Mozambique (foreign exchange regulation...)*
- Fiscal reform
 - e.g., *Bosnia-Herzegovina (tax administration)*

IRs can provide compelling evidence of effectiveness



- Private sector development
 - e.g. Ghana (agriculture inputs)
- Business environment reform
 - e.g. Philippines (telcom regulation)
- Financial sector reform
 - e.g. Jordan (capital market)
- Also fiscal reform, trade facilitation
- Compelling qualitative results
 - e.g. Investor Roadmaps, South Africa (Mandela Economic Scholars)

Dramatic Long-term Benefits



- Building capacity for policy management
 - *e.g. Korea, Indonesia*
- Promoting trade and investment
 - *e.g. Vietnam (legal reform)*
- Financial sector reforms
 - *e.g. Kazakhstan (capital market)*
- Fiscal reform
 - *e.g. Jamaica (tax reform)*
- Private Sector Development
 - *e.g. Peru (green asparagus)*
- Microeconomic view
 - *e.g. Sri Lanka (poultry)*

EG Programming promotes food security



- Food security requires *physical* availability of food
 - Ensuring adequate supply
- And *purchasing power* to afford food
 - Income generation, poverty reduction
- EG programs link people to food by
 - Improving policy regimes
 - Developing market infrastructure
 - Raising incomes through inclusive growth, job creation, trade, especially opportunities for women

EG Programs reduce conflict risk



- One-third of all nations have suffered civil war over the past half century
 - Poverty and slow growth are often major factors
 - Growth also helps legitimize governments
- EG priorities (*Guide to Economic Growth in Post-Conflict Countries*, 2009)
 - First, prevent a return to violence by creating jobs and opportunities for income generation
 - Second, establish a functioning government and other requirements for private sector development

USAID Officers – Behind the Scenes



- Success starts with project design
 - Taking into account country conditions and priorities
 - Flexibility, risk-taking
- Partnership between FSOs and FSNs
- Partnership between field officers and Washington-based technical experts
- Collaboration with host government officials, stakeholders, other donors

Three Points to Take Home



- ***EG programs are critical***
 - For equitable and sustained development
 - For poverty reduction, social welfare, human development, opportunities for women
 - For food security, conflict risk reduction, economic and political freedom
- ***EG programs can work***
 - Aim for catalytic “game changers”
- ***Current data and evaluation systems are inadequate***
 - Weak base of evidence to judge overall EG effectiveness

Moving forward



- Make the case for EG programming!
- Strengthen knowledge management for institutional learning
- Establish a hierarchy of evaluation methods
 - Rigorous to indicative, as appropriate
 - Economic analysis of projects – ex ante and ex post
 - Standardized qualitative evaluation of all projects
- Train EG and PSD officers in designing projects for maximum impact, accountability, learning