Overcoming the Samaritan's Dilemma in Development Aid

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We all have been in situations where we hear people criticizing aid to developing countries. Some people say, "Don't do it anymore." Others say, "Do it better." There is considerable doubt in the world that development aid is increasing economic growth, alleviating poverty, promoting social development, or fostering democratic regimes. We need to have a positive, sustainable impact, and that is not always happening. So it is important that we dig in and understand why some of our policies are not sustainable and why some people keep saying they need more money, while others say, "Well, we just can't help from the outside. It's got to be from inside." Some focus on how long it takes to make a big impact, while others say the reason for diminished or unsuccessful outcomes is too many perverse incentives. This last reason is most important—many development aid incentives *are* perverse.

In a study of development aid commissioned by the Swedish International Development Cooperation Agency (Sida)—one of the best development assistance agencies in the world—Krister Andersson, Clark Gibson, Sujai Shivakumar, and I did find perverse incentives within the organization. We then checked with our colleagues at the U.S. Agency for International Development (USAID) and the World Bank, and discovered that many of these perverse incentives exist across many development aid agencies. This spurred us to write a book about our findings, which was published by Oxford University Press as *The Samaritan's Dilemma* (Gibson et al. 2005).

First, we need a shared basic definition of "development." What we and many other people mean by development is that people around the world are realizing improved well-being through production and exchange of private goods, as well as cooperation and coordination in providing public goods and common-pool

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I want to thank Clark Gibson, Krister Andersson, and Sujai Shivakumar for joining me in the earlier research that provides a foundation for this address. I also want to thank the colleagues who have been working with us on our irrigation and forestry studies around the world, and colleagues at Sida who asked us to do this study, which enabled us to get an inside view of development aid.

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resources. Most aid personnel agree that governments provide the macroinstitutional environments within which development can be realized. One of the puzzles we are trying to solve is why some of the greatest efforts have not led to enhanced development. At the very heart of trying to achieve development assistance are collective-action problems. In many situations, to move ahead, we need the contributions of many participants in public health, in the management of resources, and in a variety of settings.

What Is a Dilemma?

The Prisoner's Dilemma was devised by Merrill Flood and Melvin Dresher in 1950, and expanded in Mancur Olson's *The Logic of Collective Action* (1965) and Hardin's "The Tragedy of the Commons" (1968). Hardin asked whether benefits can be obtained by a person who is making no contribution while others are contributing. He pointed out the incentive for a person, who can receive free benefits, is not to contribute, which may result in overuse of resources or underprovision of public goods. So there is a potential conflict in most of the real problems of the developing world and in the developed world's ability to solve collective-action problems.

Besides the incentive problems, we have a wide variety of information problems. In many instances, we have missing information. We have situations that are asymmetric—some people hold the information and others who need it do not have access to it. And throughout development aid processes, we have principal-agent problems; for example, when employees who work directly with development activities know more about what they do than their managers but do not share the information. When the real goals of donors and recipient country organizations differ, substantial principal-agent problems can occur.

Part of the problem is motivational—getting honest officials to oversee public goods, sharing knowledge about the process and progress, and knowing that we are providing the public goods. Most provision of public goods involves collective dilemmas, and some people say, "Oh, just turn it over to the government." But that has not always been a successful strategy. Government involvement may be very helpful, but it is rarely sufficient. Also, the provision of common-pool resources also involves the potential for a collective dilemma.

The Samaritan's Dilemma

In 1975, James Buchanan wrote about the Samaritan's Dilemma, pointing out that a person may want to help someone in need but faces the question "Do I or don't I?" The Samaritan tries to think through how the recipient will respond to help. In theory, the recipient has two strategies: put in high effort or put in low effort (figure 1). The equilibrium of a Samaritan's Dilemma game is that the Samaritan gives help and the recipient puts in low effort. The equilibrium in the lower righthand

FIGURE 1.
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.

corner of figure 1 is the highest immediate joint payoff in this situation. Food aid (figure 2) is an example in which people often say, "Gee, this is a terrible dilemma." If the Samaritan provides food relief, the recipient could put in high effort by using it and making an investment in new infrastructure and new ways of harvesting food, because the recipient has the food to support the effort. But the recipient could also just eat the food and not do anything to improve self-support. There are a fair number of documented instances in which people have stopped growing food when relief was made available. This is an example of a bad equilibrium, because the donor is trying to help people develop new agricultural techniques and new ways of producing things rather than just providing them with food.

Most infrastructure construction includes a Samaritan's Dilemma. For instance, the humanitarian provision of health aid can have these kinds of results. So we face the risk that all long-term development might become a Samaritan's Dilemma. We need to be aware of this problem when we think about how we provide aid.

Puzzles Related to Aid

Besides the Samaritan's Dilemma, we may encounter many asymmetric power relationships (Gibson and Hoffman, 2011). Some of our contemporary efforts in developing countries are trying to offset earlier forms of asymmetric power, where we have been concerned about elite capture and how we can overcome it. But sometimes when we try to help, we make it worse.

It is not just that developing countries have problems, and we who have all the knowledge should go in and solve them. We must be aware that these problems are complex, and that we often contribute to them when we try to help. Yes, many of the countries in need of aid lack contemporary, effective institutions, but many have had very effective institutions over a very long time. They have been changed, sometimes by internal mandates and sometimes by our own actions. The development assistance dynamic includes a number of actors in what we call an "octangle," representing the tangle of relationships that can exist (figure 3).

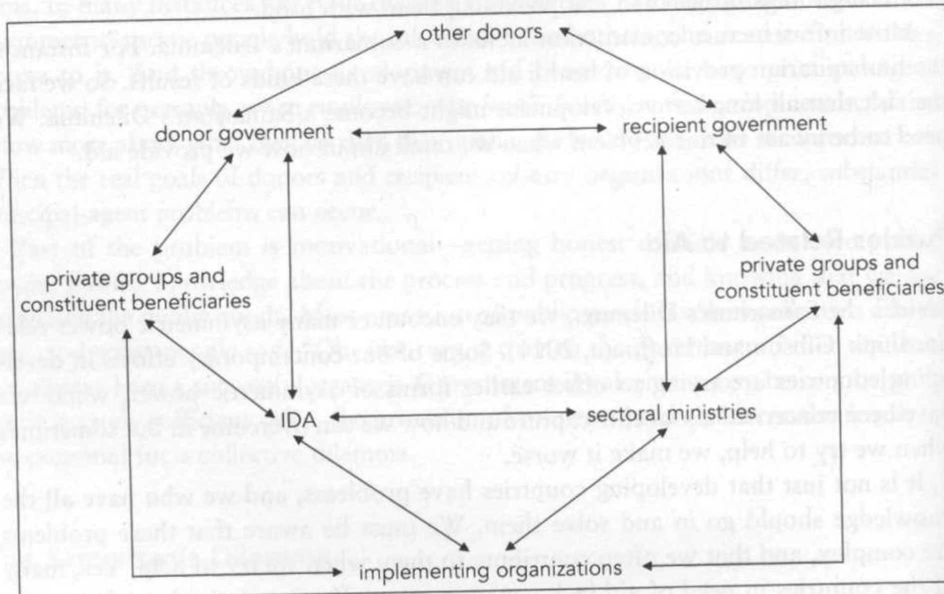
Let us take a look at the octangle in figure 3. A donor government might relate to a recipient government in government-to-government activities. Or there might

FIGURE 2.
An Example of the Samaritan's Dilemma: Food Relief

	recipient: high effort		recipient: low effort	
samaritan: no food	Save funds, but watch starvation occur despite farmers' hard work.	Try to improve farm productivity but starvation occurs.	Save funds and no results.	Do not try to overcome long-term starvation.
samaritan: relief food	Watch farmers improve short-term and long-term nutrition.	Eat relief food and improve farm productivity.	Watch farmers eat but not grow any food.	Eat relief food and do not farm.

Source: Adapted from Gibson et al. 2005.

FIGURE 3.
The International Development Assistance Octangle



Source: Adapted from Gibson et al. 2005, 64.
Note: IDA = international development agency.

be a triangle that includes other donors. Meanwhile, the development agency within the donor government and the sectoral ministries within the recipient government are relating both hierarchically and across the same level. There are private groups on both sides. And then you have the implementing organizations. We have studied development assistance relationships across many countries and

repeatedly found the octangle—the macrostructure always has an element of "tangledness" to it.

Each dyad or triad is subject to motivational, informational, and power problems. Many participants want short-term benefits. If you have a one-year budget, you want results in that year, because you are not going to get more money the next year if you do not spend this year's budget. A failure at any one of the nodes can lead to failure at others, so we can have a system that is working fine until one thing fails and affects others. It is not a self-correcting system. One of the advantages of a market for private goods is that it can self-correct. We need to be thinking about how to add self-correcting mechanisms to the development aid octangle.

We have too many stakeholders and not enough real ownership. The incentives for various participants are problematic, and the beneficiaries are not important stakeholders in the octangle; they are just the recipients. If you are going to try to improve development, recipients/beneficiaries need to be active, or we do not have development.

What Do We Invest in Development Aid?

When we did our empirical work, we chose to do research in two countries we knew very well. Sujai Shivakumar was born and raised in India and had already conducted long-term research there. Clark Gibson had done long-term research in Africa, particularly East Africa. So we chose India and Zambia, Krister Andersson and I have spent considerable time at Sida headquarters in Stockholm, and we have both conducted research in various developing countries. We chose natural resources and the problem of developing agriculture and infrastructure as the basis of our research design. We then asked each country agency—from Sida to the local agencies—to nominate their best projects. We were not able to do a long-term study, so we decided to look at Sida staff rated as their best projects to see whether and how they were handling the Samaritan's Dilemma.

From the field studies and from talking with colleagues across development agencies around the world, we found that infrastructure projects were very attractive to development assistance agencies. This is probably still true, from what I have heard from development assistance colleagues in the past year or two. You can get a budget, you can go out there, you can build a road, and then you can point to that road. You can move large sums of money with a small staff. You may also be able to involve firms from the donor country. USAID, for example, funds a very large number of U.S. firms that do consulting work plus construction and engineering work all over the world.

One comparative example comes from a long study of irrigation in Nepal, more than 200 systems that colleagues and I have studied intensely (Joshi et al. 2000). The agency-based systems that have received huge amounts of financial assistance from various donors are not able to outperform the farmer-managed systems. The farmer-managed systems—built on infrastructure the farmers have constructed out of mud and rocks—produce more food, produce more water for

the tail-end farmers, and are economically more efficient than some of the very large donor projects in which the infrastructure has been built for the recipients. The reason: The agency-based projects did not pay attention to property rights and were simply turned over without any effort to understand the incentives needed to keep them going. When we help with infrastructure, we must be very careful to work with the recipients to produce a successful, sustainable project (see Ostrom et al., forthcoming).

We also need to be thinking about how we support human skills to build productivity. How can we design systems so that people who receive funds and produce results get more money in the future, and those who do not produce get less? To achieve this goal, we have to keep records over time, invest in human knowledge, evaluate productivity, and base future projects on results. This investment will be substantial. When officials at USAID, the World Bank, Sida, and other development aid agencies ask me to describe successful development projects, I tell them about an ingenious intervention in Nepal and their reaction is often, "Oh, that would require a very large amount of our human capital, and we don't have that many staff." Most of the successful projects we have studied have involved large amounts of human capital compared with the proportion of engineered capital (Lam and Ostrom 2010). An agency can have a highly motivated staff, young people coming in with new ideas, investments in improvements, and high morale in the home office, but is this enough? I believe that these are necessary but not sufficient conditions for learning how to achieve sustainable development.

Sustainability of a Project

How can the individual in a development agency learn about sustainability, and how can that learning be enhanced? One way is through a long-term assignment. Projects frequently take five to seven years—if a person is there at the beginning or the middle or the end, he or she has a sense of the processes at different stages. We found in most projects we studied that people who were there at the beginning were not there in the middle or at the end, so there was no long-term involvement or learning. But even if a person is not involved in a project over the long term, he or she can pass information along, so the next person knows what happened earlier. Retaining young staff so they work with you for a long time is important, and people have to have a sense that their career advancement is based on performance.

There is often a huge variation in the length of assignments. One person may have a five-month assignment while another has been doing the same job for 18 years. People with longer assignments are often in a headquarters office and never get into the field. Many field assignments last for only one to three years, which means the person is there at the beginning or the middle or the end, with little or no continuity within the project.

A lot of moving around means that staff receive knowledge of what is going on in the recipient country, at headquarters, in infrastructure, and in agriculture, but the

rapid shifts back and forth do not allow the person to learn enough about any one area to gain the kind of expertise required for long-term design. When we have asked development aid staff about their assignments, most say the quick turnover rate has an adverse effect. For example, one person told me, "I just started to learn and then they shifted me somewhere else. I was learning the local language, and now I'm in a different place and I don't have the local language." That is a common problem. Also, there is often very little communication or participation in follow-up on a project after a person has moved on to another project.

Another factor in the development assistance world is temporary contracts. And part of that is due to the budget that determines how a project moves forward. For instance, an agency's budget allows a certain amount for a project that must be spent in a year but does not allow the hiring of full-time employees. Many aid personnel are temporary, with contracts ranging from 3 to 12 months. How can an agency maintain continuity on a project and how does one's career move forward when there is a collective-action problem within the organization itself? In this case, no single staff member is responsible for the project's performance. The octangle teaches us that many people and organizations are involved in a project, and the opportunity exists to point fingers and blame others for problems, especially when there is a succession of temporary staff in each organization. I think part of the solution is to establish long-term assignments for staff members. This will also enable more accurate performance evaluation for promotion within the agency.

How can we enhance organizational learning about sustainability? I believe there are five techniques. The first is to evaluate a project at midterm rather than just at the end. If an evaluation occurs at the end of a seven-year project, for instance, there is no chance of improving something that was not working right from the beginning. Problems are not noted until after the project is over. Second, it is very important to involve beneficiaries in evaluations, because they are key actors. If they are not involved, they do not have a voice. They need to receive the reports so they can participate in the discussions and the learning. Third, cumulative knowledge about factors (such as ownership) that lead to sustainability is important. All factors must be included in the evaluations, so the information can build as the project progresses. Fourth, information must be exchanged between the research world and the world of action, and compared among projects within a development aid organization and among similar projects developed by all aid agencies. The fifth technique is to make evaluations useful. Performance criteria should be uniform across evaluations, so knowledge can be accumulated and discussions about improvements can be productive.

How do we learn from the evaluations and how do we make them more useful? Critical reports exist on projects that were evaluated in the late 1990s and early 2000s (Carlsson, Köhlin, and Ekbom 1994; Cracknell 2001). The authors found that evaluations were conducted too late to be useful and did not involve the beneficiaries. My colleagues and I were struck by the lack of ownership. If you are going to have an effective project, the recipients have to have some sense of ownership. I have checked with USAID colleagues and other agency personnel,

and they say that evaluation still frequently comes at the very end of a project and rarely involves beneficiaries.

If we decide we are going to work on a certain aspect, we should be sure our evaluation process looks at that aspect. We did a content analysis of 16 evaluation reports to see what they considered factors for success. Of the 16, only one mentioned ownership (Gibson et al. 2005, chapter 11), and most of the reports did not mention sustainability. If we want to build sustainable development projects, we need be doing a thorough analysis of them, sometimes going back 5 or 10 years after project completion to find out what has happened. We have been doing that in some of our research, because we have been studying forestry, irrigation, and other resources in the field where earlier projects were completed. We look at them and record our careful observations; frequently we have found no impact of government management over a 5- to 10-year period but have found that community-managed forests tend to improve forest conditions in the same time period (Chhatre and Agrawal 2008, 2009; Hayes 2006;).

We need to make the evaluations useful and develop some sense of what criteria we should be using. But how do we get back and forth between the university and the world of action? In talking with Sida staff, we found that 85 percent believed evaluations were ineffective, but nothing was happening to change them at that time—lots of informal discussions but no effort to move ahead. And we did not find an internal and self-conscious effort of Sida managers to stimulate learning about factors leading to success or failure of their projects. We also asked about seminars that bring together all the people who are working on infrastructure around the world to talk about why projects work here and not there. We did not find anything like this at Sida, USAID, or other development aid organizations. I do not think we have had a lot of that at the World Bank either. We need to build these sorts of efforts.

Another arena that needs work is the budget process. The main problem is trying to get the money spent each year, because if it is not spent this year, it will not be available next year. This budgetary pressure is a universal problem and one we need to understand. The official policy of most development agencies is to discourage the use-it-or-lose-it approach; however, when project staff have spent all their money by a certain date, they are often feted with champagne or a party. We need to ask ourselves if we are rewarding the wrong behavior and not dealing with the problem.

One way of dealing with the mad dash to use up the money is to continue funding projects. If a project is already out there and we have "leftover funds," let's just keep it going. But that is not always the best strategy. We have found, in general, that the type of project affects the likelihood of sustainability. We studied efforts to transfer electricity over huge transmission lines without charging a fee to households; no income meant that the electricity agency in the country did not have a budget to sustain itself. As a result, it had to go back to the development agency to get more money to continue providing electricity (Gibson et al. 2005, chapter 9). Ed Araral (2009) conducted a fascinating study in the Philippines of more than 2,000 irrigation

systems and found the same lack of incentives. If the farmers do not invest in keeping the system going, they can go back to the development agency and ask for help to repair the system that they could have maintained. The development agency usually comes through with new funds. Decentralization has recently become another panacea, but it is not a universal success (Andersson, Gibson, and Lehoucq 2006; Andersson and Ostrom 2008). The Samaritan's Dilemma works itself out in a wide array of settings around the world.

Conclusion

It is important for us to recognize that there are no magic bullets and that these are tough problems. Instead of assuming that we have a panacea and taking action, we have to dig in and understand the incentives of a situation (Ostrom, Janssen, and Anderies 2007). We need to broaden our decision base, and we need multiple strategies, knowing that they will not work in every case (Poteete, Janssen, and Ostrom 2010). It is not easy to overcome these problems. We have to fit what we are doing to local culture and circumstance. And the participants have to understand what we are trying to accomplish and see it as legitimate and something they want to pitch in on (Shivakumar 2005).

So, what can we all do? I think we need to revisit the concepts of ownership and sustainability in terms of how we create projects in which people have real ownership and want to sustain over time, rather than simply handing out money. We need to examine the role of consultants. In our research, we encountered many nongovernmental organizations that were profit makers in disguise, simply trying to find the money. We also need to understand that public goods are different from common-pool resources; that enhancing a market is different from getting health care; and that we accomplish these tasks in different ways. We need to understand the politics. We need to understand the pressure to disperse and spend the money, which is a very big problem. We need to use evaluations more effectively.

Understanding all these factors requires time. We need to help build institutions, but we cannot build institutions primarily from the outside. Yes, we can build the hardware, but in our resource studies around the world, we repeatedly find that hardware is only part of what is needed to achieve development. Without the software of institutions, projects do not do well or last. We need much better work and communication back and forth, and I must say that academia has not functioned as well as it should have. When I go out to study various kinds of problems around the world, some colleagues in my department say, "Why are you studying *that*? You should be studying the government and parliament, not farmers." We need academia to get involved and not just work at official levels of government. We need to be developing the theory and testing it so we are moving ahead. We have a lot of work to do; if we can work together on these issues, I think we will move ahead.

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