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How to stretch development spending

Countries must make every dollar count with productive partnerships and savvy investments

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For The Straits Times

Governments and external financiers have always struggled with stretched budgets and how to wring more value from scarce resources. For developing countries, this challenge is getting tougher following the Donald Trump administration's proposal to cut the United States' foreign aid massively. In these circumstances, a powerful approach to get more out of development spending is by forging "productive connections" across countries – for instance, to boost cross-border trade and across related sectors such as education and health.

To protect against the spread of disease and environmental degradation, for example, it makes sense for countries to collaborate across borders in areas such as energy and water management as well as in transport and trade.

But it can be difficult to design and implement regional programmes, in part because the programme's spending and benefits need to be equitably shared among participating countries. But new evidence suggests that promoting deeper regional economic cooperation is still well worth the effort.

The Asian Development Bank (ADB) recently undertook an independent evaluation of the success rate of regional projects that it supports. It found that, over the past decade, the average success rate was 81 per cent, compared with 59 per cent for projects that were country-focused and not regional. This was despite regional projects being more complex and involving more stakeholders.

In the same period, 81 per cent of ADB projects co-financed by other development partners – another productive connection – were rated successful, compared with 67 per cent for those that were not similarly co-financed, and this despite the challenges of dealing with multiple financiers.

Issues like trade, transport and health have strong cross-country dimensions and benefit from regional approaches. They also gain from the expertise of multiple sources.

A case in point is a project to control communicable diseases in Cambodia, Laos and Vietnam, completed in 2012 with financial partnering from the three countries, the ADB and the World Health Organisation. Being a regional project, it established a common regional stance on the control of communicable diseases and upgraded national capacities to rapidly assess the emergence of epidemics and take timely action to control future outbreaks. The project's focus on communicable diseases contributed to reducing infant and under-five mortality and HIV in the three countries.

Within countries, investment projects tend to succeed especially when they tap synergies across different but highly related sectors such as health, transport, water supply and finance. Investment in education has long been a hallmark of South-east and East Asia's favourable growth rates.

Projects in China and elsewhere show that development gains tend to multiply when education investments are linked to better health services, transportation, water supply and sanitation. These complementary factors are necessary both for giving children greater access to schools and for promoting better learning outcomes, which are decisive in securing economic gains from education. For learning outcomes to have economic payoffs, links to the labour market are vital.

Investments in education need to go hand in hand with initiatives to support job creation, such as job matching, policies supporting labour mobility and vocational training. Thailand's Tonkla Archeep (Career Sprout) vocational training programme was started to help tackle the joblessness caused by the global economic downturn in 2008; it combined skills training with unemployment insurance, increasing the ability of the jobless to get back into the labour market.

When it comes to disaster response, it is even more crucial to forge links across sectors. To be sure, rebuilding damaged facilities is the first order of business after a disaster. But when rehabilitation and reconstruction projects include preventive components that often involve sectors beyond infrastructure, the spending helps to stave off future calamities, or at least cushion them better.

In one telling example, a cyclone in Bangladesh in 1970 killed 300,000 people. Since then, the government has taken criss-crossing preventive measures, including early warning systems and community outreach measures to make the economy more resilient to the frequent cyclones that tear into the country. And when a storm of similar magnitude struck in 1997, only 188 lives were lost.

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Similarly, Vietnam shows how building in environmental measures – such as reforestation of coastal zones – into cyclone response saves lives and property.

Productive connections also extend to how an issue is treated over time.

Continuity in successful policies can bring great development benefits.

Take the world's first national programme of giving cash transfers to the poor on the condition that they meet education and health goals, launched by Mexico in 1997. A study showing encouraging results enabled it to continue during a transfer of power in 2000, even though the new leader came from an opposition party.

Something similar happened in the Philippines, when the flagship pro-poor programme of the Gloria Arroyo administration was continued by Mr Benigno Aquino's government, despite differences between the two administrations. Positive and credible assessments of the two cash-transfer programmes kept them going.

Gains from making productive connections seem to be obvious and yet they are often overlooked by the very agencies or institutions that could reap huge benefits from them.

Better knowledge dissemination through data and information sharing on the possibilities for making useful linkages is one part of the solution. The other part is encouraging teamwork across sectors and collaboration across boundaries, rather than going solo and doing things in isolation.

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