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World Institute for Development  
Economics Research

## **ReCom—Research and Communication on Foreign Aid**

### **Introduction**

The ReCom—Research and Communication on Foreign Aid project aims to investigate and communicate what works, and what could work, in development assistance—including the potential to scale-up and transfer small but successful interventions as larger aid programmes.

The research programme is co-ordinated by UNU-WIDER and implemented in partnership with Danida (Ministry of Foreign Affairs of Denmark International Development Cooperation) and Sida (Swedish International Development Cooperation Agency). The Danish Institute for International Studies (DIIS), and the UNU-WIDER global network of partner institutions, and researchers, participates in the ReCom research. Through the creation and sharing of the knowledge gathered, ReCom aims to improve aid practice and policy, thereby increasing the benefits of aid for recipient countries and the poorest people in the world.

ReCom concentrates on five research themes: growth and employment; social sectors; governance; gender; and environment and climate change. Poverty cuts across all these issues, for there can be no sustained poverty reduction without achievements for aid in each. By these means, ReCom will also help shape the debate on the Millennium Development Goals (MDGs), particularly post-2015.

Research on the growth and employment theme of ReCom began in 2011, with a particular focus on aid and growth. The first results became available in January 2012, with more work on the employment dimension now underway, including a case study of Mozambique commissioned by the World Bank for the 2014 World Development Report on jobs.

### **ReCom 2012-13**

ReCom research continues over 2012-13. Results are disseminated for each theme in working paper form and peer reviewed articles as they became available. Furthermore, ReCom will

communicate these results through ‘result seminars’, which took place for the aid and growth theme in Denmark, Sweden and the UK, with at least one more event already being planned for Finland in May 2012. One of the main communication tools of ReCom is a specially designed website [www.wider.unu.edu/recom](http://www.wider.unu.edu/recom), which will go live in May 2012. The ReCom communication team will share knowledge with practitioners in key donor agencies as well as exploring ways in which the information can be spread into forums of the interested public at large.

## **Study objectives**

Currently the evidence base for what works in aid is fragmented, and not easily accessible—thereby limiting, in particular, the transfer of successful or promising interventions across countries. There is limited evidence on what works at scale, a key objective if more aid is to be used well, and if challenges such as adaption to climate change are to be successful. The ReCom programme will add to the existing evidence base and communicate to policy makers and the broader audience ‘what aid has done, and what can aid do better in the future’.

The now completed aid and growth research at UNU-WIDER has concentrated on testing and improving on influential research that has argued there is a negligible or negative effect of aid on economic growth. The objective has been to robustly test the aid–growth relationship to have a clearer picture of the general impact of development assistance in the long run. The findings are summarized below.

## **Methodology**

The ReCom research uses a wider variety of social science methodologies due to the nature of the project. Foreign aid is a complex and multi-faceted issue, involving many countries, institutions, and people—researchers, aid officials, policy makers, NGOs and civil society. To better understand, and improve, effectiveness of aid requires a multi-disciplinary approach bringing together the best of social science. Better understanding can only come from mobilizing a global network of development researchers and practitioners to share their knowledge on what works or could work. The use of varying methodologies enables stronger inference from the findings of the project.

The aid and growth research has used all available methodologies in the research literature, including cross-country, time-series, and meta-analytical approaches.

## **Key findings/evidence results**

As mentioned above UNU-WIDER ReCom research on the relationship between aid and growth takes as its starting point the existing body of econometric work on the topic. An

influential subset of this work claims that, as no statistically significant positive relationship has been uncovered between aid and growth, the relationship does not exist or is negative. It is interesting that very different conclusions have been drawn in the aid–growth debate from the exact same existing publically available data. These differences are due to the choice of econometric methods, and how the assumptions about the mechanisms through which aid may effect growth, and vice versa, are disentangled.

The major findings presented under the ReCom aid–growth research theme have clarified the picture of the relationship between aid and growth, concluding that:

- Aid has facilitated economic growth at the aggregate level over the long term.
- Views that posit a non-existent or negative impact of development aid on growth have been based on misspecified models and errors in data interpretation.
- Physical and human capital investments of development aid are clear transmission channels for economic growth.
- Development aid has had a 16 per cent internal rate of return since the mid-1970s.

These findings are based on a plethora of methodologies and as a body of work have not been contested to this date.

## **Research uptake**

The aid-growth research has produced four key papers originally published in the UNU-WIDER working paper series (see links below), and it is clear that these contributions have the potential to fundamentally shift the academic, as well as public, discussion of the macro impact of aid. No longer can it be claimed that aid has no effect on growth, now the question must be about how aid can best achieve other goals in order to cut poverty and support equitable development.

The aid-growth results have been presented in several ‘results meetings’. These have, for example, been held at Copenhagen University, Denmark, Sida, Sweden, and DFID, UK. The next seminar will be held in the Ministry for Foreign Affairs in Helsinki, Finland in mid May 2012 where the Development Minister will be introducing and joining the seminar. Video of the first presentation can be found on the UNU-WIDER website ([wider.unu.edu/recom/videos/en\\_GB/recom\\_seminar\\_videos\\_27\\_01\\_2012/](http://wider.unu.edu/recom/videos/en_GB/recom_seminar_videos_27_01_2012/)).

Furthermore, the aid–growth research has been highlighted in the following:

- TV2 interview of Finn Tarp on the topic of aid and growth (13 min)
- Radio 24syv interview of Finn Tarp on the topic aid and growth
- Several newspaper articles citing an interview with Finn Tarp on the aid-growth research were published on 16 March in Danish (A short version in English can be

found here: [Finn Tarp interviewed on Aid Effectiveness](#), Berlingske Tidene, Denmark. 16 March 2012.)

- ‘And new research from UNU-WIDER shows that development assistance does indeed contribute to growth. 25 dollars per capita a year in assistance yields half a percentage point more in economic growth. This is a good investment.’ UNU-WIDER aid and growth conclusion included in the speech given by Danish Development Minister:  
(<http://um.dk/da/om-os/ministrene/udviklingsminister/taler/udviklingsministerens-tale-i-forbindelse-med-danidas-50-aars-jubilaeum/>)
- In the report published in March by Lords Economic Affairs Committee on the economics of development aid the UNU-WIDER aid-growth evidence was heard. The report and both written and oral evidence quoted the papers from the ReCom project a number of times.
  - <http://www.publications.parliament.uk/pa/ld201012/ldselect/ldeconaf/278/278.pdf>
  - <http://www.parliament.uk/documents/lords-committees/economic-affairs/DevelopmentAid/FINALevidencevolumedevoid.pdf>

Key articles from the aid-growth theme:

[Aid and Growth: Have We Come Full Circle?](#)

*Channing Arndt, Sam Jones, and Finn Tarp*

[Aid and Growth: What Meta-Analysis Reveals](#)

*Tseday Jemaneh Mekasha and Finn Tarp*

[Aid Effectiveness: Opening the Black Box](#)

*Channing Arndt, Sam Jones, and Finn Tarp*

[The Long-Run Impact of Foreign Aid in 36 African Countries: Insights from Multivariate Time Series Analysis](#)

*Katarina Juselius, Niels Framroze Møller, and Finn Tarp*