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OFFICIAL DEVELOPMENT ASSISTANCE ONCE MORE UNDER FIRE FROM CRITICS

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Aid effectiveness · policy coherence · international cooperation · official development assistance (ODA) · political economy

1. Introduction

In the second part of this first issue of the International Development Policy Series, the authors analyse the major challenges and trends in trade, finance, food security and international development cooperation policies, focusing on 2008 and 2009. They examine the impact of the financial crisis and the commodity price boom and bust. The recent crises pose a particular set of challenges to international development cooperation, including the governance of the international financial institutions, cooperation in the agricultural sector, aid for trade and climate change adaptation.

Today international development cooperation is once again under fire from critics. Official development assistance (ODA) is seen by some as inefficient and by others as a waste of taxpayers’ money. Several authors have argued that aid can in fact have negative impacts and act as a brake on development (Monga 2009; Moyo 2009; Nwokeabia 2009; Tandon 2008). The fact that this radical criticism has once again reared its head obliges us to sit up and reflect, all the more since it is now being articulated by intellectuals from the continent that is supposedly in most dire need of assistance, i.e. Africa.

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Even if the tone and source of the criticism are changing, the critics are not saying anything fundamentally new. Since the 1960s the value of development assistance has been repeatedly questioned by proponents of different schools of thought. The terms of the debate have not changed much in the last half-century; yet, despite the criticism, development assistance remains a key policy instrument in North-South relations.

This article starts by sketching a brief outline of the main criticisms levelled at ODA, much of it from authors who claim to come from opposing ends of the ideological spectrum. The analysis then focuses on what motivates rich countries to provide assistance to developing countries. To conclude, the article suggests going beyond ideological differences and examining the inherent tensions in the assistance system through the lens of political economy.

2. Major criticisms of aid

For the last 50 years criticisms of development assistance have been inspired by three basic ideological schools of thought: neo-Marxist, populist and neoliberal. Today the most vociferous critiques of the aid system seem to involve an unexpected convergence of these three (on the face of it, antagonistic) schools.

For neo-Marxist critics or the radical left, ODA is above all an instrument through which industrialised countries seek to dominate poor countries. Teresa Hayter (1971) claims in her book *Aid as imperialism* that aid provided by the World Bank and Organisation for Economic Co-operation and Development (OECD) countries serves first and foremost the interests of Western nations and their multinational corporations. According to her, ODA is a mechanism through which leaders of Western nations lay their hands on and appropriate the resources of developing nations. According to other critics, aid has contributed to entrenching a relationship of dependence of poor countries on the West (Charnoz and Severino 2007, 38). In the decades which followed Teresa Hayter’s critique and those of dependence theorists similar critiques have been regularly reiterated, albeit in a more nuanced manner (Mosley, Harrigan and Toye 1991). The rise of China as a donor power has recently inspired similar critiques to those levelled at Western aid in earlier days.

The populist critique made its appearance at the end of the colonial era. In 1956 one of the pioneers of this school of thought, Raymond Cartier, published three articles in the magazine *Paris Match* under the heading “Beware: France is squandering its money!” In these articles he criticised the sumptuous French investments in Africa and accused the colonies of being responsible for France’s economic backwardness (Meimon 2007, 12). After decolonisation he denounced what he saw as “the abusive and contestable use” of French aid (Foubert 1973, 717). According to the populist critique, it is better to devote taxpayers’ money to national economic and social priorities rather than wasting money on trying to provide ineffective aid to corrupt leaders in distant lands. Today populist parties often invoke such arguments, particularly when called upon to vote on development cooperation budgets.

The neo-liberal critique, for its part, emphasises the perverse impacts of aid. According to this school of thought, ODA contributes to swelling the
Oficial development assistance once more under ire from critics

staff of myriad and ineffective public administrations in recipient countries. Furthermore, it serves to support corrupt and non-democratic leaders. Finally, aid given in the form of donations distorts markets, stifles entrepreneurialism and creates dependence among the beneficiaries. Peter Bauer (1971) claimed that development aid provided disincentives for leaders of developing countries to adopt “good policies”.

Today most authors who critique development aid take as their inspiration neo-liberal thinking (Easterly 2006; Moyo 2009) and frequently supplement this with arguments put forward by other schools of thought. For instance, Zambian author Dambisa Moyo denounces the relationship of dependence of the recipients on the donors and exhorts Africa to take its own destiny in hand and to adopt market-friendly policies inspired by neo-liberal thought.

Recently several non-governmental organisations working in the field of development cooperation have been very vocal in their critiques of aid, and this despite the fact that they are usually among the most ardent supporters of ODA. Ever since the 2002 Monterrey conference on development financing there has been increasing opposition to the practice utilised by members of the OECD’s Development Assistance Committee (DAC) whereby they include in ODA statistics on expenditure that does nothing to contribute towards the fight against poverty or to improve the well-being of populations in the field. According to Action Aid International (2005), two-thirds of ODA provided in 2003 was “phantom aid”. Indeed, 20% of aid funding was invested in ineffective technical cooperation whose inflated costs benefited primarily consultants from donor countries, while 14% of ODA went to service foreign debt repayments. For the organisation, the latter was little more than a “journal entry” in an accounting exercise. Still according to the organisation, ODA is often inflated by excessive transaction costs and costs of administering aid coordination. Finally, a growing part of ODA is being used to fund the costs of hosting asylum-seekers in industrialised nations during the first 12 months of their stay.

3. Analysis of donor motivation and justification for aid

From the outset ODA has incited animated debates about the underlying reasons which lead rich countries to provide assistance to poor countries. Is it an altruistic and selfless gesture aimed at improving the well-being of recipient populations? Are donors rather seeking to take advantage of privileged historical links and promote their commercial or geostrategic interests? Are they choosing to finance international cooperation to promote the production of global public goods and to manage risks which require global responses? Are the stakes primarily economic or security-related or is there a moral and humanitarian imperative? The answer depends on how one interprets development assistance as an instrument of donor foreign policy.

Realists consider that all States seek first and foremost to enhance their wealth and power. According to them, aid as a foreign policy instrument is guided by self-interest whereby donors consent to providing aid to enhance their sphere of influence, to broaden their access to markets and to promote
the interests of their ruling class (Jacquet 2006, 142). According to the neo-
realist school of thought, all States seek rather to guarantee their security
and survival (Waltz 1979). Given that the international arena is perceived as
an anarchic place, States’ first priority is security. ODA is therefore a tool to
promote the political and economic interests of donor countries by enabling
them to “influence, reward or punish other countries” (Charnoz and Severino
2007, 37). For idealists, ODA is above all an ideal and a moral imperative.
For them, aid is selfless and motivated by humanitarian considerations and
democratic values. Aid is to be used as a tool against poverty and to protect
human rights. For others, it is further motivated by feelings of guilt and is
understood as a compensation for past wrong-doings (e.g. colonial exploita-
tion). The idealist view of ODA is often dismissed as naïve; its weakness
lies in the fact that it dissociates aid from its historical and political context
(Charnoz and Severino 2007, 40-41).

From the 1950s to the present day the link between security and develop-
ment offers a common thread through which to gain a better understanding
of the diverse motivations for aid. The Marshall Plan launched in 1948 was
aimed not only at rebuilding Europe but also at preventing the spread of com-
munism on the continent (Berger and Beeson 1998, 488). In 1951 the United
States (US) adopted the Mutual Security Act which made explicit the link
between military and economic assistance programmes and the technical
assistance given to “under-developed” countries. ODA indeed developed in
the context of the Cold War. Defence considerations and expanding spheres
of influence dominated the discourse about the delivery of ODA right up until
the end of the Cold War (Alesina and Dollar 1998). Subsequently, although
security has remained the dominant concern, security risks have evolved.

Fears about communism have been replaced by other risks brought about by
global public bads such as epidemics, environmental degradation, criminality
and insecurity. The 9/11 attacks spurred renewed interest on the part of the
US for ODA, which experienced a net growth from USD 11.4 billion in 2001
to USD 27.9 billion in 2005. Of this, nearly half has been allocated to Iraq and
Afghanistan as part of the “global war against terror”. Brainard (2006) points
out that, in order to secure aid funding, it is clearly more effective to present
ODA to the US Congress as a “strategic defence system” than as a mechanism
for poverty alleviation in far-off countries.

Despite all the criticisms levelled at ODA, the international community
(donor and recipient governments, international organisations) keeps insist-
ring on the necessity of maintaining or increasing the volume of development
aid. They recognise that results fall short of expectations and that there is a
very real need to improve the yield and effectiveness of aid. In order to justify
ODA budgets, development agencies highlight the international solidarity
imperative and the fight against poverty. Since the end of the Cold War they
also emphasise the necessity of intervening in a concerted manner to deal with
global challenges including climate change, terrorism, migration and epidem-
ics. They also invoke economic and commercial interests to promote ODA.¹

¹ Studies show that ODA has a positive impact on exports from donor countries and a non-negligible impact on their econo-
mies in terms of economic growth and employment (Carbonnier and Zarin-Nejad 2009; Nowak-Lehmann et al. 2009).
The discourse of aid agencies is inspired as much by the idealist approach as by the neo-realist approach of aid as a foreign policy instrument.

4. Conclusion

In a context which is not overly favourable to increased ODA budgets, new financing mechanisms need to be developed and implemented to respond to the financial needs of developing countries and help them to deal with the impacts of climate change. Adaptation and mitigation measures will cost tens or even hundreds of billions. At the same time the economic crisis has exacerbated budgetary constraints facing donor countries. Some commentators view market mechanisms as a way to palliate for the shortage of funds. Others, invoking the solidarity imperative, call for an increase in development assistance. It is now a foregone conclusion that the climate challenge will have a major impact on the future of the development assistance system. Development assistance may get a new lease on life thanks to global warming. Aid occupies a major place in multilateral negotiations and sometimes, by default, becomes the main outcome of negotiations, which stumble at real fundamental issues.

Against this backdrop, it is vital to go beyond ideological debates about international cooperation if we are to better deal with its weaknesses and improve its performance. Martens (2005) proposes taking a “political economy” view of the aid system, focusing on the diversity of interests of pressure groups and stakeholders in donor and recipient countries. This allows a refined analysis of the different motivations underlying the policies and practices of cooperation agencies. It highlights the fact that the ineffectiveness of aid is a result, among others, of the broken feedback loop between donors and beneficiaries. Browne (2006), Easterly (2006) and Martens (2005) suggest organising the aid system into a competitive market through which developing countries could acquire essential goods and services from a variety of donors. The poor would be able to voice their preferences and select the projects and programmes best suited to their priorities at the most favourable conditions.

Ever since the Cold War recipient countries have been able to capitalise on the rivalries between the “great powers” in an attempt to secure the best deals, a situation facilitated by the fact that the aid market was strongly oligopolistic. Today the emergence of China and other emerging economies as large donors has increased competition in the aid market. However, agreements signed between donors and recipients still lack transparency and are dogged by inherent principal-agent problems. A new initiative which guarantees greater transparency in public development aid would allow policy-makers, civil society and researchers to make a contribution towards reducing current dysfunctions in the “aid market”.
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