**Aid and Influence: why aid serves donors more than recipients[[1]](#footnote-1)**



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The withdrawal of donor countries and their troops from Afghanistan last year was hasty and undignified. It was also inevitable. The United States alone had spent an estimated $2 trillion on the country (mostly on US citizens and companies). After two decades, the most wasteful and unproductive program in the history of aid had not met its objectives and was destined never to do so. There had been limited progress in advancing development goals in any sustainable manner. But more importantly for the US and other donors, they had failed to create an administration able to contain the Taliban. It was mainly a failure of influence.

This article turns the argument about aid effectiveness on its head. Since development assistance is inherently self-interested, a source of soft power, political manipulation and commercial opportunity, its real effectiveness should be judged by the strength of donor influence and not by development impact. Its subjective nature means that its impact on development is often weak, mainly short-term and confined to limited and specific contexts.

Aid as influence was prevalent during the Cold War era. In the present century the connection is equally strong in a newly bipolar world in which the contest is between western donors led by the USA, and China which is spending hundreds of billions of dollars on infrastructure as a means of influence in the global South. Influence permeates both bilateral and multilateral aid and in parallel with official aid, the rise of global philanthropy has seen it taken up by some of today’s billionaires.

**Where aid came from**

Aid is a form of patronage that grew up alongside the independence movement that began in the 1940s. But the notion of resources freely given was then a radical idea. History tells us that in the pre-aid era the development of independent countries proceeded by way of familiar commercial principles. For example, back in the early 18th Century, when Peter the Great started the modernization of Russia, he turned to the outside world for assistance, inviting the best engineers, shipbuilders, architects and craftsmen in from Europe. Hundreds of Russians were also sent to Europe for an education and to learn new skills. Japan opened up in the mid-19th century, and sought to catch up with the West, also calling for external assistance. More than 3,000 foreign experts were brought in with a range of skills. Japanese were sent abroad to study in growing numbers (Morgan, 2002). In the last century, the Iran of Reza Shah built infrastructure – including the Trans-Iranian railway - with foreign help since it lacked its own skilled manpower. He made a point of hiring these experts on an individual basis and under Iranian control, since he did not want to be subjected to foreign influence. There is also an important historical example from the Republic of China. Soon after its establishment at the end of the First World War, the League of Nations received a request for help with its modernization through the provision of capital and skills. In the context of international relations at that time, the deal required careful negotiation. The League was at pains to adhere to its neutrality and to demonstrate that the missions were purely technical in character. But by the early 1930s the first foreign – mostly US – experts (in health and hygiene) were in the field. In 1933, a ‘technical representative’, acting as a resident development ambassador of the League, was appointed in 1933 and by 1941 the League had provided China with 30 experts (Rist, 1997). This was probably the first example of multilateral assistance to the Global South.

In all these historical instances of countries seeking to modernize, they decided on their best courses of action and purchased overseas the skills which they lacked. Where additional capital was also needed, they borrowed on commercial terms, abroad if necessary. The client country paid and the jobs got done the way the client wanted. These were examples of how foreign technical and capital assistance helped drive progress. It was development cooperation in which market rules applied: supply responding to demand.

That was then. When official aid began to be offered, it was in the form of top-down patronage – a well-meaning attempt to push development along in poorer countries by means of resources from the rich. It was mostly pre-financed, meaning that it was offered and fully financed in advance by the donor, either as grants or subsidized loans, consisting of transfers from public sectors in the North to the public sectors of the South. From these conditions has flowed the whole complexion of aid which has been a creature mainly of rich country governments. The notion of aid as pre-financed patronage is so ingrained that it is rarely questioned. Over the years, the misleading term ‘cooperation’ has crept into the development lexicon, but aid, or development assistance, has generally connoted a richer party helping a poorer party as part of a from-to relationship.

If the notion was based on the assumption that the newly independent developing countries could not afford to do what Russia, Japan, Iran, China, Argentina and others had done prior to the aid era – buy or borrow commercially what they needed from outside – then the assumption was false. Most developing countries were adequately solvent at the time of their independence to have afforded to procure assistance. Part of the proof is the fact that, as dependent states, they had not been kept afloat on the patronage of the colonial powers but were – for the most part – economically viable. As dependencies, their external markets were closely meshed with those of the metropolitan powers. Those powers were keen to see the newly independent countries become thriving markets and what they needed most at independence was the continuation of favored market access, and a fair trading and financial system to compensate for falling commodity prices. It was a logic inspired by the experience of the Marshall Plan in Europe in which US assistance helped to kick-start economies expected to become growing consumers of American goods. In other words, then as now, developing countries needed trade and fairer global rules in preference to aid. But this was not to be. One of the greatest development misapprehensions was that channeling resources to poorer countries would automatically put them on the road to prosperity.

‘Pre-financed’ aid was difficult to refuse when it was offered – although some developing countries, like Sri Lanka (which first benefited handsomely from rising export prices), still needed some persuading (de Silva 1984). In reality, however, even grant technical assistance and other development services, although pre-financed, have in reality been un-free, because of the connections and agendas which have trailed them. The most eloquent manifestation of the problems of pre-paid assistance is the constant exhortation heard in aid circles about the need for ‘country ownership.’ Independence leaders including Jawaharlal Nehru, Sukarno and Josip Tito at the first Bandung conference of newly independent countries (1955) would be dismayed to look down today and find that ownership is even an issue. Pre-financing substantially undermined it.

And of course, much of the aid came as concessional loans – for infrastructure, but also for technical assistance, critical commodities and even food aid. With lending have come added perils. In addition to buying many unsuitable inputs and tying up additional domestic resources, donor-driven loan projects often fall short of those much-vaunted rates of return, adding to general indebtedness. Right up to today most recipients have never been able to repay their aid debts in full. On the contrary, overall indebtedness has steadily worsened and most of the poorest developing countries are financially in a much more precarious state than when they started out at independence.

Bureaucracy has played its part in the aid story. Unlike in those earlier historical instances, aid was founded on transfers between governments. But as a child of bureaucracy, it took on other attributes. Bureaucracy breeds procedure and formality. Aid was managed as a public sector activity in accordance with the government regulations and procedures of each supplying country. Technical assistance activities were to be bureaucratically structured and controlled and bureaucrats are notoriously incapable of devising simple procedures. Multilateral bankers are scarcely any better. From the beginnings of aid, recipient countries have faced the costly administrative need to accommodate the innumerable and separate requirements for aid design, approval and reporting of individual donor sources. Juggling multiple procedures was and is the reverse of logic: donors should have been responding to the respective requirements of the recipients. Harmonization has become another elusive mantra like country ownership. There are also rigidities in bureaucratic working practices that are ill-suited to supporting development processes.

The new development specialists co-opted the project – a device from the engineering field - as their primary instrument for administering aid. The project conveniently divides aid into time- and money-bound fragments and is geared to short-term ‘results.’ For capital funding of infrastructure and other tangible assets, projects have obvious relevance. But technical assistance also wholeheartedly bought into projectization, because of the many advantages which it seemed to offer to aid administrators. Projects are a convenient channel for public funds approved in annual tranches and intended to deliver visible short-term returns. The performance of aid agency staff is also measured by their effectiveness in moving the pre-approved money since low ‘delivery’ threatens future aid flows. In reality, however, the complexities of the development process do not lend themselves to quick-time inputs and outputs, which are more suited to limited technocratic challenges. Development is about lengthy, localized, idiosyncratic change. It is engendered within a subtle context alien to project rhythms and often resistant to outside interventions, however well-intentioned. From the beginning, the project fixation within bureaucracies distracted agencies from all-important political and institutional issues, the critical importance of which has only surfaced more recently in aid considerations.

From publicly administered aid arose numerous well-financed development agencies in donor countries, which took on lives of their own – in fact, if any has ever closed down, it has usually been resurrected under a new acronym. There are now more than 80 of them, nearly all adjuncts of foreign affairs ministries, administering tens of thousands of separate projects. In addition to their complex procedures and working practices, aid agencies develop their own agendas, which serve the interests of their paymasters in ministries of finance and in parliaments. Each bilateral donor has at least one agency – and usually several individual ministries – to administer its aid programs and they have assumed growing sophistication. Donors have become used to propagating their development formulae, limiting the space for developing country government strategies and reinforcing the North-to-South direction of the aid relationship.

Multilateral aid agencies such as the World Bank, the regional development banks and the United Nations organizations have also grown large and influential. While their wide membership at least ensures that recipient countries have a voice in their governing bodies, they are also beholden to the same western donors which provide them with most of their resources. The richer members exert a strong influence on their agendas, a trend which has grown as donors attach more conditions to their contributions. In some UN development agencies, contributions tied to donor interests amount to over 80 percent of their total resources.

Thus, agency agendas are subject in the first instance to the scrutiny of the providers of funds and they reflect donor preferences. The agencies are accountable upwards to their fund providers (governments and parliaments), rather than downwards to the recipients in developing countries, in whose name the aid is provided. Another favored term is the ‘rolling out’ of aid programs, which need to be discussed with and sold to developing country representatives. Hence the frequent exhortations in the aid lingo about ‘buy-in.’ Aid has inverted the market. It is supply – which is guaranteed - looking to match demand which is not.

Upward rather than downward accountability has also meant the need for aid agencies to show value for money to paymasters in tangible ways. This ‘value’ to the domestic economy tends to take precedence over broader notions of development effectiveness in the economies which aid is intended to support. Under the auspices of the Organization for Economic Cooperation and Development (OECD) – a club of rich countries – and its Development Assistance Committee (DAC), most donors have to some extent loosened the domestic ties to their aid. But for non-DAC countries such as China, India, Brazil, Turkey and others, aid is closely bound to its origins. The costs of tying are high, not just because of monopolistic costing, but more especially because lack of choice obliges the recipient country to accept goods and services which may not be appropriate to their needs.

**Aid unmatched to development need**

The story of aid to Afghanistan has been written many times. The donor retreat in 2021 merely repeated history. After the withdrawal of Soviet forces at the end of the 1980s, the US and other donors reduced their interest in the country, then as now one of the poorest in the world. In 2000, when the largest recipient of US aid was post-Soviet Russia, Afghanistan was not even among the top ten. Everything changed after 9/11 with the resolve to eliminate the Taliban. NATO forces and the donors swarmed back to keep a lid on Taliban resurgence and purportedly to try to create a functioning alternative administration. But as the USAID head of programs in Kabul stated in 2002, ‘We’re not here because of the drought and the famine and the condition of women. We’re here because of 9/11’ (quoted in Ignatieff, 2003). Total assistance to Afghanistan rose to $13 billion in both 2011 and 2012 and in 2019, the country was still the top recipient of US aid, only to have development assistance fall almost to zero in 2021.

Afghanistan is just one example – albeit an extreme one – of how western donors follow their own interests. In this case, security was the principal concern. However, patterns of aid respond to many other subjective instincts including the promotion of democracy, the maintenance of political and former colonial ties (even with undemocratic governments), commercial interests linked to export promotion and key commodity and energy imports, and even cultural and linguistic links. Humanitarian relief has grown substantially in the present century as a short-term palliative for human suffering often linked to chronic underdevelopment. However, the provision of longer-term development assistance is poorly correlated with the needs of the poorest countries, whether measured by levels of income or human development. The author’s own research shows that where aid levels are compared with incomes per capita, the scatter is random. Bangladesh receives substantially more aid (as a proportion of its national income) than Cameroon, which has a similar per capita income but almost twice the level of income poverty (according to World Bank data). While they have similar levels of income per head, Sierra Leone receives four times as much aid as Togo which has a higher income poverty level. When aid levels to the poorest countries are compared with their individual human development indices (a composite of income, education and longevity), the relationship is equally random. Niger receives half as much aid as the Central African Republic although both are at the bottom of the HDI scale. Similarly, Burundi receives three times as much aid as Chad, although both have similar HDI levels.

So western bilateral aid does not go where development demand would naturally draw it. And since the size and direction of aid are subjectively determined by donors and dependent on their fiscal health and sense of opportunism, aid levels are highly volatile over time. Aggregate long-term data reveal just how fickle aid has been. From its inception in the 1950s, ODA rose quite steadily for four decades, but fell away sharply after 1992. The decline was not in response to donor perceptions of reduced needs for development assistance – in fact the decade of the 1990s was an especially difficult one for many developing countries – but in large part because the geo-political rationale related to the Cold War, which had been a dominant donor motivation for aid, had suddenly been removed. Almost perversely, the 1990s also saw a distinct switch in the direction of (reduced) aid away from Africa and towards Europe, as the donors sought to build influence with Eastern Europe and the newly independent states of the former Soviet Union (White, 2002) responding to a ‘post-wall’ rationale (Browne, 1999). In the present century, ODA has perked up again, in part because the traditional donors have been more generous in funding global health programs and because of the growing weight of donors from the Global South.

The renewed expansion in aid, especially over the last decade, is in large part attributable to the emergence of China as a major donor and to the rise of billionaire philanthropy. Both sources have grown more quickly and consistently than western bilateral aid.

China’s aid program is as old as the People’s Republic but its recent economic advancement has seen a huge concurrent expansion of its soft power. The rapidity of its rise since the 1990s is without precedent and the nature of its aid programs departs from the standards and practices of traditional donors. Since 2013, aid has been disbursed as part of the Belt and Road Initiative (BRI) which is a major program of commercial and political cooperation framing its foreign aid, lending and investments. The BRI is a throwback to much earlier days of development thinking, since it involves building new infrastructure and using credits to buy imported goods. But while Chinese funding helps to create new physical assets, it is motivated not just by the development of its client countries but by potential commercial and strategic advantage. Funding is closely tied to its origins and its procurement practices are out of line with international standards. Its concessional aid is mingled with investments and loans on commercial terms on an unprecedented scale.

The significance and amplitude of BRI is captured in the titles of recent books, which reflect Chinese ambitions.[[2]](#footnote-2) With the BRI “China wants to put itself back at the centre of the world” headlined The Economist in 2020. “The focus is economic engagement and clever diplomacy. Leaders in Beijing ink BRI projects with countries for strategic or political reasons” (Ziegler 2020). All these references imply high ambition as well as formidable scale. In 2017, the BRI was given permanence as a framework of foreign policy through explicit inclusion in the Constitution of the Communist Party of China (CPC) leaving beneficiary countries in no doubt that engaging with China means participation in the program – and the reverse: that BRI countries are *ipso facto* components of China’s larger foreign policy objectives. As part of this strategic financing program its aid is inextricably tied in with its foreign relations.

Unlike aid from western donors and the multilateral development banks, the conditions attached to Chinese concessional lending are largely unwritten. Aid is a component of China’s political relationships with recipient countries, and is responsive to the requests of their leaders. It is neutral regarding the policies, institutions and governance standards on which western donors place their emphasis but its claims to uphold sovereignty are undermined by the growing indebtedness of its clients.

The BRI includes western countries. A majority of EU countries have agreed to participate, making them eligible for Chinese investments in their infrastructure. The BRI thus buys China political favors in both the Global North and South. Among EU countries, Greece and Hungary have declined to censure Beijing for human rights abuses and the suppression of democracy in Hong Kong. Chinese largesse has also helped galvanize support for Beijing among developing countries in forums like the UN General Assembly.

China is at odds with some multilateral norms and conventions, but is active in sponsoring its own initiatives both with established institutions and through its own creations. With the US, China has become the most influential member state in the United Nations system to which it has substantially increased its financial contribution. With funding has come influence. Within the secretariat in New York, a former Chinese diplomat heads the Department of Economic and Social Affairs (DESA) which oversees the long-term (2015-30) development agenda of the UN, embodied in the 17 Sustainable Development Goals. Chinese nationals also head several of the UN specialized agencies, voted in by a majorities of developing countries.

The fortunes of (mainly US) billionaire philanthropists are the other major source of increased aid in the present century. They follow an American tradition, first established during and after the industrial revolution which saw the rise of the original big three foundations: Carnegie, Rockefeller and Ford. They have been joined by the newer US tech billionaires who have amassed their own personal fortunes. With vainglorious eponymity comes power and influence: the revelation that the new philanthrocapitalists can be leaders of social change with neither the politicians’ need to respond to an electorate, nor the constant resource preoccupations of smaller charities. Their influence is bound initially to personal character and proclivity and substantial funding amplifies the impact of a personal philosophy. While philanthropy has led to many undoubted benefits particularly in supporting global public goods in health and other fields, the influential donor agenda becomes an individual one.

Today, the original big three have been joined by the Gates Foundation, the largest private donor, and the Open Societies Foundations of George Soros. The principal focus of Gates in on global health in which he is the world’s single most important donor. Soros funds independent groups in 40 countries working for social justice, democratic governance, and human rights. Another foundation seeking to influence politics and governance was set up in 2006 by the Sudano-British billionaire Mo Ibrahim. The foundation funds programmes on governance and leadership in Africa and is best known for the annual Ibrahim Prize which provides $5 million for “achievement in African leadership” awarded to heads of state or government of a sub-Saharan country who are deemed to have governed well and accepted to step aside when constitutionally required to do so after being democratically elected.

**Checkbook diplomacy**

Aid is competitive. In a newly bipolar world, the bilateral aid programs of the US and China are bound to vie for influence in the Global South. China’s influential BRI matters to the US for several reasons. It is much more than a road and rail program. If not challenged or countermanded, the BRI could enable China to increase its domination of world trade, set technical standards (including for critical communications systems) which would disadvantage non-Chinese companies, prolong carbon intensive power generation in many developing countries, and greatly expand China’s political and strategic reach. These consequences would directly and comprehensively undermine US strategic interests. Just posing the question “Has China Won?” (Mahbubani 2020) is enough of a wake-up call for a concerted response.

The espousal of universal values is central to the soft power which the USA has lost in recent years and should reclaim through its aid programs, challenging China across all key strategic political and commercial areas. It will also mean taking a more inclusive approach to developing countries, and being willing to engage constructively with regimes of every stripe. With its financial weight and the capacity it has shown in the past for leading coalitions of like-minded rich countries, the USA can also concert the responses of major donors to the global challenges of health and climate change. At the June meeting of the G7 countries, the US proposed the Build Back Better World program to respond to the infrastructure needs of developing countries following the COVID-19 pandemic.

**Competitive aid and influence in Nepal**

The Millennium Challenge Corporation is a key US program designed to reward countries which are considered “well-performing” by the USA, originally defined as “ruling justly, investing in their people and establishing economic freedom.” In March 2022, a grant of $500 million was approved for Nepal under the program, but not without controversy. It was the largest bilateral program in the country’s history and had been touted by the US as part of their ‘Indo-Pacific strategy’ designed to counter the influence of China. But some of the conditions were considered onerous and threatening to Nepalese sovereignty. The US became impatient at the slow progress in negotiations, hinting that without the program there could be potential damage to its bilateral relations with Nepal. A negative information campaign orchestrated by China helped to raise doubts about the program in the minds of some politicians and brought large numbers of people onto the streets to demonstrate. The grant was only agreed after Parliament agreed a form of words designed to safeguard its sovereignty, no sooner than which China suggested that its own relations with Nepal could be affected.

China is also engaged in aid rivalry with Taiwan, incurring generous offers of assistance on both sides. Through its own economic success, and determination to maintain its influence, Taiwan has remained a significant donor for countries which since 1971 have been willing to spurn diplomatic recognition of Beijing in favor of Taipei. Since 2000, several countries have switched their allegiance and become recipients of Chinese aid, but more than a dozen member countries of the UN still recognize Taiwan.

The EU countries, which see Africa as their post-colonial backyard, have also sought to respond to China’s BRI on the continent. In early 2022 they earmarked $170 billion for spending on infrastructure in Africa. In Asia, China’s main rival is Japan which is staying ahead in its overall expenditure on infrastructure in that region.

**Does aid work for development as well as influence?**

If aid is – to a greater or lesser extent – self-serving, being donor-driven and motivated at least in part by the desire for influence, is it more or less effective as a development resource? Aid detractors would maintain that most aid of any kind is ineffective, irrespective of the motivation. But there are also examples of donor and recipient interests coinciding.

Development is essentially a domestic matter and therefore a domestic responsibility. Progress depends critically on the way countries manage their own affairs, even where they face challenging geographies, natural resource endowments and trading conditions. The developing countries which are now emerging into middle- and upper-income status have overcome natural disadvantages and mostly managed well. They have maintained their independence and policy sovereignty and used the resources at their disposal towards development ends, facilitating enterprise and progress. Where aid has played a role, its influence has been productively channeled into domestically-determined strategies. As a general rule, the well-managed developing countries which have performed best in reducing poverty and meeting human goals are those which have learnt soonest to reduce their dependence on aid: up front were the original Asian tigers – Singapore, Taiwan and South Korea - then others like Brazil, Chile and Costa Rica have followed. In short, aid can supplement but never become the development process and can work where recipient countries generate their own demand. They get to yes by being able to say no.

The developing countries that still languish after seven decades of development assistance have mostly suffered from an absence of commitment to development ends and at worst they have been at the mercy of cynical regimes of despoilers, not developers. In these contexts, aid is not part of an organic process but becomes grafted onto a hostile body. The global South is littered with the relics of aid projects funded by donors which have made their own assessments of need: new school buildings and health clinics with no trained personnel; broken water-pumps lacking spare parts and the mechanics to repair them; rusting wind-turbines; new institutions and bureaucracies from which personnel have fled to join aid agencies or gone abroad. The COVID-19 pandemic revealed some of these failings in the health care systems of recipients as gifted vaccines went to waste without sufficient trained personnel, access to regional hospitals or supporting infrastructure such as refrigeration. Another favorite of donors is the pilot project designed to create and promote microenterprises. Many fail because they lack guaranteed access to markets and because there is no commitment to build on the experience when the aid dries up.

In the wrong environment, aid is not just wasted. Aid dependence fostered by donors actually limits the capacity of recipients to direct their own affairs. Fukuyama goes further: “the international community is not simply limited in the amount of capacity it can build; it is actually complicit in the destruction of institutional capacity in many developing countries.” He finds that deterioration in capacity accompanies increases in external aid flows (2004, 39). It is tempting to conclude with observers such as Nobelist Angus Deaton that countries which can best use aid don’t need it, while those that need it can’t use it (Deaton 2013, 273).

Daron Acemoglu and James A. Robinson also focus on inappropriate leadership as being inimicable to aid. Development is also undermined by weak and inaccessible institutions, lack of property rights, law and order, and poorly-functioning legal systems. Where dominant local elites maintain “extractive” rather than “inclusive” policies, aid is ineffective, because it will be misused (Acemoglu and Robinson 2012).

But, even in unpropitious environments, some aid can be of value. Humanitarian aid is the best example since providing food and shelter to victims of conflict and other disasters helps save lives and livelihoods, even though ill-intentioned regimes can manipulate and divert humanitarian aid away from the most needy for their own political ends. After conflict or other protracted disasters, aid can assist in reconstruction and in re-establishing stability where viable host administrations re-emerge or where donors work constructively with local communities.

Development assistance can also be productive where donor interest coincides with obvious country needs. Some examples are given by the creation of transportation and energy facilities, in the right conditions. Studies of China’s “connective infrastructure” projects suggest that they produce positive economic results and help to stimulate new economic activity in the localities where they are implemented (Bluhm et al. 2018). External benefits can flow where trade links are strengthened between with the Chinese market. These gains need to be tempered, however, where projects are not sustainable either in commercial or in environmental terms. They also tie up domestic resources required to manage and maintain the infrastructure. Since it is funded by loans as well as grants, Chinese aid leads directly to growing indebtedness among client states.

**Aid without influence**

For the major donors, and especially the US and China, aid, politics, diplomacy, commerce and security are clearly mingled. Humanitarian assistance can save lives and livelihoods but longer-term development assistance is driven by influence to a greater or lesser degree.

For aid to be effective as a development resource, developing countries with progressive strategies should only receive what they really need from the rich countries through their own choices while minimizing this influence. The best guarantee for governments – at least those committed to human development – is to eschew pre-paid patronage and pay their own way. The existence of aid on its current global scale exaggerates the notion that the poorest countries cannot afford to pay for their needs. Indeed, the whole aid industry depends on that assumption. Yet there is no such thing as “free” assistance as long as aid is provided in the form of pre-cooked solutions and on the condition that it ties up substantial domestic resources as “counterpart” funding.

But we conclude by asking what more the richer countries can do for the poorer which will deliver better lives. The conclusion is neither radical, nor original. Since the distortions of influence mainly arise from government-to-government interactions, in which the intended beneficiaries are secondary recipients, the most beneficial and most genuine forms of aid are those which provide directly for those in the greatest need, with the fewest conditions, and which circumvent the paternalistic roles of states. In other words, aid should be more people-to-people and less government-to-government.

*Migration and remittances*: the large-scale migration of economic and political refugees from South to North in 2015-16, particularly to Europe, led to a major test of political will among the destination countries. Most failed the test but a few, including Germany and Sweden, accepted substantial numbers of refugees. Their generosity will improve the lives of a large number of families. The plight of those fleeing Afghanistan in 2021 will present new challenges. There has been criticism that funds spent on resettling migrants in donor countries are diverted from ODA, but in the broader development perspective these resources are a genuine form of aid since they improve the lives of migrants as well as generating remittances which are sent back to countries of origin. The total value of remittances flowing into developing countries is greater than ODA and foreign direct investment inflows combined (International Organisation for Migration 2021). They constitute free private aid, well targeted at needy communities. While for sending countries, migration results in the loss of skilled personnel, the developmental advantages of migration, both for the migrants and for those they leave behind are positive.

*Free cash*: giving cash to communities has never been popular with donors, even though (or perhaps especially because) unconditional grants avoid the need for needs assessments, project preparation and the other bureaucratic requirements that go with traditional ODA. In recent years, however, private charities have begun basic income programmes in some developing countries. A leading example is the work of the American charity, GiveDirectly, which has been providing all the inhabitants of chosen villages in Kenya with cash on a monthly basis for several years. There are no conditions attached. Kenya was chosen because it has pioneered banking arrangements via mobile phones (M-Pesa) which facilitate money transfers (part of a previous UK aid project). The results have been impressive. Virtually none of the cash has been wasted or misspent. The villagers involved have seen an impressive and visible improvement in their livelihoods (Lowry 2017). A study of over 650 villages in Kenya found that, in addition to rising living standards, basic income grants had also helped non-recipients, generating a local fiscal multiplier of 2.7 percent (Egger et al. 2019). The success is not surprising. Many countries, both developing and developed, have supplemented their welfare programmes by starting their own basic income schemes which have helped to lift people out of poverty.

*Home-grown community development*: local NGOs can successfully scale up grass-roots development by empowering communities with cash and opportunities. BRAC and Grameen Bank in Bangladesh, which operate independently of their government, are examples of how those in the greatest need can choose their own paths to development. Like many other such community-based development NGOs in the Global South, they have been supported but not patronised with donor funds.

*People to people aid* can also be generated through multilateral channels. UNICEF, for example, raises a growing portion of its funding from huge numbers of private sources through the activities of its many national committees (think greetings cards). For development purposes, these are usable as core funds entirely devoid of donor influence. Other multilateral organisations can also tap into funds generated from private individuals. WHO is partially financed by UNITAID from levies on international air travel. Other proposals for raising funds for multilateral organisations from private individual sources through levies and taxes are being considered.[[3]](#footnote-3)

*Global goods*: rich country governments invest in public goods which private sources cannot or will not finance because of low commercial returns and high risks. The development of vaccines against COVID-19 was substantially financed by governments, and are just the latest example of public funding of medical technologies which can be made available to developing countries. There are many other examples of publicly funded global goods including renewable energy technologies, information and communications systems (like Kenya’s M-Pesa). Through multilateral efforts, rich and poor countries can also assist in the generating global *public* goods (GPGs)[[4]](#footnote-4) which benefit development. GPGs are often intangible like international agreements and treaties, but to be most effective they require universal compliance. The elimination of diseases and pandemics, cleaner air and restoration of the ozone layer are also critical GPGs requiring donor support.

*Better global economic conditions*: After independence, the economy of Bangladesh languished for many years in spite of receiving generous amounts of aid as a ‘least developed country’. Its fortunes began to change rapidly in the 1990s as a result of a thriving garment manufacturing sector fuelled by foreign investment, taking advantage of tariff- and quota-free access to developed markets. It has been an impressive example of development fuelled by trade. However, easy access to developed country markets has been denied to most other developing countries throughout the entire aid era, hindering their development. “Trade not aid” is not an idle slogan, but it has been ignored by the world’s richest aid givers. It has been estimated that a combination of trade protection and agriculture subsidies in the rich countries costs developing countries three times as much as foreign aid. (“Why would we give the poorest countries a hand-out but deny them a hand up?”) (Stiglitz and Charlton 2005, v). There is an opportunity to create a more even playing field through the World Trade Organization, but the latest Doha Round has been in limbo for twenty years. There is more that the rich countries could do to facilitate development by ameliorating the adverse conditions of the global economy. They could reduce corruption and tax avoidance in the overseas investments of their multinational corporations; they could cancel the ‘odious’ debts incurred by egregious regimes subsequently voted out of office; they could reduce protectionism in intellectual property which denies developing countries access to key technologies.

All these measures would favor the development of the Global South. But while they would not be called aid in its most common guise, none would bring the influence that goes with targeted patronage.

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1. This article is derived from the author’s *Aid and Influence : Patronage, Power and Politics* (Routledge, May 2022) [↑](#footnote-ref-1)
2. For example *Empire-Building along the New Silk Road* (Miller 2018), *High Speed Empire* (Doig 2018), *The New Silk Roads: The Present and Future of the World* (Frankopan 2018), *Belt and Road: A Chinese World Order* (Maçães 2018) and *The Emperor’s New Road: China and the project of the century* (Hillman 2020). [↑](#footnote-ref-2)
3. As long ago as the 1970s, the Nobel laureate James Tobin proposed a modest tax on currency exchange transactions to generate funds for development. The idea has been revived many times since. [↑](#footnote-ref-3)
4. Defined as non-rivalrous (consumption by anyone does not reduce the quantity available to others), and non-excludable (cannot prevent anyone from consuming them). [↑](#footnote-ref-4)