



Munich Personal RePEc Archive

## **Book Review: Development without Aid the Decline of Development Aid and the Rise of the Diaspora**

Nasrat, Sayed

Ministry of Rural Rehabilitation and Development, Afghanistan

25 April 2014

Online at <https://mpra.ub.uni-muenchen.de/55525/>

MPRA Paper No. 55525, posted 27 Apr 2014 18:22 UTC

# **Development Without AidThe Decline of Development Aid and the Rise of the Diaspora**

by

**David A. Phillips,**

**(Anthem Press April, 2013. ISBN-10: 0857286234)**

**Book Reviewedby: Sayed Nasrat**

*“Development aid, far from being necessary to rescue poor societies from a vicious circle of poverty, is far more likely to keep them in that state”* (Bauer, 1993). Having this in mind, the main objective of this book is to investigate that how far the people of aid dependent countries can become self reliant and take up again autonomy over their development process.

To achieve the objective, the author has divided this book into nine chapters, the first chapter which is the introduction offers the author's experience of growing up as a child in the British colony which later became Malawi. The growing up of the author in a significantly aid-dependent economy in Africa seems to have significantly influenced him in forming the perceptions reflected in the book instead of more academic articles concerning impact of trade on development, the nature and flows of foreign aid.

The second chapter, pointed out the size, structure, typology and evolution of development aid and important issues of its effectiveness. Chapter three examines the issue of aid effectiveness from both macro and micro perspectives based on the authors work experience at the World Bank and available literatures on the issue, at the same chapter the author argues that aid has not been effective to reduce poverty, the reason behind the aid failure to achieve its objectives, includes some economic, structural, geographical and historical factors which are briefly analyzed in chapter four, this chapter also explains the features of a

dysfunctional power relationship between recipient and donors, inherited over the years. It is argued that aid ineffectiveness is due to the systemic factors.

Chapter five highlights the dynamics of the emergence of the diasporas as a powerful agent for change. Meanwhile, chapter six observes the potential of the diasporas emerging as a new pathway of reducing poverty along with what is needed to make such a transformation. Chapter seven investigates the possibilities of the new “Aid Approaches and instruments” introduced in 21<sup>st</sup> century in order to overcome the systemic problems and enhance aid effectiveness in the background of persistence of unequal power relations, both globally and nationally. Chapter eight suggests aid exit strategy for the poor countries. Finally, the book ends with chapter nine along with a postscript and conclusions drawn especially taking Malawi (one of the poorest countries) as a case.

Throughout the book the author argues that forming and using of domestic policies of developing countries by the donors are the significant part of socioeconomic development instead of pouring only aid, because the author believes that aid might fail to achieve its objectives which is poverty reduction if it is not aligned with the national development strategy of the aid recipients. Likewise, Burnside & Dollar (1997) and Collier & Dollar (2002) also claimed that aid is effective when there are sound and effective policies of institutional environment in the aid recipients. On the other hand some researchers argued that aid is not effective for recipient countries and it is harmful and waste of resources (see Boone, 1996; Dichter, 2005). While, others argue that aid has positive and significant impact on economic growth and aid brought economic development in many cases (see McGillivray, 2004; Doornik & Nunnenkamp, 2007).

Conversely, the author believes that the debates on what contributes to aid effectiveness remain somewhat unresolved. But, according to this book the main question is that what are the sources of failure of aid? There has been intense debate between those who believe that aid fails due to internal factors in the recipient countries while there are others who argue that it depends on the external factors such as the unfair global economic structure.

## **Aid and Diaspora Impact on Development**

Since the long history of the aid which began after the WW II, there are a lot of evidences on its impact in the development of third world countries which are briefly discussed in this book. Countries which had received marginal amounts of development assistance relative to the size of their economies (e.g. in East and partly in South Asia, and South America) however, have been the most successful in reducing poverty over the last two or three decades.

On the other hand, there are countries (especially in Africa and a few in Asia and Latin America) where development aid has become dominant but has performed badly in terms of moving out of poverty, such as Afghanistan the second largest ODA recipients after Congo in the world (Divinet, 2013), and almost 70 donors are pouring aid (theguardian, 2012) but still 40 % people are living below poverty line (Tolo News, 2014).

Therefore, the author illustrated that countries got worse due to high aid. He formulates the hypothesis that countries in which development aid is a minor factor in the economy and society have derived beneficial impact, as compared with the countries where development aid has become the major factor. Consequently, the author has recommended diaspora remittances as the alternative of foreign aid in order to exit poor countries out of poverty particularly in Africa because the author believes that international migration remittances has the potential to enhance development in the poor countries as compared with the foreign aid (see also Chami et al, 2009; Frankel, 2011; Ahmed, 2013), this shows the uniqueness and strength of the present book.

## **Aid Relationship and Dependency**

Aid relationship as the main points in this book means “understanding the present social and cultural relationship between donors and aid recipients in their colonial era which creates aid dependency”. According to the author “aid dependency” means when foreign aid is ineffective, and ineffectiveness of aid creates some conditions that lead to its perpetuation, these conditions

can be in the form of economic, institutional (weak governance capacity) or social (dominance by outside culture) a good example can be Sub-Saharan African countries (Rwanda, Malawi, Zambia), Micronesia and some of the central and southeast Asian countries (Tajikistan, Mongolia, Cambodia and TimorLeste). Phillips affirmed that aid dependency reduce the economy's ability to export, increase corruption, decline employment generation and labor intensive sectors. Which is why the growth of world's diasporas as a quasi indigenous has been recommended in this book for poverty reduction instead of foreign aid.

This book also argues that the paradigm that circulates the strong and almost universal role of development aid is broken down, especially due to its pervasive contribution towards losing control over the development path by the country itself along with increased vulnerability due to the long-term and often unsustainable dependence on aid. Despite some commitments by OECD countries to increase development aid, the recent trend of ODA is somewhat declining toward economic growth. Many analysts argue that this has been contributed to other sectors except the economic growth, such as controlling drug trafficking, the environment, preventing infectious diseases like HIV/AIDS and among others.

## **Aid or Trade?**

In addition of aid dependency problem, this book explores the nature, magnitude and characteristics of financial and resource flows between the rich and the poor countries along with their social and political implications for acceleration of development in developing countries. In this context, Phillips integrates the issues of trade protection especially in terms of market price support through trade barriers, production and export subsidies. He observed that the Aid-for-Trade Initiative which was launched in 2005 seems to have already attracted increased uncertainty about the value of the Initiative.

It was assumed that the Initiative avoids the main problem of removing the remaining barriers by providing customary capacity building and other support. The author cites examples

which show that welfare losses resulting from trade impediments in the poorer countries, the economic cost of barriers and subsidies significantly exceed the value of foreign assistance to these countries.

## **Conclusions**

As the issue of development and aid is a controversial issue today due to different results from the aid researchers and scholars, hence this book with the main focus of development without aid is difficult to be concluded easily, because easily appearing of development is difficult too. The main findings in the present book is that the author calls for a return to the culture-development environment which have been somewhat over-shadowed by the macroeconomic “buzzwords” in the recent development literature which has mostly been ignored by the donors and the recipients of development aid.

One of the major contributions of the this book is to move the perception of development in poor countries directly beyond development aid and its role, architecture and design in order to re-assert an indigenous development path for development of the poor countries which is limitedly studied by other scholars. In this context, one may argue that the view which holds that aid is entirely out of work in development of the poor countries is somewhat a simplemindedgeneralization because there are some countries who benefited from aid by having good governance and strong institutions such as South Korea (Kim, 2012), Singapore and Indonesia (MOFA, 2014), Japan and Germany (Lancaster, 2008).

Overall, it should be noted that this book is very well organized and written concerning the aid issues and development, it can be very useful and informative for both the donors and aid recipients as well as for the policy makers, scholars and students interested in foreign aid and remittances related issues particularly in African region.

## References

- Bauer, P. (1993). *Development aid: end it or mend it*. Ics Press.
- Burnside, C., & Dollar, D. (1997). Aid spurs growth-in a sound policy environment. *Finance and Development*, 34, 4-7.
- Boone, P. (1996). "Politics and the Effectiveness of Foreign Aid." *European Economic Review* 40(1996): 289-329
- Collier, P., & Dollar, D. (2002). Aid allocation and poverty reduction. *European Economic Review*, 46(8), 1475-1500.
- Devinit. (2013). *Investment to End Poverty*. Retrieved in Dec 25, 2013 from <http://devinit.org/wp-content/uploads/2013/09/Investments-to-End-Poverty-Chapter-10-Afghanistan.pdf>.
- Dovern, J. and P. Nunnenkamp (2007). "Aid and Growth Accelerations: An Alternative Approach to Assessing the Effectiveness of Aid." *Kyklos* 60(3): 359- 383
- Dichter, T. (2005). Time to Stop Fooling Ourselves about Foreign Aid.
- Kim, J. (2011). Foreign Aid and Economic Development: The Success Story of South Korea\*. *Pacific Focus*, 26(2), 260-286.
- Lancaster, C. (2008). *Foreign aid: Diplomacy, development, domestic politics*. University of Chicago Press.
- McGillivray, M. (2004). Is Aid Effective? Helsinki, WIDER.
- MOFA. (2014). *History of Official Development Assistance*. Ministry of Foreign Affairs of Japan. Retrieved in Feb 2, 2014 from <http://www.mofa.go.jp/policy/oda/summary/1994/1.html>
- Tolo News. (2014). Debate on economy and social development in Afghanistan. Kabul. Retrieved in Mar 5, 2014 from <http://www.tolonews.com/en/programmes?start=21>
- Theguardian (2012). *Afghanistan promised USD 16bn in Development Aid at Tokyo Conference 2012*. Retrieved in March 9, 2014 from <http://www.theguardian.com/world/2012/jul/08/afghanistan-donors-16bn-development-aid>