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Development Without Aid
The Decline of Development Aid and the Rise of the Diaspora

by

David A. Phillips

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Reviewed by: Sayed Nasrat* and Abdul Tamim

“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; p. 11). Having this in mind, the main objective of this book is to investigate 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 considerably influenced him in forming the perceptions reflected in the book instead of more academic articles concerning the 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 author’s work experience at the World Bank and available literatures on the issue. In the same chapter the author argues that aid has not been effective to reduce poverty. The reasons behind the failure of aid to achieve its objectives include some economic, structural, geographical and historical factors that

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 that are emerging as a new pathway for 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 the 21st century in order to overcome the systemic problems and enhance aid effectiveness against the background of persistently 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 in Africa) as a case.

Throughout the book the author argues that forming and using domestic policies in developing countries by the donors are the significant part of socioeconomic development instead of only pouring in aid. This is because the author believes that aid might fail to achieve their objective, 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 in the institutional environment of the aid recipients. On the other hand, some researchers argued that aid is not effective for recipient countries and it is harmful and a waste of resources (Boone, 1996; Dichter, 2012). On the other hand, others argue that aid has a positive and significant impact on economic growth and aid has brought economic development in many cases (McGillivray, 2004; Doornik & Nunnenkamp, 2007)

Conversely, the author believes that the debates on what contributes to aid effectiveness remain somewhat unresolved. However, according to this book the main question is 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 aid which began after WW II, there is a lot of evidence on its impact in the development of third world countries which are briefly discussed in this book. Countries which have 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) have nevertheless 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 Latin America and Asia) where development aid has become dominant but has performed badly in terms of moving out of poverty, such as Afghanistan, the second largest ODA recipient after Congo in the world (Devinit, 2013). Conversely, 70 donors are pouring in aid (The Guardian, 2012) but 40 percent of people are still living below the poverty line (Tolo News, 2014).

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

Aid Relationship and Dependency

Aid relationship as the main point 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 that when foreign aid is ineffective and this ineffectiveness creates 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). For instance, Sub-Saharan African countries (Rwanda, Malawi, and Zambia), Micronesia and some of the central and Southeast Asian countries (Tajikistan, Mongolia, Cambodia and TimorLeste) can be good examples. Phillips affirmed that aid dependency reduces the economy’s ability to export, increases corruption, and reduces employment generation and labor intensive sectors. This is why the growth of the world’s Diasporas as 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 has broken down. This is particularly 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 increasing 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, and preventing infectious diseases such as HIV/AIDS, among others.

Aid or Trade?

In addition to the 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, and the economic cost of barriers and subsidies significantly exceed the value of foreign assistance to these countries.

Conclusion

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

One of the major contributions of this book is to move the perception of development in poor countries directly beyond the development aid and its role, architecture and design in order to re-assert an indigenous development path for development of the poor countries, of which there has been limited study by other scholars. In this context, one may argue that the view which holds that aid is entirely inappropriate in the development of poor countries is a somewhat simplified generalization because there are some countries who have benefited from aid by having good governance and strong public administration such as South Korea (Kim, 2011), Singapore and Indonesia (Ministry of Foreign Affairs-Japan, 2014), Japan and Germany (Lancaster, 2008).

It should be noticed that David Phillips in this book has not discussed the role and importance of good governance in economic development of aid recipients, he has only examined one side of the coin which is the increase of Diaspora remittances as an alternative of foreign aid for the development. Whereas domestic tax collection can be also an alternative of foreign aid for economic development in developing countries with effective tax collection administration system (see Ear, 2013). At the mean time, Organization for Economic Cooperation and Development (OECD) has predicted that proper tax collection system can paly significant role in socioeconomic development of Sub-Saharan African countries (Carter & Cebreiro, 2011).

Overall, it should be noted that the above short-comings pointed out by the book reviewer after in depth-study of the book, can not entirely undermine the weight of author's (David Phillips) arguments'. Hence, we can say that this book is very well organized and written regarding the issues of development without aid; it can be very useful and informative for donors and aid recipients as well as for policy makers, scholars and students interested in foreign aid and remittance-related issues, particularly in the African region.

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