

1 *The many uses of foreign aid*

Of the seeming and real innovations which the modern age has introduced into the practice of foreign policy, none has proven more baffling to both understanding and action than foreign aid.

– Hans J. Morgenthau, 1960¹

Take up the White Man's burden –
The savage wars of peace –
Fill full the mouth of Famine,
And bid the sickness cease.

– Rudyard Kipling, 1899

I can handle whatever you put your mind to.

– Leatherman multitools website²

Why do countries give foreign aid? Some earnest idealists see aid as a modern form of Kipling's 'White Man's burden': a worthy, noble enterprise, aimed at lifting those worse off than ourselves out of poverty. More critical observers point to the poem's call for expansionism and Western control, and condemn aid as simply a modern form of imperialism. Others, still, note that Kipling may have intended his poem as satire, criticizing foolish notions about both the value and the feasibility of assisting those allegedly in need of superior Western beliefs, skills and products; aid, they suggest, is a similarly misguided and often counterproductive policy. There may be kernels of truth in each of these characterizations, but even taken together they offer at best an incomplete picture of the multifaceted policy area that is

¹ Morgenthau, foreword to G. Liska, *The new statecraft: Foreign aid in American foreign policy*, vii.

² Sales text on the front page of www.leatherman.com, accessed 7 August 2007.

contemporary foreign aid. Aid programmes can handle whatever policy-makers put their minds to, making them the foreign policy version of a multitool or Swiss army knife.

Every advanced industrialized nation has a foreign aid programme, and each of these programmes officially aims to foster the development of denizens of the poorest countries. The sums involved are considerable. In recent years, annual transfers have exceeded \$100 billion, which translates to over \$100 per donor state citizen per year. In some donor states the aid programme accounts for 5 per cent or more of the government budget. On the recipient side, official development assistance (ODA)³ accounts for a large share of international capital flowing into less developed countries (LDCs). Nevertheless, the factors shaping foreign aid remain ill-understood, more than half a century after Morgenthau first described the policy as ‘baffling’. Aid levels rise and fall without obvious causes. Explanatory factors that appear important in one case are insignificant in another. And case studies of different aid programmes frequently explain similar empirical patterns using incompatible models. One of the best recent studies on foreign aid frankly concludes that ‘There are too many interacting variables to justify a model that would be both parsimonious and insightful’.⁴

I argue that the central factor overlooked in the literature on aid is ideational: ideas about the goals and purposes of aid policy shape its formulation and implementation. Different goals for aid result in different policy choices. Aid policy is puzzling in part because it is not obvious *ex ante* what the goal of official development assistance ought to be: aid can serve goals from security (e.g. fighting terrorism), to financial gain (promoting exports), to humanitarianism. Apparent contradictions in the literature result in part from a tendency to assume the dominance of one particular category of goals over all others. As Snyder, Bruck and Sapin already pointed out five decades ago, ‘To assume motivation begs many of the most significant questions which arise in the study of international politics’.⁵ A key goal of

³ In order to avoid repetitiveness, I use the terms aid, foreign aid, development aid, development assistance and development cooperation interchangeably throughout the remainder of the study. A formal definition of aid as an instrument of government policy is provided below.

⁴ C. Lancaster, *Foreign aid: Diplomacy, development, domestic politics*, 9.

⁵ R. C. Snyder, H. W. Bruck and B. Sapin, *Foreign policy decision-making: An approach to the study of international politics*, 137.

this book, then, is to show that it is possible to measure, rather than assume, motivation, and that doing so can improve our understanding of foreign policy decision-making considerably. As such, though the focus of the study is on foreign aid, its implications extend well beyond this particular issue area. Indeed, the question ‘Why do countries give aid?’ could easily be rephrased as ‘How does (foreign) policy get made?’ The model I develop can be applied to the more general question too.

The twenty-first century has brought a renewed interest in the politics of foreign aid, among policy-makers as well as observers. Bono, the lead singer of U2, has made headlines worldwide with his advocacy of debt relief.⁶ Economist Jeffrey Sachs argues, in his bestseller *The end of poverty*,⁷ for a considerable increase in foreign aid, targeted at proven life-saving and poverty-reducing measures. Significantly, governments have got in on the act as well. In September 2000, the United Nations member states committed themselves to meeting a series of ambitious Millennium Development Goals by the year 2015, among others by increasing official development assistance considerably. This commitment has since been reaffirmed at regular intervals. Thus, in March 2002, participants at the International Conference on Financing for Development in Monterrey, Mexico, recognized that ‘a substantial increase in ODA will be required’;⁸ at the Gleneagles summit in 2005, the G-8 claimed that official development assistance (ODA) by 2010 would be \$50 billion greater than it had been in 2004 (an increase by about half);⁹ and the closing declaration of the 2008 Doha International Conference on Financing for Development called upon countries to maintain their commitment to devote 0.7 per cent of GNP to ODA.¹⁰

Yet despite all this enthusiasm, actual progress has been disappointing. The Millennium Development Goals, which include such targets as universal primary education, reducing child and maternal mortality, and reversing the spread of malaria, are ambitious and resist easy intervention. More generous aid has flowed to some countries, such

⁶ J. Tyranigel, ‘Bono’s mission’.

⁷ J. Sachs, *The end of poverty: Economic possibilities of our time*.

⁸ M. G. Wabl, ‘A “Monterrey consensus” might replace the Washington consensus’.

⁹ G-8, ‘The Gleneagles Communiqué’, 26.

¹⁰ United Nations, *Doha Declaration on financing for development*, 18.

as Mali. However, others, such as Guinea, are rather less popular among aid donors. In addition, much of the increase in aid in recent years has come in the form of debt relief, rather than as additional new funds. Indeed, at the aforementioned Monterrey conference, the United States blocked a joint commitment to raise ODA spending to 0.7 per cent of gross national income (GNI), a decades-old target of the United Nations.¹¹ US ODA in 2005 was just 0.22 per cent of GNP, less than one-third of this official target.¹² Moreover, scepticism about the value of ODA has become increasingly prominent. In 2006, economist William Easterly tellingly borrowed the title of Kipling's classic poem for a book highlighting the failures of aid policy over the past few decades: *The white man's burden: Why the West's efforts to aid the rest have done so much ill and so little good*.¹³

In light of such developments, the question that opened this chapter – why do countries give foreign aid? – needs to be sharpened somewhat. Better questions might be: why do some countries consistently fall short of their commitments to increase foreign aid? Why do countries persist in funding aid projects that are likely to fail? And why are some recipient states so much more successful at attracting aid than others? These are among the central questions addressed in this book. As the subsequent chapters demonstrate, the answer to these and other questions can be found at least in part in the different goals associated with official development assistance in different donor states.

In making this case, I present an in-depth analysis of the first half-century of official development assistance, from 1950 until 2000 (the year the Millennium Development Goals were adopted). The analysis focuses on four European countries: Belgium, Italy, the Netherlands and Norway. The aid programmes of these four countries over the course of the second half of the twentieth century present a broad range of empirical variation in terms of the generosity of aid, the distribution of funds across recipient nations, and the types of projects funded. To help explain these programmes, I measure the ideas of policy-makers about the goals of development assistance in each of these countries at different points in time, through an in-depth

¹¹ Wabl, 'A "Monterrey consensus"'.
¹² OECD, *Development co-operation report 2006: Summary*.
¹³ W. Easterly, *The white man's burden: Why the West's efforts to aid the rest have done so much ill and so little good*; cf. also D. Moyo, *Dead aid: Why aid is not working and how there is a better way for Africa*.

content analysis of legislative debates about foreign aid. As we shall see, legislators are remarkably candid about the goals they consider relevant and significant in the context of aid. Hence these debates provide us with invaluable insights into the prominence of different ideas about aid cross-nationally and over time. Moreover, it is easy to show that the measure of aid ideas that we can derive from the debates is causally prior to aid policy outcomes, and can thus not be discounted as mere ‘cheap talk’.

The information derived from analysing legislative debates can be categorized into broad ‘frames’ policy-makers use to think about this issue area. Frames, in this context, are organizing units that serve to make sense out of incoming data. They help interpret, prioritize and classify information. To simplify matters somewhat, we can think of frames in terms of word associations: mention a policy instrument to a decision-maker, and ask her for the first broad political concepts that come to mind. Does ‘aid’ evoke ‘security’, or ‘trade’, or ‘humanitarianism’, for example? Returning to the metaphor of the Swiss army knife, frames are like the individual tools that can found in such a knife. It is often said that ‘When all you have is a hammer, everything looks like a nail’. But what if you have a Swiss army knife? Some may view it as a hammer, and still see nails everywhere; others may see a screwdriver, and discern only screws. Others, still, may see a set of pliers, mini scissors, or even a weak nail file. It is important to note, too, that different Swiss army knives incorporate different sets of tools. In the same way, the set of goals envisioned for foreign aid varies from one country to the next, as well as over time.

A key feature of frames is that they both specify goals and suggest particular policy choices, just as a hammer suggests both a goal (hammering something into something else) and a particular target (a nail). Frames thus shape the overall organization and quality of aid programmes, but they also affect specific features, such as the total size of the aid budget, or the geographical allocation of aid. In other words, what Morgenthau saw as the ‘baffling’ nature of aid policy is explained by the fact that different ideas about aid have been dominant at different times and in different donor states. Nor is aid policy unique in this respect: a variety of policy instruments can be conceived of as Swiss army knives for their particular issue area. For example, the United States Department of Agriculture noted in a 1996 bulletin: ‘It may be tempting to view [revolving loan funds] as the “Swiss

army knife” of development policy.¹⁴ The broader implications of this approach for the study of policy-making in general will be taken up briefly in the concluding chapter.

The remainder of this chapter is divided into four sections. First, I present some background information on development assistance. Next, I introduce the seven broad frames that categorize how decision-makers think about aid. Following this, I lay out the core features of the theoretical model. Finally, I briefly preview the empirical evidence supporting the model, as presented in the subsequent chapters of the book.

Development assistance past and present

Development economist Peter Bauer once argued that ‘[t]he one common characteristic of the Third World is not poverty, stagnation, exploitation, brotherhood or skin colour. It is the receipt of foreign aid’.¹⁵ Indeed, many less developed countries would face serious political, economic and social upheaval if aid flows were to dry up, as aid often contributes significantly to the national income of recipient states. For example, aid to the tiny island nation of São Tomé and Príncipe exceeded its gross national product by 16 per cent in 1998, and even a medium-sized state such as Nicaragua received aid flows exceeding 50 per cent of its GNP that year.¹⁶

Development cooperation as we know it today has its origins in the immediate post-Second World War period. International institutions were among the first to pursue the goal of development explicitly. For example, the 1945 United Nations Charter called upon member states to ‘employ international machinery for the promotion of the economic and social advancement of all peoples’. The \$13 billion economic recovery programme known as the Marshall Plan was another important early initiative, and is widely seen as an inspiration for later aid programmes. In many ways, however, the colonial powers took the lead in giving shape to aid policy, in the spirit of Kipling’s poem.

¹⁴ United States Department of Agriculture, ‘Are revolving loan funds a better way to finance rural development?’, 1.

¹⁵ P. T. Bauer, *Reality and rhetoric: Studies in the economics of development*, 40.

¹⁶ OECD, *Geographical distribution of financial flows to aid recipients. 1998 report*, Table 25.

Already in 1945, the United Kingdom passed a ‘Colonial Development and Welfare Act’ reorganizing British development aid. Aid flows to Dutch colonies from 1946–51 totalled \$1.46 billion, and a Belgian ten-year plan for the Congo made available \$500 million during the 1950s.¹⁷

During the 1960s, these colonial programmes were gradually transformed into development assistance programmes. Around the same time, other industrialized states such as Denmark and Norway began to establish their own programmes from scratch. Moreover, the United Nations designated the 1960s the ‘Development Decade’, symbolizing the reigning optimism about the possibility of accelerating economic growth rates in the Third World so as to allow them to ‘catch up’ to the rich states. A major feature of the Development Decade was the introduction of commonly accepted volume targets for aid flows. In addition, the 1960s saw the creation of a central coordinating agency for the aid policies of OECD states: the Development Assistance Committee (DAC). One of its first challenges was to produce agreement on official requirements for financial flows to be considered foreign aid. By 1969 the standardization of terminology was largely complete, including a formal definition of ‘official development assistance’:

[ODA consists of] those flows to developing countries and multilateral institutions provided by official agencies, including state and local governments or by their executive agencies, each transaction of which meets the following tests: a) it is administered with the promotion of the economic development and welfare of developing countries as its main objective, and b) it is concessional in character and contains a grant element of at least 25 per cent.¹⁸

The 1970s brought a growing concern with the quality of aid. An international group of experts, headed by former Canadian Prime Minister Lester Pearson, worried that ‘[a] good deal of bilateral aid

¹⁷ J. Van Soest, *The start of international development cooperation in the United Nations, 1945–1952*, 31.

¹⁸ OECD, *Twenty-five years of development co-operation, a review: Efforts and policies of the members of the Development Assistance Committee, 1984 report*, 171. The grant element of aid is the degree to which loan or credit terms are less demanding than market terms, through longer grace periods or lower interest rates, for example.

has ... been dispensed in order to achieve short-term political favors, gain strategic advantages, or promote exports from the donor'.¹⁹ Their conclusion both illustrated that aid can be used to pursue a range of different goals, and alarmed those who felt aid ought to be primarily humanitarian in nature. Accordingly, major aid donors began to study how best to direct aid at specific, poorer subgroups within LDCs, and how better to meet 'basic human needs'. The drought in the Sahel put humanitarian relief on the agenda for good from the mid 1970s.

The 1980s and 1990s were a period of consolidation and stagnation in many donor states. Budget constraints, together with a perceived 'aid fatigue', generated pressures for reduced aid budgets and for the restructuring of aid programmes to reflect domestic economic interests more closely.²⁰ In 2000, when the Millennium Development Goals were adopted, the DAC states gave a combined total of \$53.7 billion in official development assistance, accounting for 0.22% of their collective gross national income. This represented an increase in real terms of about 10%, following an aggregate decline of about 25% in real terms that took place from 1992 to 1997. In absolute terms, Japan was the largest donor in 2000, with \$13.5 billion (or more than 25% of total OECD aid flows), followed by the United States (\$10 billion) and Germany (\$5 billion). Measured relative to the donor's economic size, aid flows ranged from a low of 0.1% of GNI for the United States to 1.06% of GNI for Denmark.²¹

Six years later, the Millennium Development Goals appeared to have had at least somewhat of an impact. In 2006, the United States was the largest aid donor by far, with \$23.5 billion.²² Japan had become only the third-largest donor, with \$11.2 billion, exceeded also by the United Kingdom's \$12.5 billion. Moreover, France and Germany, too, had increased their aid levels to over \$10 billion. As a result, total DAC ODA had increased to \$104.4 billion. Nevertheless,

¹⁹ L. B. Pearson and the Commission on International Development, *Partners in development*, 5.

²⁰ It should be noted that aid 'fatigue' or weariness is a concept that dates back at least to the 1960s. *Ibid.*, 4; F. Van Dam, *Onbehegen rond de ontwikkelingshulp*. Since then, it has been trotted out at regular intervals to defend reductions in government expenditures on ODA, but its credibility as a causal factor determining aid levels is obviously questionable.

²¹ OECD, *ODA steady in 2000; other flows decline*.

²² Of course, this increase in US aid was driven more by the wars in Iraq and Afghanistan than by the Millennium Development Goals.

only five countries exceeded the official UN goal of 0.7% of GNI in aid: Sweden, Norway, the Netherlands, Luxembourg and Denmark. With an aid level that had risen to 0.18% of GNI, the United States stood out less than it had five years earlier; nevertheless, only one OECD donor was less generous in comparative terms: Greece, one of the poorest of the DAC donors. As noted above, a large share of the increase in ODA was due to debt relief. Since debt relief is a one-time-only charge – a particular debt can only be forgiven once – aid levels were expected to decline again in subsequent years.²³ That they did not do so – in 2008 and 2009 total DAC ODA was about \$120 billion – suggests that the increased political visibility of foreign aid may be making countries more reluctant to cut their programmes.²⁴

The goals of foreign aid

Students of aid policy tend to polarize into two camps: those who think humanitarian considerations dominate and those who feel that the self-interest of donor states (or actors within those states) prevails. Some observers maintain that ‘aid [is] a response to world poverty which arose mainly from ethical and humane concern’.²⁵ Others, however, argue that ‘foreign aid programs are shaped with the interests of the aid-giving countries primarily in mind’.²⁶ Still others try to reconcile the opposing claims by arguing that aid policy itself serves as an arena for this struggle between humanitarianism and direct self-interest: ‘despite many changes over the years, there has been one constant in the history of aid, namely that the development objectives of aid programmes have been distorted by the use of aid for donor commercial and political advantage’.²⁷

In part as a result of this Manichean distinction between self-interest and humanitarianism, much of the literature on aid has been ‘trapped in something of an intellectual vacuum’.²⁸ Casting our net

²³ OECD, *Development co-operation report 2007*.

²⁴ OECD, *Development co-operation report 2010*.

²⁵ D. H. Lumsdaine, *Moral vision in international politics: The foreign aid regime, 1949–1989*, 3.

²⁶ E. S. Mason, *Foreign aid and foreign policy*, 3.

²⁷ P. Hjertholm and H. White, ‘Foreign aid in historical perspective’, 80.

²⁸ P. J. Schraeder, S. W. Hook and B. Taylor, ‘Clarifying the foreign aid puzzle: A comparison of American, Japanese, French, and Swedish aid flows’, 295.

Table 1.1 *The seven broad frames relevant to aid policy*

Frame	Goals for aid
Security	Increase donor’s physical security: support allies, oppose Communism, etc.
Power/influence	Pursue power: increase leverage over others, win allies and positions of influence in international fora
Wealth/economic self-interest	Further economic interests of donor economy; support export industries
Enlightened self-interest	Pursue global public goods: peace, stability, environmental health, population control, etc.
Reputation/self-affirmation	Establish and express a certain identity in international relations; improve international status and reputation
Obligation/duty	Fulfil obligations, whether historical or associated with position in international system
Humanitarianism	Promote the well-being of the poorest groups worldwide; provide humanitarian relief

wider so as to include the full range of possible goals helps transcend this problem. Overall, goals for aid can be classified into seven general categories: security, power and influence, economic self-interest (wealth), enlightened self-interest, self-affirmation and reputation, obligation and duty, and humanitarianism, as shown in Table 1.1.

Each of these general frames has been used by policy-makers to explain and defend aid policy. Moreover, all of these frames appear in the literature, though they are not always explicitly delineated. In fact, many authors simply emphasize the general self-interest of states, and the ‘Swiss army knife’ nature of aid: ‘Foreign aid has served as a microcosm of donor states’ foreign policies; for every donor, a