

Book Review: Ending Aid Dependence (Yash Tandon) By Thomas Lines

A reappraisal of so-called development aid is long overdue, and Professor Tandon is to be congratulated for initiating this debate in such an incisive manner. This very readable book does not merely ask what 'aid' is and what role it plays, but places it in the context of a wider question, 'What is development?' That also needs to be urgently reconsidered in the rapidly changing circumstances of our time.

Writing in an influential country in the North, I am encouraged to see that global poverty and development are more prominent in my nation's media and politics than they were five or ten years ago. NGOs have galvanised people to raise development issues with our politicians. However, all too often the political answer to their questions is simply 'aid'. The deficiencies of the global economy and international relations, which inhibit development as this book rightly points out, are scarcely considered. The development debate receives more attention in the North than it did, but its content has taken a few steps backwards. The dogmatic slogans of the 1980s, 'The market is always right' and 'There is no alternative', still frame the discussion.

Meanwhile a 'development industry' has mushroomed, but too many of its practitioners are beholden to aid donors. The NGOs retain some autonomy where they are funded by public donations. But outside of them, nearly all 'development' people in the North derive some if not all of their income from donor aid. As a result, there has been no serious debate about the nature of aid, as Professor Tandon calls for.

I too have worked in that capacity. How many complaints did I hear from other consultants and consultancy firms about the absurdities of the aid system! Yet almost no one would voice open criticism, however mild, for fear of losing the next contract: a pernicious consequence of the commercialisation of aid projects. Even monitoring and evaluation, as I experienced them, were rendered incapable of taking deficient aid programmes seriously to task. Having witnessed countless technical assistance projects and read their terms of reference while working in programme management and M&E, I find it hard to recall even one which actually achieved what it was designed to do. What a waste of the North's public money; what a deception played on the people of developing and transition countries alike.

How many countries have ever bridged the development gap as a consequence of donor aid? Perhaps one or two. It could be argued that Botswana's management of its diamonds sector derives from well-made donor advice. But even that required in the first place the relatively open nature of Botswana politics and the unusually light touch of British colonial rule there before 1966. So even in Botswana the critical factors were indigenous, above all the nature of the state and its relationship with the people.

It is the developmental state – or what this book calls the 'national project' – that really counts. Look at the most salient historical cases of economic catch-up: Germany, the United States, the USSR, Japan, China, India. None of them achieved what they did because of foreign aid. Among them, only India has been a major recipient of aid; and it would be hard to argue that aid has played a big role in that country's economic advance. In all six cases, the reasons for success lay in policies

which promoted and protected domestic capital accumulation (or its equivalent under central planning), with selective state support for parts of the economy. Sadly, many of the policy tools required for this purpose were ruled out by the World Trade Organisation in measures such as TRIPS and TRIMS.

The present 'architecture' of foreign aid is a product of the post-World War Two settlement. The determinant power was the United States, the world's major creditor 60 years ago, which made sure that the United Nations, the World Bank and the International Monetary Fund were placed within its borders. The system persisted after the collapse of the USSR, under the illusion that the unipolar world of 1991 was here to stay. Few then noticed how weak the US' economic base had become. Less than 20 years later, the system is crumbling before our eyes. The World Bank and IMF are breaking down, as Professor Tandon relates, while the United States has become the biggest debtor nation, many of its famous banks desperately seeking foreign capital just to stay in business. The dollar's basis as a reserve currency is wilting, and the countries with big economic surpluses are now China, Russia and the Arabian oil states.

In these circumstances, the whole system of international relations faces fundamental change. The world will no longer be dominated by 'Anglo-Saxon' countries or Western Europe, reversing 500 years of history. The US and its allies will not have the economic muscle to impose their will through the aid conditions which Professor Tandon condemns in this book as Red Aid.

One can already sense a change of spirit among developing countries. There have been 20 years of subjugation since the 1980s Debt Crisis, but this has been gradually altering since the failure of the WTO conference in Seattle in 1999. Bit by bit, the South has regained its collective self-confidence in the struggle to avoid further losses of policy space at the WTO. We are not yet back to the situation which led to the creation of UNCTAD in 1964 and the demands for a New International Economic Order a decade later, but the direction of the wind has changed, especially since the credit crisis of 2007.

The world order needs to be shaken up so that the South can pursue the policies advocated in this timely book. Aid based on the Bretton Woods organisations and the OECD countries will become anachronistic, and the opportunity will arise to create arrangements that are more appropriate to development needs. However, it could take many years before a new settlement appears. The confrontation between the United States and Russia over Georgia scarcely presages a consensual or even peaceful transition to new arrangements. But the case must be made now for new aid instruments to be available on the basis of need, as determined within developing countries themselves. This should be coordinated internationally on a democratic basis, perhaps at the UN or the Group of 77, rather than by donors or in a new caucus of aid-giving states.

Thomas Lines is a development consultant and the author of Making Poverty: A History, just published by Zed Books.

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