

GEG Memo

Say Goodbye to Charity: A Paradigm Shift?

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In the opening ceremony and following-up side events in Busan HLF4, there is a recurring theme from speakers that aid is not charity but investment. I will list a few examples for this claim.

Aid is not charity, but smart investment (that benefits both donors and recipients).
--Ban Ki-moon, Secretary-General of the United Nations

Aid is more than a mere charity, but mutual investment. Aid as investment helps to enable recipient countries stand on equal footing.
--H.E. Paul Kagame, President of the Republic of Rwanda

Focusing on aid (as charity) loses a bigger development picture. For aid to be effective, it must be additional to investment and trade.
-- Désiré Vencatachellum, Director of the Development Research Department, African Development Bank

At first glance, the above statements appear to convey an identical message that aid is not charity but investment. On a closer scrutiny, however, it reveals that different actors seek to use the same term of “investment” that carries different meanings for different audiences.

Firstly, investment is used *metaphorically* by donor agencies to convince their domestic constituencies that development assistance is beneficial for both donors and recipients. Donors can benefit from aid not only because shared growth can stimulate employment in donor countries in the short term but also because stable and secure international environment serves long-term donors’ self-enlightening interests. Especially, in the economic downturn after financial crisis, aid as charity could not gain adequate domestic support due to budgetary constraints. Hence, donors have to find new ways to justify their aid budget to convince their voters to win political support by arguing that aid is investment for the future.

Secondly, mutual investment can also be used by recipient countries to criticise the prevailing de-politicised technical view of development assistance in an effort to voice their discontent of unequal power relationship. Aid as charity often comes with lecturing to induce recipient countries to accept policy conditionality. In sharp contrast, “mutual investment” has normative aspiration from recipient countries that both parties are equal partners and that the terms of development cooperation are negotiated by taking into account concerns of both sides. Although numerous empirical research has shown that conditionality does not work in reality, there is still a large gap between the rhetoric of ownership and practice of ex-ante or ex-post conditionality. In Busan, delegates from recipient countries have been very vocal in opposing political conditionality. “Aid should not be tied to political progress, because you can never purchase democracy.” “I don’t like conditionality, because it is not flexible. As fragile states, we have to move fast enough to tackle the problems with our own solutions, but conditionality constrains our hands.” (Emilia Pires, Minister of Finance, Timor-Leste) “Money never buys reform.” (Tertius Zongo, Former Prime Minister and former Minister of Finance, Burkina Faso) Hence, aid as mutual investment has been a vision for recipient countries to refute “good-intentioned” justification of political conditionality based on unequal power relationship.

Last but not least, aid as investment for mutual benefits has been used by emerging donors to distinguish their aid philosophy from the mainstream charity account. From their perspective, aid should be put into a broader toolbox for economic engagement. Based on their own domestic development experiences, they highlight “the additionality of aid” that aid cannot be effective unless it is additional to other primary financial resources. Otherwise, it runs risk of falling into the trap of aid dependence. Aid can be used as a catalyst to attract FDI to help a country to achieve self-sustaining development. That’s why we hear the aspiration from recipient countries that “we want dignity rather than dependence” and that “aid should eliminate poverty and create prosperity.” That’s why the President of Rwanda remarked in the opening ceremony that “we should talk about aid effectiveness together with trade and investment.”

To conclude, whether this heralds a paradigm shift remains to be seen. The field of development cooperation never falls short of catchphrases. It would be of little use if the so-called shift in paradigm is no more than changes in wording. What we really need is a progressive and evolutionary improvement based on empirical evidence on what works and what does not work in practice.