



David Sims

Development Delusions and Contradictions

An Anatomy of the
Foreign Aid Industry

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CONTENTS

Part I	Inside the Donor World	1
1	Background: A Sketch of the Development Industry	3
	<i>Why Call It an Industry?</i>	3
	<i>A Strange Industry Indeed</i>	5
	<i>The Size of the Industry</i>	7
	<i>Growth of the Industry</i>	9
	<i>The Money, Its Sources, and Its Management</i>	9
	<i>Who's Who in the Industry?</i>	16
	<i>Towards What Sectors Does Development Aid Go?</i>	36
	<i>What Countries Are the Beneficiaries of All This Development Aid?</i>	37
	<i>Summing Up: Does Anything Ever Change?</i>	38
	<i>References</i>	38
2	The Imperative to Spend	43
	<i>Deploping the Spending Obsession, and Then Moving on to Spend Even More</i>	44
	<i>Sourcing the Money</i>	48
	<i>Attempts to Suspend or Stop the Money Flows: Never Just Say No</i>	51
	<i>What Happens When an Aid Budget Is Increased Dramatically?</i>	52
	<i>Spending Aid Allocations on Time</i>	54

	<i>Motivations to Move the Money</i>	55
	<i>The Imperative to Spend Permeates All Facets of the Industry</i>	57
	<i>References</i>	58
3	Product Development	61
	<i>A Bit of History</i>	61
	<i>Today Donor Backyards Are Everywhere</i>	63
	<i>Some Call It Fragmentation</i>	65
	<i>Project Pipelines: Donor Plates Are Heaped Full, but There Is Always Room for More</i>	67
	<i>Mechanisms for Heaping on Ever More Products</i>	69
	<i>Failed Attempts to Rationalize, Specialize, and Concentrate</i>	72
	<i>Summing Up: Product Development Is a Donor's Core Competency</i>	76
	<i>References</i>	77
4	Control, Compliance, and More Control	79
	<i>Donors Avoiding Corruption, or 'No Mud Sticks on Us'</i>	81
	<i>Designing Projects with Zero-Embarrassment Safeguards</i>	82
	<i>Control Through Financing Agreements, Contracts, Covenants, and Oversight Arrangements</i>	85
	<i>Managing Risks in a Risk-Avoidance World</i>	87
	<i>Donors and Fake Transparency</i>	87
	<i>'External Communications' as Control</i>	89
	<i>Control Through Public Relations Firms</i>	91
	<i>Control, Communications, and 'Promoting Ourselves to Ourselves'</i>	91
	<i>Criticism Is Not Welcome</i>	92
	<i>Evaluation as Another Means of Control</i>	93
	<i>Controlling Show Time</i>	93
	<i>Summing Up: Irrelevance Is the Cost of Running a Tight Ship</i>	94
	<i>References</i>	95
5	Procurement	97
	<i>Development Procurement and Its Global Markets</i>	98
	<i>Terms of Reference and Wishful Thinking</i>	107
	<i>Expertise</i>	110
	<i>Consulting and Contracting Firms</i>	117
	<i>References</i>	124

6	Numbers, Indicators, and Technical Objectivity	127
	<i>A Bit of History</i>	128
	<i>The Nature of the ‘Technical Game’ in Development</i>	129
	<i>Poor Statistics in the Rest</i>	130
	<i>Macro Numbers and the God GDP</i>	131
	<i>Dense Data and Cross-Country Score Cards</i>	133
	<i>Project-Level Numbers and Mechanistic Games</i>	135
	<i>Objectifying the Poor and Sidestepping Inequality</i>	136
	<i>Summing Up</i>	138
	<i>References</i>	139
7	Chronic Ills of the Industry	141
	<i>Dubious Evaluations and Lessons Never Learned</i>	141
	<i>Poor Operations and Maintenance (O&M) of Donor Investments</i>	145
	<i>Reinventing the Wheel and Institutional Amnesia</i>	146
	<i>Systemic Delays</i>	149
	<i>Lost Good Work and Lost Opportunities</i>	151
	<i>Language Barriers</i>	152
	<i>Privileged Bubbles and Donor Elitism</i>	154
	<i>References</i>	155
8	Acts of Congregation	157
	<i>The Cascade of Development Conferences and Confabs</i>	158
	<i>Conference Mechanics</i>	159
	<i>Conference Costs</i>	161
	<i>Who Attends?</i>	162
	<i>The Attractiveness of Events</i>	163
	<i>Criticisms of the Phenomenon</i>	164
	<i>Summing Up</i>	165
	<i>References</i>	166
9	Texts and Documents	169
	<i>A Bewildering Range of Donor Documents</i>	170
	<i>Guiding Principles in the Preparation of Development Documents</i>	174
	<i>Jargon, Buzzwords, and Other Development Babble</i>	177
	<i>Who Produces All This Textual Stuff?</i>	179
	<i>Summing Up</i>	180
	<i>References</i>	180

10	Herd Instinct	183
	<i>The Rollout of Different Development Fashions Over 50 Years</i>	184
	<i>Characteristics of Fads and Fashions</i>	185
	<i>What Drives the Penchant for Fads?</i>	186
	<i>Faddism Has Some Serious Negative Effects</i>	187
	<i>‘Innovation’ as a Marker of Faddism as Well as a Fad Itself</i>	187
	<i>Resilience: Fad du jour or Fashion of the Century?</i>	189
	<i>Political Economy Analysis: Fad du jour or Useful Tool?</i>	192
	<i>References</i>	199
11	Plus Ça Change	203
	<i>The History of Donor Agencies and Their Obsessions with ‘Change’</i>	204
	<i>Do Donor Agencies Ever Really Change?</i>	208
	<i>Financing the Private Sector and ‘Billions to Trillions’</i>	208
	<i>Climate Change and Green Economies: Old Wine in New Bottles?</i>	210
	<i>The UN System: ‘Cacophony into Symphony’</i>	213
	<i>The SDGs and Raising the Talk About Change to New Levels</i>	214
	<i>Why Such an Obsession with Change and Reform?</i>	215
	<i>References</i>	217
12	Responses to Covid-19	221
	<i>Covid-19 and Donor Funding</i>	221
	<i>Donors Remaining Relevant: Generating Covid Related Projects</i>	222
	<i>Jobs in Development: Could There Be a Welcome Change?</i>	224
	<i>Virtual Events: A New Mode in the Development Industry?</i>	225
	<i>Talking Big and Hope Eternal</i>	226
	<i>References</i>	227
Part II	When the West Meets the Rest	229
13	Background: Governments in the Rest	231
	<i>Mostly, a Depressing Picture</i>	232
	<i>How Did Things Get This Way?</i>	234
	<i>Typical Government Weaknesses and Failings Today</i>	237
	<i>Corruption? What Corruption?</i>	241
	<i>Some Exceptions?</i>	244

	<i>Is the Development State a Panacea?</i>	245
	<i>Government Reform Efforts and Donors</i>	246
	<i>Summing Up</i>	248
	<i>References</i>	248
14	Donor Overload	251
	<i>Clogging Up Recipient Bureaucracies and Confusing Everyone</i>	252
	<i>Recipient Attempts to Manage the Flood</i>	256
	<i>Another Kind of Overload: Monopolizing Country Knowledge</i>	258
	<i>Donor Overload and the 'Foreign Fingers' Complex</i>	262
	<i>References</i>	263
15	Partnerships?	265
	<i>A Bit of History</i>	266
	<i>Political and Foreign Policy Preconditions</i>	267
	<i>Negotiations and Negotiating Capital</i>	268
	<i>Uncertainties After Negotiations: Can Both Sides Keep to Their Promises?</i>	270
	<i>Project Formulation: Partnerships Fray Long Before Anything Starts</i>	271
	<i>Project Implementation</i>	274
	<i>Summing Up</i>	275
	<i>References</i>	276
16	Country Ownership?	277
	<i>Some History</i>	278
	<i>'Ownership' at Macro Policy Levels</i>	279
	<i>Ownership at the Project Level</i>	282
	<i>Alignment of Financial Procedures and Harmonization of Budgets</i>	284
	<i>What Are the Results of These Obsessions with 'Ownership' and 'Alignment'?</i>	286
	<i>Demand-Driven Development as Ownership?</i>	287
	<i>Summing Up</i>	289
	<i>References</i>	290
17	Pay Scales	293
	<i>Salaries and Perks in the Donor World</i>	294
	<i>Donor Local Hires: Relatively Well Paid, but ...</i>	297

	<i>Recipient Government Salaries and the Absurdity of 'Partnership'</i>	298
	<i>What Are the Consequences of Pay Differentials? What Is the Effect on Partnerships?</i>	301
	<i>Brain Drain and Poaching Talent</i>	302
	<i>Summing Up</i>	303
	<i>References</i>	304
18	The Rest Strikes Back	307
	<i>Clever Manipulations at Strategic Levels</i>	308
	<i>Postures and Reactions at Project Levels</i>	311
	<i>Why Are These Negative Stances and Postures so Popular? And What Are the Effects?</i>	315
	<i>References</i>	317
19	Blind Support for the Private Sector	319
	<i>Crony and Dandy Capitalists, Economic Power, and the Missing Middle</i>	322
	<i>Donors and Connected Capitalists</i>	325
	<i>References</i>	330
20	Informality	333
	<i>How Did Informality Become so Massive in Developing Countries?</i>	334
	<i>Informality in Developing Countries: A Defining Feature?</i>	336
	<i>Informal Employment and Informal Enterprises</i>	337
	<i>Informal Urbanization in the Rest</i>	346
	<i>Conclusion: Informality Left to Fester and Huge Opportunities Lost</i>	350
	<i>References</i>	351
Part III	Conclusions	355
21	Summing Up	357
	<i>The Dysfunction Is More Than the Sum of Its Parts</i>	357
	<i>The Development Industry Cannot Function Even as Donors Themselves Would Wish</i>	360

<i>The Development Industry Is Locked into an Increasingly Self-Referential 'Processism'</i>	361
<i>The Development Industry Is Evermore Anchored in the West</i>	361
<i>The Development Industry Creates a Symbiotic Dependency</i>	362
<i>Donor Overload Permeates Host Countries, Something Donors Cannot See</i>	364
<i>Donor-Recipient Partnerships Are Rife with Tensions and Obstructionist Undercurrents</i>	365
<i>Among Donors, Is There an Undercurrent of Malaise and a Need to Seek Legitimacy?</i>	367
<i>Informality Is the Joker in the Pack</i>	369
<i>What the Donor World Is Best at: Self-Promotion and Self-Perpetuation</i>	370
<i>Development Pathways Beyond the Development Industry?</i>	372
<i>The Original Sin</i>	372
<i>References</i>	373
 22 Peering into the Future	 375
<i>Ideas for Change</i>	377
<i>Could Less Be More? And Could Aid Be Shrunk?</i>	378
<i>Could Any of These Less-Is-More Mechanisms Be Made to Work?</i>	381
<i>Development Cooperation Is Trapped in Its Own Survival Instinct</i>	383
<i>References</i>	383
 Index	 385

ABBREVIATIONS

ADB	Asian Development Bank
AfDB	African Development Bank
AFD	Agence française de développement
AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
BBC	British Broadcasting Corporation
BDS	Business Development Services
BMZ	Federal Ministry for Economic Development and Cooperation (Germany)
BRIC	Brazil, Russian, India, and China
CDC	Colonial Development Corporation (now British International Investment)
CDC	Centers for Disease Control and Prevention (USA)
CDF	Country Development Framework
CEO	Chief executive officer
CGD	Center for Global Development
CGIAR	Consultative Group for International Agricultural Research
CHF	Swiss Francs
CNRS	Centre national de la recherche scientifique
CV	Curriculum Vitae
DAC	Development Assistance Committee (of the OECD)
DFAT	Department of Foreign Affairs and Trade (Australia)
DfID	Department for International Development (now part of FCDO)
DoC	Drivers of Change
DRC	Democratic Republic of Congo
DSA	Daily Subsistence Allowance
EBRD	European Bank for Reconstruction and Development

EC	European Commission
ECR	Executive Vice Presidency
EIB	European Investment Bank
EPRDF	Ethiopian People's Revolutionary Democratic Front
EU	European Union
FAO	Food and Agriculture Organization
FCDO	Foreign, Commonwealth, and Development Office
FDI	Foreign Direct Investment
FMO	Dutch Development Bank
FY	Fiscal Year
GBP	British pound
GDP	Gross Domestic Product
GEF	Global Environment Facility
GIZ	Gesellschaft für Internationale Zusammenarbeit (formerly GTZ)
GIZ IS	GIZ International Services
GNI	Gross National Income
GSDRC	Governance and Social Research Centre
IBRD	International Bank for Reconstruction and Development (WBG)
ICB	International Competitive Bidding
IDA	International Development Association (WBG)
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation (WBG)
IFI	International Finance Institution
IMF	International Monetary Fund
INGO	International Non-Governmental Organization
IOM	International Organization for Migration
IQC	Indefinite Quantity Contract
IT	Information Technology
JICA	Japanese International Development Agency
KfW	Kreditanstalt für Wiederaufbau (German development bank)
KWH	Kilowatt Hour
MCC	Millennium Challenge Corporation (USA)
MDB	Multilateral Development Bank
MfDR	Management for Development Results
MIGA	Multilateral Investment Guarantee Agency
MMS	Money Moving Syndrome
NCB	National Competitive Bidding
NGO	Non-governmental Organization
OCHA	UN Office for the Coordination of Humanitarian Affairs
ODA	Official Development Assistance
ODI	Overseas Development Institute

OECD	Organization for Economic Cooperation and Development
O&M	Operations and Maintenance
PBR	Payment by Results
PEA	Political and Economic Analysis
PMS	Performance Measurement Systems
PIU	Project Implementation Unit
PMU	Project Management Unit
PPP	Public Private Partnership
PPPa	Purchasing Power Parity
PRAG	Procurement and Grants for EU External Actions – A Practical Guide
PfR	Program for Results
PRSP	Poverty Reduction Strategy Paper
R&D	Research and Development
RFP	Request for Proposal
RBM	Results-based Management
SDGs	Sustainable Development Goals
SIDA	Swedish International Development Agency
SME	Small and Medium Enterprises
SOAS	School of Oriental and African Studies
S&S	Sites and Services
SWOT	Strengths, Weaknesses, Opportunities, Threats
TA	Technical Assistance
ToR	Terms of Reference
TVE	Town and Village Enterprises
TVET	Technical and Vocational Education and Training
TWP	Thinking and Working Politically
UAE	United Arab Emirates
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDB	United Nations Development Business
UNDP	United Nations Development Programme
UN-Habitat	United Nations Human Settlements Programme
UNHCR	United Nations High Commissioner for Refugees
UNOPS	United Nations Office for Project Services
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organization
UNCTAD	United Nations Conference on Trade and Development
UNV	UN Volunteers
USAID	United States Agency for International Development

VAT	Value Added Tax
VfM	Value for Money
VIP	Very Important Person
WB	World Bank
WBG	World Bank Group
WDR	World Development Report
WEF	World Economic Forum
WHO	World Health Organization
ZOPP	Zielorientierte Projektplanung (goal-oriented project planning)

INTRODUCTION

Around 1700 almost everyone on earth was poor or destitute, and Thomas Hobbes' phrase about life as "poor, nasty, brutish and short" certainly hit the mark. Perhaps only one-tenth of the world's population was living what could be considered anywhere near comfortable lives. At least, this is what most economic historians will tell you.

Jumping ahead 250 years, one could definitely say two completely different worlds had emerged—a prosperous West and a definitely lagging Rest. The reasons for this ascendancy of the West were due to processes and factors that, even today, are not well understood, but this huge West–Rest economic divide led to the realization that this gap was one of the great issues of the times, one that needed to be addressed as part of any new world order. Thus, by 1950 it could be said that the Development Era began. Some 70 years later, after untold machinations and lots and lots of money, the West is still very much at it.

Western nations and institutions constructed increasingly sophisticated systems to redress this divide, based originally on the idea that transposed expertise and capital was what was needed to help nations build modern economies, to prosper, and eventually to be self-sustaining. Not only would these 'emerging' nations become partners in global prosperity; they would become great consumers as well and, through the miracles of free trade, economies of scale and comparative advantage, the West as well as the Rest would benefit. Yet what sounded so clear and noble back at the start of the Development Era, and what has remained, at least ostensibly, the philosophical bedrock of helping poor nations, has had to face a very rocky road, to say the least.

There is not much to brag about. The poorest nations then are still the poorest nations now, and the ascendancy of the 30-some countries of the West over the 160 or so countries of the Rest remains very, very clear. There are only five small countries that have unequivocally joined the ranks of the advanced nations, and there may be a handful of other countries that are—with a lot of luck in say 30 or 40 years—within reach of joining the club. (China, as this book shows, is hard to classify.) Yes, since the 1990s most measures show a marked decline in absolute poverty and generally improved livelihoods (as well as the rise of small middle classes and a marked increase in income inequality), but this hardly constitutes a changing world order.

How does foreign assistance from the West to the Rest fit into this picture? As will be seen, its effects are underwhelming. There are those who say development aid has had a small measurable impact on economic growth and poverty alleviation, but others say it hasn't, and some say, considering all the other factors in play, that trying to assess its impact is pretty much a fool's errand. In any event, this questionable value of foreign aid is underscored by the fact that almost no one is satisfied with its performance, and the need to improve, reform, and reinvent it and its modalities is a constant refrain.

In other words, stimulating 'development' has been much more difficult than Western optimists had originally thought. Aid processes have been buffeted by ideologies, un-enlightened self-interest, some very ineffective and petulant governments on the receiving end, and hugely powerful global markets that no one could have imagined in the early halcyon days of Development. And the road has not been helped by a one-size-fits-all arrogance that has conveniently ignored the unique historical trajectories of poor countries and that constantly reinforces a fairy-tale perception that outside money, plus Western technical and managerial knowhow are what is needed.

So, how did such a situation come about? Why, in spite of seven decades of the Development Era, with some very smart people in control, with committed technical cadres, with endless discussions and initiatives, and with lots of funds to fertilize the landscape, has it not been possible to get things right? And why, peering into the future, does it seem that there will be More of the Same? These are questions that this book answers. To do so, it looks in detail at the impressive number of aid structures and modalities that have been set up by the 'development community' as well as the considerable posturing in poor countries that has evolved to

accommodate them. Collectively, these can be called the development industry. This is a behemoth that is very much an ‘industry’ in the sense that it has a quantifiable turnover (to the tune of over \$200 billion per year in 2021), employs or otherwise occupies a cast of hundreds of thousands, and makes lots of money for companies, INGOs, and individuals. Also, more than any other global industry, it includes inordinate numbers of ‘conceptualizing’ organizations that track the flow of funds, that measure development results and outcomes, that talk about the need for innovative approaches and, above all, that must justify the industry’s many activities. Finally, it can be considered an industry because it is treated as such by a whole raft of players—by donors, academics, foundations, journalists, politicians, think tanks, private contractors, and NGOs.

To understand this industry, a substantial enquiry or anatomy of its many aspects and how they interrelate and have evolved is needed, since the overall malaise in the industry is definitely more than the sum of its parts. Only by stripping away extensive posturing and political correctness, by looking at the systemic motivations that underpin the behaviors of industry players, and by identifying what drives the many obsessional themes that riddle the industry, can the contradictions and pathologies of the industry be laid bare. This is what this book aims to do, something that is long overdue.

Of course, there is a long history, practically as long as aid itself, of those who have looked askance at aspects of the industry and its foibles. Especially over the last two decades some of these critics—even some who could be considered mainstream development experts—have scored very good points, and the author is much beholden to them and the reasoning behind their critical stances. Yet most aid critiques have for the most part delivered partial messages, usually concentrating on certain aspects—looking at particular institutions, particular economic approaches, particular modes of aid delivery, or particular regions (often Africa these days). Plus, many of the industry’s ills have become so commonplace that they are simply considered unfortunate facts of life. Thus, it is high time that a comprehensive treatment is put forth, since our thesis is that there are behaviors, structures, and dynamics that are found with surprising consistency throughout the development industry that need to be catalogued, dissected, and, especially, interconnected. In other words, this is a huge subject that needs to large canvas to show *both* how delivering anything like effective development assistance has become extremely difficult, *and*

how at the same time it has made anything like real, endogenous development in the Rest well-nigh impossible.

This book carefully looks at some twenty root themes or traits found in the business, to see how they evolved, to uncover their operating characteristics, and to chart their pernicious impacts. In so doing it is hoped that paths of enquiry will have been carved out for others. The arguments found in this book offer a wealth of entry points for academic, technical, and journalistic research. Much more work needs to be done to illuminate how the industry's behaviors were created, how they have become imbedded, and how they reinforce each other. The idea is to stimulate others and thus bring into the mainstream of development thought what should have been there all along. After all, it is ironic that the Development Beast, which spares no effort at analyzing economies and societies in the Rest, never turns its efforts towards analyzing itself, except in the most superficial ways. Were even the tiniest fraction of the industry's energies and resources turned inward and devoted to questioning the structures and motivations that drive it, there might be some very surprising conclusions.

This book is divided into three parts: Part I first provides an introductory chapter that simply charts the scope and nature of the Development Industry and the complex world of donors, their many operations and imperatives, and their many henchmen and pilot fish. It then moves on to identify traits or imperatives that riddle donor behavior, and these are grouped into eleven thematic chapters. These chapters help tease out the contradictions operating and the real motivations and incentives that keep the development train running on its tracks, however ineffective or irrelevant it may be.

Part II looks at the receiving end of the industry—the effects of donor operations within the countries they are ostensibly meant to help, the ways these countries react, and the consequent (mostly negative) posturing. It starts with a background chapter that gives a straightforward analysis of the predictably weak governments found in most development countries and how they got that way. There are then seven chapters that illustrate how the good intentions of donors have tended to unravel in the Rest, and where the unintended consequences, rarely if ever considered, have kicked in.

Putting the two sides together, Part III first presents a summing up chapter that shows how collectively the problems of the development industry are more than the sum of its individual parts, and it identifies

eleven main conclusions for readers to take away. Part III concludes with a chapter about the probable future of the Development Industry and possible if very difficult ways its activities and structures could be changed, and changed fundamentally.

SOMETHING FOR READERS TO KEEP IN MIND: DONOR SELF-INTEREST

Readers of this book should keep in mind that donor governments provide development assistance for a number of reasons that have nothing to do with helping countries develop economically or with alleviating the poverty of their citizens.

First, there are what could be called strategic interests, something pursued by the more powerful donor countries. These are totally un-subtle forms of self-interest, where the donor country wishes to advance its diplomatic and security interests in particular countries or regions by offering aid programs of various kinds as sweeteners. Frequently these aid programs are intertwined with military assistance and weapons sales. The aim is to buy goodwill from others or to encourage them to take up positions they might otherwise reject, and as such aid can be considered a classic tool of statecraft.

Second, there are commercial interests on the part of rich countries, where aid programs are seen as a means to promote trade, exports, and investment opportunities for their own companies. The promotion of commercial interests is a very old and well-established kind of diplomacy, and it can be found, in some form or other, as part of almost all bilateral aid programs. This commercial dimension can be considered intrinsic to almost any bilateral aid, since it serves the important function of gaining political backing for a country's aid program from its corporate sector.

Third, there are donor self-interests that are imbedded within aid delivery structures themselves. Most obvious are what is called tied aid, that is, stipulations that a donor country's aid programs must procure national goods, firms, and experts. There have been some successful efforts since 2005 to reduce this form of aid, but the practice persists. And what could be called 'informally tied aid,' remains rampant. Due to pressure from businesses and due to years of chummy relations, a large majority of contracting for development services goes to firms in the donor country. Even

international agencies tend to procure most of their services from firms and individuals located in Western countries.

Attempts to reign in these particular donor interests have had little effect, and some pessimists might even say that these self-interests are so dominant that development itself is simply an elaborate sideshow. They certainly color how aid is financed and delivered, and as this book trolls through the many structural contradictions imbedded in the ways the development industry operates, it is important to keep in mind this background of donor country self-interest. In fact, one needs to be particularly vigilant, and in looking at new paradigms and initiatives that are frequently spun out by the industry, it well behooves the observer to ask: Who will end up getting the work, and who ultimately benefits?

A LONG TIME IN THE MAKING

This book has been an idea for a long time. The author has spent his entire life living or working in development contexts, and he has gone from junior specialist to senior expert to ‘dinosaur in demand’ over some 50 years in the business. He has worked in many Asian, African, and Middle Eastern countries for a plethora of both bilateral and multilateral agencies or the consulting firms they hire and has seen the operations of the development industry from close up. It did not take very long to realize that this industry embodied serious contradictions, generated little positive impact, wasted tons of money, was pompously self-important and, to put icing on the cake, in many cases had a serious negative impact for countries on the receiving end.

This realization crystalized during a long stint by the author in Nepal in the early 1990s, where even then the weight of donors in practically everything that could be considered developmental was causing counter-productive overload and confusion in Kathmandu and around the country, but somehow donors couldn’t see this (or more likely, simply didn’t care). This eye-opener led the author to begin to explore more and more about the paradoxes found in the development industry, both those at the fine-grained project level and also in the wider literature. But it seemed that little could be found about what really mattered—the contradictions and unintended consequences *of the development industry itself*—and these little snippets were obscured under immense quantities of mind-numbing technical and prescriptive output. Over the decades it became very apparent to the author that donors thrived on objectifying the Rest as

something detached and out there, justifying new paradigms and warmed-over agendas to further the business of development while studiously avoiding any look inward at the industry *itself* as part of the problem.

A CERTAIN FOCUS ON EGYPT

Since half of the author's professional life has involved working in Egypt, it is inevitable that Egypt (and with it the Arab region) takes a certain pride of place in this book. Many other countries of the Rest are also covered, but there is value in having a deep grounding in one single place, especially one with a long history of international aid from a plethora of donors, and it is useful to have a point of reference to avoid scattered generalizations and to allow a teasing out of concrete examples of how the aid system—and the 'partnership' principles upon which it is based—was largely counterproductive.

Egypt is a good choice for these purposes. Since the mid-1970s Egypt has been a major target for Western development initiatives ranging over practically anything that needs 'developing' and even some things that don't. At various periods Egypt has been the single largest recipient of economic assistance, almost every paradigm of development thinking has been tried out, and the list of Egypt's 'development partners' represents a near complete roll-call of those prominent in the business. Egypt is also a good case because, over the last 60 years, its development trajectory has been less than impressive; for example, in 1964 Egypt and South Korea had exactly the same GDP per capita, whereas by 2019 South Korea's exceeded Egypt's by a factor of ten. What went wrong? Egypt has suffered from many external factors that could be said to partly explain some of this dismal record, yet one cannot help but wonder why so much aid has had so little effect, and examples from Egypt help illuminate both how the development industry is ineffective and also how it continues to pour out its beneficence in spite of practically nothing to show for it.

A CERTAIN FOCUS ON THINGS URBAN

The author's expertise in the development business has been as an economist and urban development specialist—sometimes as part of a consultant team, sometimes leading a team, and sometimes as an individual. Most of the development initiatives seen up close have had to do with things urban—housing, urban expansion and plans, industry, urban poverty,

slum and informal settlement upgrading, local area development, land administration, municipal finance, and urban infrastructure, transport and services, not to mention fashionable cross-cutting issues. One of the advantages of ‘things urban’ is that they encompass practically every development issue one can think of. Thus, while no claim is made that this book covers the whole range of development issues, to be specialized in the urban dimension is one way to become familiar with most of them.

WHAT IS NOT COVERED IN THIS BOOK

Not specifically covered are humanitarian or emergency aid (responding to disasters, conflict, and refugees), something that is an enormous and expanding sub-industry in its own right. Unlike development assistance, humanitarian aid does not usually pretend to put people or nations on paths of self-sustaining growth. Instead, it mainly aims to save lives, alleviate suffering, and to return people to normal life. The kinds of humanitarian operations and the specialists involved are usually different from those of mainstream development efforts, since they tend to be more straightforward in what they deliver, and they rarely involve host governments directly as ‘partners.’

Even so, the borders between humanitarian and development efforts are frequently blurred. More and more, humanitarians will claim to have expertise in development issues—particularly those surrounding poverty alleviation—and at the same time classic development agencies are becoming more involved with the effects of disasters and conflicts and ways to make populations more resilient to them. And to a very large extent humanitarian aid *is* a business, and this makes it a close cousin to the development industry. There is a large overlap in the extensive use of large service contractors, specifically INGOs, and, moreover, there is also overlap in terms of sources of funding, bureaucratic processes, market promotion, and institutional self-preservation.

HOW TO USE THIS BOOK

The chapters are presented in a logical order (with contextual chapters found at the beginning of Parts I and II), but each subsequent chapter can be read as stand-alone thematic treatments. The chapter subheadings can be useful guides.

This book covers much territory and many themes, and there are sometimes causes and effects that link up the behaviors or phenomena described in individual chapters. Thus, embedded in the text are occasional references to other chapters, and these provide the reader a way to follow up these linkages, should he or she so wish.

NOMENCLATURE

There are numerous ways to refer to the world's few advanced countries versus the many that are less developed. This book uses the terminology of *the West* versus *the Rest* (thanks to William Easterly, who popularized the phrase). Others prefer the dichotomy North versus South. Other dichotomies include First World versus Third World (with the second world having dropped out of history), or rich versus poor nations, or industrialized versus industrializing nations. The West (and its counterfoil, the Rest) is preferred, since it encapsulates the history and the dominant economic, cultural, and political senses of power embedded in Western countries.

So, what countries are considered Western? Obviously, the countries of Western Europe, North America, plus Japan, Australia, and New Zealand. And to these must be added South Korea, Singapore, Hong Kong, Taiwan, and Israel. But what about Russia and Eastern Europe? Here one is in somewhat of a grey area, since these countries do not conform to the classic 'developing' country, yet still exhibit some of their characteristics (including lots of people with miserable incomes). And what about resource-rich countries? These may have extremely high GDP per capita but, as most people in the aid business would agree, are anything but 'developed.'

Most other countries are almost all firmly part of the Rest, whether they are categorized as 'emerging' or 'frontier' economies, or 'fragile' or 'conflict' countries, or whether they can be termed, as the World Bank does, as 'low income' or 'low middle-income' or 'high middle-income.' Some of the high middle-income countries (e.g., Turkey, Chile, Mexico, Costa Rica, Thailand, and Malaysia) might be considered by some to be on their way to join the West, but this is very debatable. And China, with its enormous population, has become somewhat an anomaly, acquiring a hugely and sophisticated economy but which is still middle-income poor, at least in GDP/capita terms.

In this book the generic term ‘*donors*’ is used as shorthand for all government agencies or international institutions or development foundations in the West that dispense funds, advice, or knowledge aimed at the Rest. Some may say that multinational financial institutions such as the World Bank are not strictly donor agencies, since most of their funding is through loans that need to be paid back at some point, they should definitely be included as donors since their funds come ultimately from Western country pledges, their goals are similar to those of the bilaterals, they all use similar development-speak, and they frequently coordinate with each other and often co-fund programs. Similarly, the dozens of UN agencies are included as donors, even though many are little more than specialized talk shops and conduits for funds from other donors. I also include private foundations and charities with activities in the Rest as donors, almost all of which are based in the West.

PART I

Inside the Donor World



Background: A Sketch of the Development Industry

This first chapter presents a survey of the development industry, something to provide context before the reader takes up the analytical chapters of Part I. This cannot be considered an exhaustive treatment of what is a very large, complex, and little understood industry (or ‘community’ as it is sometimes called, to give it a cuddly glow), and the reader can refer to a small number of sources that struggle to describe the subject from different points of view. These include books by Arjan de Haan (2009), Degnbol-Martinussen and Engberg-Pedersen (2003), and Sogge (2002), although these miss many aspects and are somewhat out-of-date. There is also a very short introduction (Wickstead, 2015) and a 32-chapter anthology (Arvin & Lew, 2015).

WHY CALL IT AN INDUSTRY?

The development or ‘development cooperation’ industry is very much an industry in the sense that it has a quantifiable size or turnover, employs or otherwise occupies a cast of hundreds of thousands, and makes lots of money for companies, NGOs, and individuals. Also, it commands the attention of a host of organizations and individuals who monitor, study, or otherwise conceptualize development and the ways that those in the industry try to promote it. In other words, it can be considered an industry because it is treated as such by a whole raft of players—by academics, foundations, journalists, politicians, think tanks, contractors, and NGOs.

That it is an industry or a “concept of a community of interested parties” (Dichter, 2003, 98) is underscored by the existence of a number of professional associations, career services, trade publications, and trade fairs that cluster around it, as well as the nonstop roll-out of conferences, workshops, colloquiums, forms, and other events sponsored and well-attended by main players. In fact, there are probably few other industries of global reach that are surrounded by such strong and increasing ancillary activities.

However, development assistance is a peculiar type of industry. Its ‘product’ or ‘markets’ are not at all obvious—unlike classic industries such as say the steel, oil, automotive, or tourist industries. Such industries are all first measured by what are final global sales and the changing market shares within it, numbers that are analyzed to death both inside private corporations to assess divisional and managerial performance and outside by the legions of financial analysts who feel they need to tell you how to invest. But the development industry mainly processes donor government funds for spending on what could be called intermediary markets (like contracting, materials and equipment, consultants, grant awards to INGOs, and various other professional services), which are in turn supposed to carry out development efforts directly or indirectly in non-donor countries, teaming up in most cases by partners found in local markets. To a lesser extent the industry also processes funding coming from private foundations and charity organizations whose expenditures at least ostensibly support the same development and poverty reduction goals.

Donor countries or multilaterals sometimes transfer funds directly to recipient governments in the form of budget support or policy lending or, what is much the same, structural adjustment loans. These, the simplest of development flows, do not pass directly through the industry’s intermediaries, yet they are also part of it, since the same donor institutions are involved, the ‘development’ aims and justifications are the same, and many of the same people and institutions are involved. This straightforward and direct flow of funds came very much in vogue in the 1990s (peaking in 2002), but budget support has since declined, representing only a small fraction, less than 6 percent, of the total development industry’s annual value in 2014 (Kennard & Provost, 2016). Thus for the other

ninety-some percent of development funding, there is definitely an ‘industry’ composed of those competing for slices of these varied flows.¹

So, these days practically all aid industry expenditures go through competitive procurement processes of one sort or another. These flows are what can be considered the core of the ‘industry,’ in the sense that they generate intense interest and competition on the part of the businesses who want to grab some of these flows. A UK government publication glowingly summed up the advantages (Department for International Trade, 2014): “Aside from the usual payoffs of international trade, aid funded business means orders are always backed by funds, is a secure way to do business in new markets, which can provide lucrative long-term opportunities, allows business to establish a local presence, provides valuable international trade experience, (and) is useful to have in your company experience history and references when bidding for future projects.”

Private businesses—mainly large engineering firms, management companies, and specialized consulting groups—have always played a role in the development industry, but since the turn of the century, and particularly since the 2007–2008 financial crisis, the visibility and activities of very large corporations have become more pronounced. According to Kennard and Provost (2016), “(t)he 21st century has witnessed a corporate takeover of aid: US and European corporations not only making millions off foreign aid budgets, but use aid and global development institutions to break into new markets and influence public policy in the developing world.... Now, CEOs of major multinationals sit on UN panels charting the future of global development; USAID is partnering with Walmart and Chevron; and NGOs like Oxfam and Save the Children have joined hands with corporate behemoths Unilever and GlaxoSmithKline. With traditional aid budgets under pressure, donors are increasingly turning to the private sector to fill the gap.”

A STRANGE INDUSTRY INDEED

There are a couple of conceptual difficulties with the ‘industry’ approach to analyzing foreign assistance. First, one should say (and donors increasingly do) that their funding is only an intermediate step, and that the final

¹The administrative budgets of donor agencies and IFIs do not normally go through competitive procurement processes, but these are miniscule compared to the development funds they manage.