

Preface

How political is the ‘business’ of granting economic assistance to the most vulnerable societies in today’s globalised world? Do ideas and instruments such as power, influence and governance matter at all when it comes to addressing the question why some countries can exploit the benefits of an increasingly interdependent system – even as (or perhaps because) others remain chronically disconnected from international monetary and trade flows?

For the past two decades following the end of the Cold War, proponents of a more efficiency-driven rationale for the provision of Official Development Assistance (ODA) have justified the use of scarce public funds to alleviate poverty in other nations mainly on the grounds of cost-effectiveness or better ‘value for money’. But on a closer inspection, it may be highly debatable whether the reality of inter-state aid politics has indeed borne witness to a gradual depoliticisation of development.

To be sure, the decline of pre-1989 clientelism in North-South relations led many donors to neglect their old-established networks of preferentialism, and the strategic turn away from Southern recipients prompted yet another ‘near stagnation in gross aid flows’ (Bhagwati, 1970: 165). At the same time, however, the emergence of the Post-Washington Consensus as an overarching doctrine in international political economy provided governments with a new conception of development policy in the multipolar age. Foreign aid was no longer considered to be one of the ‘most important techniques of statecraft’ (Baldwin, 1966: 66). Still, the historical ‘window’ that had opened up since the demise of the Warsaw Pact introduced a period ‘in which major restructuring may be attempted, or at least begun, before events once again begin to congeal into stable patterns’ (Hill, 2003: 107).

Among these restructuring efforts, one initiative was to become particularly prominent in the realm of international development policy: a forceful pledge on the part of Northern donors to refocus their aid money on those populations that needed it most urgently. This novel philosophy of pro-poor ODA allocation appeared to be quite ‘apolitical’ in the first place – but it did not evolve in a political vacuum. Aid agencies were keen on devising a number of complementary conditions, actual disbursements often became contingent upon

a recipient's ability to administer resources efficiently. Yet, scholars and practitioners alike began to ask: How can a poor country run its own projects if it does not have the right to use the money for *those* goods and services which it deems most appropriate to make them work? And why should local stakeholders feel encouraged to participate in externally sponsored development programmes if they are not even allowed to consult donors on their most pressing needs?

The debate on untying ODA from the requirement to spend it on expensive and technically unsuitable deliveries sourced in industrial countries was fuelled by both adherents and critics of liberalised aid procurement. Whereas some donors continued to be sceptical of the putative developmental effects of worldwide bidding for the 'best' commodities available, the OECD started to embrace the idea early on. Even today, nine years after its Development Assistance Committee (DAC) issued a formal *Recommendation* on untying aid, examples of national export protectionism carried out under the guise of global poverty alleviation remain.

Nonetheless, the extent of progress made since the mid-1990s has been substantial. More and more OECD states have actively transformed their traditional behavioural stance of 'donor interest' into a revamped commitment to advance 'recipient need' in contemporary North-South politics. As a matter of fact, increasing volumes of aid are being given 'without strings attached' and distributed on the basis of free competition, thus granting recipients a greater say over the use of funds. However, this new emphasis on market mechanisms is by no means a sufficient indication of an allegedly depoliticised conduct of modern development policy. Much to the contrary, the fight against poverty is still 'essentially a political process, focused on the empowerment of people' (Antrobus, 1987: 97) – although some economists have repeatedly pointed out that the intricacies of decision-making in national ministries ought to be located 'outside their sphere of competence' (McKinlay/Little, 1977: 61).

This doctoral thesis aims to further probe into the controversial nexus between international aid and trade to explain why the politics of untying development assistance may be regarded as a vital illustration of the power of shifting foreign policy motivations impacting on the practice of global economic relations. By the same token, it will be argued that the struggle for human development is anything but a non-political 'business': The core issue of who gets what (and why) cannot be separated from the cost-benefit equation – most notably if 'efficient' aid is supposed to benefit the poor, not the powerful.

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