

Western Financial Assistance to the Developing World

Chuku-Dinka R. Spencer

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Perceptions of the Power Imbalance
and its Impact on Fiscal Terms

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This book is dedicated to the memory of all my departed relatives and in-laws and especially to the memory of my late sister, Lemuella. It is also dedicated to Dr. H.L. van der Laan, former professor of economics at Fourah Bay College, then part of the University of Durham.

FOREWORD

The perception or the actual forces of influence in the world of development finance leads the different participants to think about the institutions or the countries that provide financial assistance as having different declared or concealed objectives. In Africa, criticisms have been dynamic and have evolved in the course of the recent history of development. From bitter criticism of so-called “odious” aid, through “tied aid,” to structural adjustment programs, the world of development finance has been the object of differentiated perceptions of the participants in development.

The author excellently captures the state of affairs through a well-researched and expert analysis, drawing factual data from his experience in development finance. Chuku-Dinka is an accomplished development practitioner with more than three decades of experience in development finance. He is accustomed to conducting in-depth analyses on contemporary subjects relating to development finance as evidenced by his prior works on the subject. He has no hesitation to use arguments which are both empirical and theoretical, to lead the reader into a world of development inquiry, which by nature is a world of divergent and at times contradictory interests. It is a world where donors, beneficiaries, the media, and so-called external and internal forces can, because of one reason or another, wish to enlarge one characteristic or another, thus creating a clear difference between perception and reality.

I have been involved on both sides of the development finance divide, having been for over 30 years an active player in the world of development finance. I now find myself among the decision-makers at the national public/political scene. Readers interested in the world of development

finance can relate to the book. The author brings out the roles played by the various actors in the development process, roles which are buttressed by the specific case of Africa. In these different roles, it is important not to lose sight of the critical questions: what is, in fact, in the end, the crucial expectation of the recipients of development finance and from there what is important to those who provide financial solutions? What lessons can African countries draw from the awareness of the forces in play in order to better structure their discussions and their search for the optimum financial solutions for their development programs? Using his pen with the skill of an authoritative writer, Chuku-Dinka endeavors to provide answers to these and other pertinent questions.

Welcome to an incisive reading about the contemporary world of development finance, in which the traditional as well as the new players are analyzed with a fine-tooth comb, whether they are countries, international non-governmental organizations, or multilateral or bilateral institutions.

Chuku-Dinka adroitly takes the reader into an analysis where theoretical references are reinforced by decades of experience in the world of development finance, specifically in Africa. I invite readers to read the book and draw their own conclusions, about the book which is addressed to the informed general observers, participants in the world of development, the political decision-makers, academics, university teaching staff, and development practitioners.

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PREFACE

In the preface of my previous book (*Politics, Agricultural Development, and Conflict Resolution*) which dealt with a specific program in Mali, I had asked the question “how did the government and the population of the developing countries view the interventions of the donors (especially international non-governmental organizations—INGOs)?” In answering this question, it became obvious that while INGOs intervene in the development efforts of developing countries, many other players are also involved in these development efforts. These include bilateral and multi-lateral financiers.

In researching for the present book, and from my experience of over three decades in agricultural economics research and the operational side of development finance, I realized that there was and still is a great imbalance of power among the players in the development finance arena. I wanted to look at the power imbalance from the point of view of the recipients of external financial assistance. In order to examine development finance from this point of view, it became apparent and important to examine in detail the perceptions and emotions of the population in developing countries, recipient of financial development assistance. What factors influence their perceptions of this power imbalance? In the interest of rigor and thoroughness and in order to be able to capture the whole spectrum of development finance, it was critical to examine both the traditional and non-traditional financial assistance. The traditional is defined as the North-South, financial assistance from developed countries (i.e. in Western and Northern Europe, North America, and the Far East) to developing countries, and the non-traditional, South-South financial

assistance, as such assistance that includes emerging economic/financial powers as China, Brazil, India, South Africa, and even less-endowed countries that provide development finance or other technical assistance, as Cuba and Egypt.

The book explores in great depth such conceptual and key issues as power, perception, accountability, legitimacy, and globalization. As part of the conceptual and key issues, development finance is discussed in all its guises. The extensive and in-depth discussion of these conceptual and key issues prepares the reader for the ensuing analysis. Models, examples, and scenarios help the reader to ascertain the emotions and perceptions of the various segments of the populations in developing countries. Another question I asked in the preface of my previous book related to the effect that the interventions in development finance of the external donors, both traditional and non-traditional, have on the expected and actual outcomes.

Many of the reports of the bilateral and multilateral donors and agencies show adequately the expected and actual outcomes in terms of socioeconomic outputs and financial returns. I therefore felt that these aspects receive satisfactory attention. Rather than deal with purely socioeconomic data to show outcomes, I preferred to look at power from a different perspective. I analyze such factors that affect perception as media, source of information, current situation, and what the Gibsons. Husband & wife call “affordances.” Finally, I studied the manifestations of power that are the conditions which accompany development finance packages. How does the power imbalance (i.e. the power play) affect the developing countries as viewed from the perspectives of the population in the developing countries? How do they view conditions that accompany the financial assistance packages? Did such manifestations of power as embodied in the conditions have positive or negative effects on the socioeconomic well-being of the population? How did they affect the economy and the finances of the countries concerned? These and other questions are answered as the perceptions of the population are rigorously and thoroughly explored and analyzed.

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The views expressed are not necessarily those of any institution or organization, past or present, with which the author may be or may have been associated. Any errors and omissions are the sole responsibility of the author.

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ABBREVIATIONS AND ACRONYMS

ADDAX	Addax Bioenergy company
AfDB	African Development Bank
AfDF	African Development Fund
ALLAT	Action for Large Scale Land Acquisition Transparency
AsDB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
BADEA	Arab Bank for Economic Development in Africa
BBC	British Broadcasting Corporation
BRICS	Brazil, Russia, India, China, and South Africa
CGIAR	Consultative Group for International Agricultural Research
CII	Confederation of Indian Industry
COMESA	Common Market for Eastern and Southern Africa
DAC	Development Assistance Committee
DFI	Development Finance Institution
DRC	Democratic Republic of Congo
ECOWAS	Economic Community of West African States
EEZ	Exclusive Economic Zone
Ex Ante	Expected or intended outcome before the event
Ex Post	Actual outcome after the event
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
HIPCS	Heavily Indebted Poor Countries
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IDFI	International Development Finance Institution

IIED	International Institute for Environment and Development
IMF	International Monetary Fund
INGO	International Non-governmental Organization
IRIN	Integrated Regional Integrated Networks
IsDB	Islamic Development Bank
LCD	Least Common Denominator
NGO	Non-governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
PRSP	Poverty Reduction Strategy Papers
RSA	Republic of South Africa
SADC	Southern African Development Community
SADPA	South African Development Partnership Agency
SSA	Sub-Saharan Africa
TNGO	Transnational Non-governmental Organization
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
USA	United States of America
USAID	United States Agency for International Development
WTO	World Trade Organization
WB	World Bank

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