



Foreign aid allocation from a network perspective: The effect of global ties



Liam Swiss

Department of Sociology, Memorial University, Canada

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ABSTRACT

This article examines competing explanations for foreign aid allocation on the global level and argues for a new approach to understanding aid from an institutionalist perspective. Using network data on all official bilateral aid relationships between countries in the period from 1975 through 2006 and data on recipient country ties to world society, the article offers an alternative explanation for the allocation of global foreign aid. Fixed effects negative binomial regression models on a panel sample of 117 developing countries reveal that global ties to world society in the form of non-governmental memberships and treaty ratifications are strong determinants of the network centrality of recipient countries in the global foreign aid network. Countries with a higher level of adherence and connection to world society norms and organizations are shown to be the beneficiaries of an increased number of aid relationships with wealthy donor countries. The findings also suggest that prior explanations of aid allocation grounded in altruist or realist motivations are insufficient to account for the patterns of aid allocation seen globally in recent years.

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1. Introduction

Why do some countries receive more aid than others? How do donors make decisions about how their foreign aid is allocated? Does aid make a difference? These questions have preoccupied social scientists studying the topic of foreign aid for much of the past half-century. Past research on foreign aid has tended to ask questions like why wealthier nations provide aid to developing nations, whether aid contributes to development in recipient countries, and, if not, how aid can be made more effective. This article offers a novel perspective on the question of why countries provide aid, while leaving the latter questions to other researchers. In particular, this article examines whether competing perspectives on the motivations behind aid allocation are sufficient explanations, and whether the promotion of world polity models, norms, and institutions may serve as an additional motivation for donors. If this motive underpins donor aid allocation, then we would expect to see more aid being allocated to more globally embedded recipients by more donors.

To test this hypothesis, this article asks: *Do countries with a more ties to networks of global norms and international organizations receive aid from more donors? Are countries more embedded in world society also more central to the global foreign aid network?* By testing three competing motives for the provision of aid, this article answers these questions using network data on aid relationships and demonstrates the importance of recipient country global ties as a determinant of aid allocation. I model aid network centrality counts in 117 developing countries over the period from 1975 through 2006 using fixed effects negative-binomial regression to test the effects of these competing motives on aid allocation. Results reveal that higher levels

E-mail address: lswiss@mun.ca.

of global ties – operationalized as human rights treaty ratifications and international non-governmental organization memberships – are associated with a higher degree of aid network centrality for recipient countries net of other controls and the institutionalization of the aid network over time. Further analysis reveals, perhaps counterintuitively, that developing countries more ‘plugged in’ to the global system of international actors and norms receive less aid per capita than others, but do so from a greater number of donors. This contradiction in aid allocation underscores the need for researchers to consider bilateral aid relationships as more than simple financial transfers through which ‘development’ is spread (Swiss, 2016; Swiss and Longhofer, 2016). Instead, my findings support an interpretation of aid relationships between countries as a network lattice dependent on shared global norms, policy models, and organizational membership to that underscore the relationships between countries, the organizations that implement aid, and the societies that mutually benefit.

The primary contributions of this article are twofold. First, by demonstrating that existing perspectives on the motives behind aid allocation are inadequate to explain aid allocation patterns, I highlight the need for researchers to take seriously world society embeddedness as a determinant of bilateral aid allocation. Second, by adopting an approach which examines aid allocation not as a counting of how much aid is transferred in dollar terms, and instead focuses on network centrality – the number of donor countries providing aid to recipients – I demonstrate the advantages of understanding aid as more than a financial transaction and treating it as a relational social network process between states (Peterson, 2014; Swiss, 2016). Both contributions advance the understanding of bilateral aid as a transnational process linked to globalization and casts a sociological light on a topic that has been dominated in past research by economists and political scientists.

2. Background: the distribution of foreign aid

Bilateral aid is the official government-sanctioned development assistance provided by major western democracies to governments, NGOs, and other organizations in the developing world. In 2015, this type of aid amounted to more than \$135 billion USD even in the face of prolonged global financial struggles. Despite the fact that donors have repeatedly been encouraged to increase the size of projects and shrink the number of recipient countries in the name of effectiveness (Acharya et al., 2006; Annen and Kosempel, 2009; Brown and Swiss, 2013; Knack and Rahman, 2007), aid is being provided to a greater number of countries and with smaller sized projects than ever before (Kilby, 2011; Swiss and Brown, 2015). The research literature on aid from the disciplines of economics and political science have conventionally offered two main interpretations for why countries provide aid: (1) aid is provided to fight poverty and promote development in support of ‘international humanitarianism’ (Lumsdaine and Halloran, 1993; Opeskin, 1996); and (2) aid is provided to achieve donor national self-interest in foreign policy, trade, and other areas of donor priority (Alesina and Dollar, 2000; Dreher et al., 2011; Morgenthau, 1962; Woods, 2008). In contrast, little has been written exploring official development assistance as another form of transnational institution, one linked to supporting processes of globalization (Barrett and Tsui, 1999; Fejerskov and Moe, 2015; Jackson, 2005; Peterson, 2014; Swiss, 2011, 2012, Forthcoming, 2016; Swiss and Longhofer, 2016). This article explores this latter perspective as a test of the competing explanations for why and to where bilateral foreign aid is provided. Before exploring this perspective in greater depth, a brief review of the humanitarian and realist points of view is in order, as each motive is can yield different outcomes for where donors are most likely to concentrate their aid.

2.1. Altruistic motives: international humanitarianism

The international humanitarian approach suggests that donor countries’ foreign aid decisions are motivated by a sense of ‘moral vision’ or humane altruism (Lumsdaine and Halloran, 1993; Opeskin, 1996). In this respect, donors are seen to work in solidarity with recipients to try and resolve humanitarian crises and combat poverty. The grounding of aid in this altruistic base links modern-day aid relationships between states to concepts of charity and redistribution associated with western liberal Christian traditions. If we take for granted that aid is motivated by these humanitarian/altruistic aims, we should expect to see aid concentrated in the poorest countries and devoted to assisting the most marginal groups in the global context. As such, countries with low levels of per capita national income and other relevant markers of poverty would be seen as the prime recipients of bilateral foreign aid. Given this, in my analysis *I expect that aid network ties will be more concentrated in countries with lower GDP per capita, those countries which are more impoverished*. More recent evidence suggests that this is not always the case in reality. Wilson, for example, find that aid to health sectors tends to flow to those countries showing the best improvement in health measure rather than those in most need (Wilson, 2011). Evidence of this sort suggests that aid is not motivated *purely* by international humanitarianism, requiring the assessment of alternate perspectives on why and where countries provide aid.

2.2. Realist motives: donor self-interest

Hans Morgenthau’s seminal article on the politics of aid (1962) lays plain the argument that bilateral foreign aid should be viewed as a tool of foreign policy wielded by wealthy countries to achieve their desired foreign policy and commercial outcomes. Later research expanded on this perspective and outlined how aid flows appear to follow patterns that support Morgenthau’s contention (Alesina and Dollar, 2000). Factors that have been shown to affect aid allocation include the importance of past colonial ties, democratic systems, existing trade relationships, geo-political importance, and efforts to combat state fragility/conflict (Bermeo and Blodgett, 2011; Carment et al., 2008; Feeny and McGillivray, 2009; Hout, 2002,

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