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When help becomes a handicap

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Development economics is a paternalistic enterprise where wealthier nations are seen as guides for poorer countries, undermining the agency and self-determination of the latter.

Development economics has faced criticism for exhibiting elements of Orientalism, a concept introduced by Edward Said. Orientalism involves the Western portrayal of Eastern societies as exotic, backward, and in need of Western intervention. In development economics, this perspective manifests as viewing developing countries as passive recipients of aid and guidance from more 'advanced' Western nations.

This process marginalizes local populations, casting them as dependent beneficiaries rather than active agents of their development.

Amartya Sen, a prominent economist, highlights the importance of individual freedom and agency in the development process. Sen's capability approach argues that true development should expand the real freedoms people enjoy rather than imposing external solutions. By empowering individuals and communities to shape their own futures, Sen challenges the traditional narrative of development economics, which often depicts developing countries as mere aid recipients.

Scholars like Ha-Joon Chang further critique conventional economic prescriptions for development. He argues that these prescriptions often overlook the unique contexts and histories of developing countries. Instead of one-size-fits-all solutions, he advocates for more tailored, context-specific approaches. This perspective emphasizes the importance of considering local conditions and empowering local actors in the development process.

Foreign aid comes with advice but no skin in the game: The proliferation of aid institutions with large bureaucracies also comes under criticism. Authors like Dambisa Moyo and William Easterly provide extensive analyses of the impact of foreign aid on development. In her book 'Dead Aid', Moyo argues that aid can create a cycle of dependency and corruption, ultimately undermining local initiatives and governance. She suggests that aid dependence leads to agendas being shaped by international consultants, resulting in leadership being more accountable to international agendas than to local needs. As a result, people lose all agency.

Easterly, in 'The White Man's Burden', criticizes the top-down approach of many aid programs and advocates for bottom-up solutions that respect the agency of local populations. He argues that international agendas often overlook local needs and are neither truly owned locally nor fully implementable.

These thinkers highlight a critical issue: traditional development economics may inadvertently reinforce dependency rather than foster independence. When wealthier nations direct the development of poorer countries, it can echo colonial power structures, diminishing the agency of those who are supposed to benefit from these efforts.

The consultant or the adviser is in a great position to never take the blame for bad advice. Remember the case of the IPPs -- where we are still holding the baby with no negative impact on the international consultants who came up with the idea?

Conflict of interest: Potential conflict of interest arises when international agencies offer both advice and financial assistance, such as loans and funds. The advice given is influenced by the agency's financial interests, rather than the best interests of the recipient country. For example, agencies may recommend policies that align with their lending criteria or facilitate loan repayment, rather than those tailored to the country's unique needs and priorities.

This conflict of interest can undermine the effectiveness of development efforts by prioritizing financial returns over sustainable, locally-driven solutions. It can also perpetuate a cycle of dependency, as recipient countries may feel pressured to follow prescribed policies to secure necessary funding, even if those policies are not optimal for their development goals.

From a political economy perspective, it is essential to understand how power dynamics and institutional frameworks shape development outcomes. Economist Dani Rodrik, among others, has emphasized the importance of institutional diversity and the state's role in development. Successful development strategies often involve a pragmatic mix of policies tailored to specific national contexts rather than adhering strictly to ideological prescriptions.

Huge aid funds have created perverse incentives everywhere. The entire Western academic community, local policymakers and select local academics all feed off the same trough -- international conferences, lucrative international assignments and well-heeled research contracts. In addition, they work on clear internationally determined agendas with little regard for local thought.

Dumping on local thought: Despite 70+ years of independence, many developing countries have been building education systems at all levels. Universities and research institutions have been established, yet the best talent often leaves for international agencies and aid-giving country capitals due to a lack of opportunities at home. Haque and Khan (1993) demonstrated that the aid system results in a net loss of 'capacity' in recipient countries: the most talented individuals leave, while average professionals from donor countries through technical assistance take on local problem-solving roles, lacking the intimate local knowledge of the migrant local consultant.

Technical assistance gives international consulting firms a favourable edge: their countries provide them with well-funded contracts and huge visibility and access to policymakers in poor countries. Local officialdom is financially involved in international aid and the embassies are pushing their consultants on policymaking in poor countries. The only place for the local thought industry -- academia and consulting -- then is as small and junior subcontractors with lower rates and menial tasks.

In the goods market, such practices would be known as dumping. This dynamic results in a net loss of human capital for the country and continued dependence on Western consultants. Moreover, this arrangement will never allow our consulting and research industry to be globally competitive and perhaps compete with international consulting firms.

The myth of the superiority of the colonizer is reinforced by the funding that is attached to the advice given. Mostly this advice seeks to replicate what happened in the West -- regardless of local evolutionary processes or the costs of replication. In case of failure, their dictum is that the advice on replication is always good while the fault always lies with local implementation.

Not only are locals unable to make any contribution to policymaking, but they are also seen to be incapable of implementing recommendations of mindlessly replicating the West. And heaven forbid if they innovate!

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