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Monkey Cage • Analysis

# There's another big reason U.S. foreign aid is important: It helps the U.S. get what it wants.

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By Haley Swedlund July 19, 2017

The Trump administration's proposed federal budget includes a 28 percent cut (\$26.6 billion) in spending for the State Department and the United States Agency for International Development (USAID). According to Trump's budget director, the May budget proposal prioritizes "hard" vs. "soft" power, increasing military spending and preserving current foreign aid levels for just one country — Israel.

Many have criticized the humanitarian and diplomatic costs of the proposed cuts. Gayle Smith, a previous USAID administrator, told CNN that if aid significantly decreases, "it would be a matter of life and death for a lot of people." A U.N. spokesperson said that the proposed cut would "simply make it impossible" to maintain essential operations.

Scholars have defended the importance of aid in fostering economic growth and democratization. Faith leaders, retired military and even Republican members of Congress have criticized the proposal as undermining diplomatic efforts that are important for national security.

## **Predictable foreign aid is important**

My research on foreign aid diplomacy suggests that there is yet another reason we should care about the proposed cuts. Here's why: Unpredictability and volatility in foreign aid undermines the ability of donor officials to lobby for changes in recipient countries.

In a new book, "The Development Dance: How Donors and Recipients Negotiate the Delivery of Foreign Aid," I argue that aid is about bargaining and diplomacy. Contrary to popular conception, aid is not a unilateral gift. Foreign aid requires, in President Trump's words, the "art of the deal." But diplomacy is not like the real estate business. To get the best deal, you need to be predictable.

For this study, I interviewed more than 150 donor and recipient-government officials working in four countries: Ghana, Uganda, Tanzania and Rwanda. I also carried out a survey of high-ranking donor officials working in 20 countries across sub-Saharan Africa. What development practitioners told me is that donors get leverage with recipient governments by

being able to make promises to deliver aid. The more credible donor promises are perceived to be, the more leverage donors get.

Recipient governments do not just passively receive aid but rather actively attempt to manage their foreign aid donors. They pay attention to how predictable and consistent donors are with their aid dollars, preferring to work with donor agencies that keep their word and deliver what they promised.

In all four countries, there are aid units within the ministry of finance whose sole job is to dialogue with donors, manage aid funds and represent the government's interests with donors. In Rwanda, this government unit produces annual reports on the performance of individual donors — an attempt to shame agencies into upholding their commitments.

### **Aid recipients and donor agencies actively negotiate aid contracts**

Politicians in donor countries determine how much foreign aid a particular country gets. But donor agencies like USAID are responsible for delivering that aid. In exchange for aid dollars, donor officials ask recipients to make changes like implementing anti-corruption programs, establishing an independent electoral commission or overhauling the country's primary education system. This requires donor officials to negotiate with recipient governments over how and under what conditions aid will be delivered.

In Ghana, for example, the United States promised up to \$498.2 million to support the country's power sector over a five-year period. In return, the government of Ghana committed to invest at least \$37.4 million of its own money. The government also promised to implement a series of changes seen as necessary to improve the country's power sector and encourage private sector investment. Aid dollars stimulated these promises.

My research tells us that credible promises give donor officials a stronger bargaining position with recipient governments. If a donor agency is not able to keep its side of the bargain, why should the recipient?

### **U.S. credibility is at stake**

That's why drastic cuts in aid will hurt the U.S.'s ability to keep its promises to countries like Ghana. Retracting aid promises will discourage recipients from upholding their side of the bargain. It will also undermine the U.S.'s credibility in future negotiations.

African governments like Ghana increasingly have access to financing from “nontraditional” donors like China. Just last month, Ghana signed a \$10 billion memorandum of understanding with the Chinese to develop the country's bauxite industry. Chinese financial assistance should not yet be seen as a replacement to traditional aid. Chinese aid is concentrated in the productive sectors (infrastructure, agriculture and mining) and mainly goes to Chinese companies. In contrast, traditional aid is more likely to go directly to recipient governments and supports social sectors like health and education.

My conversations with government officials, however, suggest that some African governments see Chinese aid as more credible than assistance from traditional Western donors. This puts even more pressure on traditional donors to offer credible promises of aid to recipient governments.

My research tells us that uncertainty in foreign aid negotiations undermines the ability of USAID to lobby for things including democratic overhauls, increased transparency and economic policy that are in the U.S. national interest. This should matter to a president interested in making deals that benefit the American people. To get the best possible deal for our aid dollars, the assistance needs to be given in a predictable way.

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