

Opinion – The Unintended Consequences of Foreign Aid Bypass

Written by Sarah Hunter

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SARAH HUNTER, SEP 23 2020

Many scholars and policy makers alike agree that non-governmental organizations (NGOs) are powerful actors in international relations. Larger international NGOs have a figurative seat at the table on matters of human rights, environmental protection, humanitarian relief, and even international development. It is this involvement in international development and foreign aid policy that is especially interesting to me. Crafting foreign aid policy is a delicate process with huge potential consequences for the recipient country. Economically, foreign aid can provide much needed support to the least economically developed countries or those facing catastrophic disasters, such as the 2010 Earthquake in Haiti. Politically, foreign aid can prop up regimes (Ahmed 2012) and allow governments to continue to provide essential services. Donor states must also balance their own interests in allocating foreign aid, which can often conflict with the recipient country's interests. In the midst of the Syrian Civil War, the Obama administration had to weigh the deepening humanitarian emergency with the distrust of the Assad regime. Then Secretary of State, John Kerry suggested going around the Syrian government to give money directly to causes on the ground (Gordon 2014). This process, called by some 'foreign aid bypass', is a popular alternative to involving governments that are considered corrupt or politically unfavorable.

As this alternative foreign aid route is utilized more and more, NGOs are provided with more and more opportunities to influence foreign aid and development policy. While the involvement of NGOs in itself is not worrisome, NGOs have a general lack of accountability and a tendency to produce unintended consequences. These two reasons alone should make policy makers and academics alike more cautious of the deepening role of NGOs in the foreign aid sector.

On the surface, bypass aid seems like the perfect solution to the dilemma of how to help the citizens of aid receiving countries while not supporting unfriendly regimes. This practice has become more common in recent years. By 2010, less than half of official aid from the United Kingdom was given directly to a recipient government. The question then becomes: who will take this bypassed aid? The actor that distributes the bypassed aid will not only need extensive local knowledge of both needs and resources but will also need a logistical system for distribution of goods and services. International NGOs, mostly from the United States or Europe, take over such operations and rarely meet both requirements.

The relief efforts and subsequent failures in Haiti are the best demonstration of how ill-equipped NGOs can be as providers of essential services and recovery efforts. As the earthquake's effects continued to ravage the country, many organizations showed up with free medical care and prescription drugs, putting many local doctors out of work and pharmacies out of business. In the end, the thousands of NGOs in Haiti were disorganized and ineffective at best. At worst, they were counterproductive and harmful. They left behind a weak state, high unemployment, and semi-permanent refugee camps. Sadly, it is not uncommon for NGOs to see the opposite results of what was intended (Bush 2015).

Not all relief efforts look like Haiti, but there are important lessons to be learned from that one case. In emergency humanitarian crises, knowledge and logistics can be sufficient, as seen in the response to the 2014 Ebola outbreak in West Africa. On the other hand, long term economic development needs a much deeper commitment. Theories of

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economic development constantly stress the role of the government. Governments can be the largest employers and the main provider of services, and can implement the policies needed for the growth of companies and the economy as a whole. The government is what creates the domestic context that can determine the effectiveness of aid or even of the NGO itself (see Murdie 2014). Therefore, the government cannot be completely shut out of the aid process itself. Doing so can have an unpredictable consequence on further economic or political development.

When NGOs are deployed with the funding that has been redirected from a country's government, the resulting lack of government involvement can have several possible impacts. The first possibility is a 'brain drain': NGOs offer much higher wages than working for the government, therefore attracting highly qualified government workers. Although, Campbell, DiGiuseppe and Murdie (2019) found that NGOs can actually increase bureaucratic capacity. Second, it is possible that the government will find decreased legitimacy from its citizens while essential services are being provided by another actor. Scholars are currently debating this topic (see Dietrich and Winters 2015; Baldwin and Winters 2020; Murdie and Hicks 2013). However, some experimental evidence suggests that bypassed aid and aid implemented through NGOs leads to a lower opinion of the government and a lower willingness to pay government fees respectively (Baldwin and Winters 2020). The third possible effect is a cycle of foreign aid/NGO dependency that never moves toward the goal of economic development. The scholarly research on this topic is quite new and is still growing. Indeed, it actually contradicts itself often. While Urtuzuastigui (2019) found that bypassed foreign aid is associated with positive economic growth in Sub-Saharan Africa, Banik and Chasukaw (2018) found that shutting out the government completely made those gains short term in nature. The final possible scenario is one that we have already seen: the government backlash against foreign funded development organizations (Dupuy, Ron, and Prakash 2015). In this scenario, governments block foreign aid that does not go through them, potentially disrupting the civil society space of that country.

Overall, the long-term economic impacts of bypassed aid are unknown. Much more research is needed to completely understand the economic and political consequences of delegating aid. A lot of research has shown that NGOs can have the opposite effect of their intentions (Bush 2015). However, we have also seen that much of the impact of NGOs is conditional on the domestic context of the recipient country (see Murdie, 2013; Urtuzuastigui 2019). How does bypassed aid change the domestic political and economic context? For the moment, what we do not know is far greater than what we do know. Policy makers and the NGO sector leaders alike should move cautiously when planning and executing aid projects. These projects could have many long-term, possibly harmful, consequences. It is not that these projects or organizations are inherently bad or have malignant intent. But, as the old saying goes, the road to hell is paved with good intentions. NGOs are powerful actors in international relations. I, for one, hope they use that power responsibly and thoughtfully.

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