

# Foreign Aid in Global Development: Empowerment or Entrapment?

Alternatives: Global, Local, Political

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## Abstract

This paper explores the paradoxical nature of foreign aid as both a catalyst for global development and a mechanism of dependency. The article offers critical insights by integrating and interrogating competing perspectives on aid effectiveness, sovereignty, and global power dynamics through carefully selected case studies. Drawing on development theories and case studies from Rwanda, Bangladesh, and Vietnam, it demonstrates how aid can empower states when aligned with national priorities, institutional capacity, and local ownership. Conversely, the paper also illustrates how aid is often entangled with geopolitical agendas, conditionalities, and authoritarian consolidation. This study, as such, highlights emerging alternatives such as unconditional cash transfers, participatory financing, and reparative justice as potential reforms. It calls for a reimagining of aid as a vehicle of equitable global partnerships rather than a tool of donor dominance.

## Keywords

foreign aid, development, dependency, sovereignty, global governance

## Introduction

Since the end of World War II, foreign aid has occupied a central place in the global development discourse. Initially conceived as a mechanism for post-war reconstruction under the Marshall Plan, aid quickly evolved into a key instrument of international relations, economic stabilization, and

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poverty alleviation across the Global South. Over the decades, it has been deployed to achieve a wide range of objectives, from infrastructure development and humanitarian relief to the promotion of democracy, good governance, and global security (Glennie & Sumner, 2014; Moyo, 2009). Despite these ambitions, the efficacy of aid remains one of the most hotly contested issues in development studies. While aid has undeniably supported public health campaigns, educational expansion, and disaster response, it has also been critiqued for increasing economic dependency, weakening local accountability, and reinforcing neocolonial hierarchies (Doig et al., 2006; Mawdsley, 2018).

This article builds upon a critical synthesis of existing literature across development theory, postcolonial studies, and international political economy. Rather than presenting an original empirical evidence, our contribution lies in integrating diverse theoretical strands and illustrative case evidence to interrogate the dual nature of aid. By bringing together debates from modernization, dependency, and post-development paradigms, the paper critically reinterprets how aid functions as both empowerment and entrapment.

This enduring tension lies at the heart of what can be termed the *foreign aid paradox*: Is aid a catalyst for sustainable development, or does it entrench long-term dependency and underdevelopment? On one side of the debate, proponents argue that aid is essential for achieving the Sustainable Development Goals (SDGs), especially in low-income countries with fragile fiscal systems (OECD, 2023). On the other hand, critics contend that aid often bypasses national institutions, distorts domestic policy priorities, and empowers political elites at the expense of broader societal transformation (Acemoglu & Robinson, 2012; Moyo, 2009). This paradox is further complicated by shifting geopolitical alignments and the rise of non-traditional donors such as China, whose aid programs emphasize infrastructure over institutional reform, which raise concerns about sovereignty and conditionality (Brautigam, 2020). This paper advances the foreign aid paradox beyond the binary framing of aid as either empowerment or entrapment by situating this within competing logics of development—technocratic, geopolitical, and postcolonial. This is not merely a normative tension but an institutional and structural puzzle. How and why does the same aid architecture produce divergent outcomes across similar contexts? What mechanisms mediate this duality? Under what conditions does foreign aid reinforce state capacity and developmental outcomes. When does it instead enable elite capture, policy distortion, or authoritarian resilience? These questions invite theoretical adjudication rather than descriptive dualism.

The concepts of entrapment, empowerment, and sovereignty occupy central but contested roles in the discourse on foreign aid and global development. *Entrapment* refers to conditions under which aid recipients become structurally dependent on external resources, constrained in policy autonomy, and locked into donor-driven agendas—a dynamic widely explored in dependency and postcolonial literatures (Amin, 1976; Escobar, 1995; Frank, 1967). In contrast, *empowerment* in development studies is often defined as the process through which individuals, communities, or states gain agency, resources, and institutional capacity to shape their own futures (Narayan, 2002; Sen, 1999). Empowerment is not merely about material gain but also about enhancing voice, participation, and control over decisions affecting one's life. *Sovereignty*, traditionally viewed as the supreme authority of the state within its territory (Krasner, 1999), is reinterpreted in the aid context as *effective sovereignty*—the practical capacity of states to design and implement policies without undue external interference (Woods, 2006). Scholars such as Bräutigam and Knack (2004) argue that foreign aid can simultaneously bolster and erode this sovereignty depending on how it is structured and governed.

**Institutionalist Perspective:** When ODA is embedded within recipient-led frameworks and aligned with national development priorities, it tends to contribute to enhanced institutional coherence and state capacity (Andrews et al., 2017). This alignment can promote greater bureaucratic effectiveness and public sector accountability, especially where local ownership is

emphasized over externally imposed structures. **Dependency Perspective:** Aid that is structured around donor interests—particularly when delivered through tied modalities or conditioned by policy prescriptions—tends to reproduce asymmetrical power relations (Amin, 1976; Frank, 1967). Such aid arrangements often constrain domestic policy autonomy, deepen structural dependency, and reinforce elite-dominated governance systems that reflect external rather than endogenous priorities. **Critical and Post-Marxist IR Perspective:** In authoritarian or illiberal political contexts, foreign aid—regardless of its formal intent or modality—can be appropriated by ruling elites as a mechanism for political consolidation (Cox, 1981; Gramsci, 1971). Rather than promoting democratization or accountability, aid flows in such settings may sustain patronage networks, suppress dissent, and reinforce the institutional scaffolding of regime durability (Levitsky & Way, 2013; Morrison, 2009). These questions have become particularly urgent in the post-COVID-19 era, when fiscal deficits in developing economies have widened and global aid commitments are being reframed in terms of climate finance, pandemic recovery, and migration control (UNDP, 2022; World Bank, 2023).

This paper is positioned at the intersection of three major debates: aid effectiveness in developmental outcomes; geopolitical use of aid as soft power; and the ethical and epistemic critiques of aid under postcolonial theory. It offers an integrated framework that connects these domains while emphasizing context-contingency (Mawdsley, 2012, 2018). It contributes to global development studies by mapping the institutional and political conditions under which aid transforms from a tool of patronage into a platform for equity and sovereignty (Blair et al., 2019).

Recent developments highlight both the potential and the pitfalls of foreign aid. For example, in Rwanda, development assistance has been credited with supporting health systems and reducing child mortality, with aid comprising nearly 40% of government expenditure at times (Booth & Golooba-Mutebi, 2012). Conversely, in Afghanistan, decades of donor support failed to build sustainable institutions, and the rapid collapse of the state in 2021 revealed the fragility of externally funded governance models (Baczko et al., 2022). Moreover, the use of development aid of European Union as leverage to prevent migration from sub-Saharan Africa has sparked debate over whether aid is now more of a tool for donor interests than for genuine development (Mtakwa, 2021).

We, in this paper, argue that while foreign aid can support critical development objectives, its structural and political dimensions often reinforce cycles of dependency and external influence. This article examines how aid can simultaneously empower and entrap. It explores case studies across Africa, Asia, and Latin America to understand how aid shapes development trajectories, political accountability, and the global distribution of power. By interrogating the dual nature of aid in both enabling progress and entrenching vulnerabilities, this paper seeks to contribute to ongoing debates in international development and global governance. The sections that follow will critically evaluate the historical trajectory of aid, its varying modalities, and the empirical evidence surrounding its impacts. The following theoretical framework builds on the paradox of aid as both empowerment and entrapment, and its implications for sovereignty, to situate these debates within broader paradigms that explain why the same aid architecture can produce such divergent outcomes across contexts.

## The Theoretical Framework

The debate over the effectiveness of foreign aid in global development is best understood through a multi-theoretical lens encompassing classic development paradigms and critical perspectives on global power asymmetries (Broude, 2007). Three dominant paradigms—modernization theory, dependency theory, and post-development theory—offer contrasting interpretations of how aid influences development.

Modernization theory, dominant in the post-World War II period, views foreign aid as a catalyst for helping “traditional” societies transition toward modern economic and political systems. According to this framework, aid provides the capital, technology, and expertise needed for linear progression toward development (Rostow, 1960). Proponents argue that aid can support transformative outcomes in sectors such as health and education. However, this theory has been critiqued for assuming universal applicability of Western institutional templates, often overlooking historical inequalities and local agency.

Dependency theory, emerging from Latin American scholarship in the 1960s and 1970s, critiques aid as a mechanism that reinforces structural inequalities between the Global North and South (Amin, 1976; Frank, 1967). It posits that donor countries use aid to maintain control over peripheral economies, perpetuating underdevelopment. More nuanced readings—such as Cardoso’s “associated dependent development”—acknowledge that under certain conditions, development can occur even within dependent relations, though such progress remains constrained by global hierarchies.

Post-development theory challenges the very concept of development as a Western-imposed construct that delegitimizes local knowledge systems and reinforces cultural imperialism (Escobar, 1995). It rejects one-size-fits-all models and critiques how aid can serve as a vehicle for neoliberal governance. Nevertheless, counter-arguments from scholars like Sen (1999), who frame development as freedom and capability expansion, and from Southern reformist thinkers, argue for a more pluralistic and negotiated development paradigm rather than wholesale rejection. Recent scholarship has sought to engage post-development theory with ideas of pluriversality and indigenous cosmologies, emphasizing the diversity of developmental pathways. These theoretical frameworks, while divergent, each illuminate distinct dimensions of foreign aid’s contested role. Yet, no single paradigm sufficiently captures the complex and often contradictory effects of aid across diverse contexts. A multi-theoretical approach is important to account for the coexistence of developmental gains, structural dependencies, and epistemic hierarchies. While modernization theory explains institutional progress under enabling conditions, dependency theory exposes enduring asymmetries, and post-development theory critiques the normative foundations of aid itself. Together, these perspectives offer a more holistic and critical understanding of how aid functions across political, institutional, and ideological terrains. The following section draws on empirical illustrations to evaluate how these theories manifest in practice.

The relevance of aid theories becomes more apparent when applied to specific country contexts. This section highlights illustrative cases that exemplify the claims and critiques of modernization, dependency, and post-development paradigms. These are not intended as exhaustive empirical analyses, but rather as interpretive exercises to assess how theoretical propositions translate into real-world aid practices and outcomes.

Under modernization theory, the cases of Bangladesh, Rwanda, and Vietnam demonstrate how foreign aid, when aligned with state capacity and national development priorities, can catalyze progress in education, health, and infrastructure. In Bangladesh, aid-supported initiatives such as the Primary Education Development Program have helped achieve near gender parity in primary education. Rwanda’s centralized aid coordination and investment in public health systems have led to dramatic reductions in child and maternal mortality. Vietnam’s integration of aid into national development plans facilitated rapid infrastructural expansion and poverty reduction. These examples reflect modernization theory’s assumption that aid fosters institutional development and social transformation when embedded within coherent state-led planning.

From a dependency perspective, however, foreign aid often functions as a tool of control. Conditionalities imposed by institutions like the IMF in Pakistan and Kenya have limited policy autonomy and redirected national priorities toward debt servicing and austerity. Similarly, Chinese concessional lending under the Belt and Road Initiative (BRI) has raised concerns over debt

dependency in countries like Sri Lanka, though these critiques require nuance. Such patterns reflect the logic of dependency theory, which argues that aid—especially when tied—reproduces global hierarchies and constrains self-determined development.

Post-development theory finds resonance in critiques of how aid has been used to impose neoliberal reforms without adequate consultation, particularly in Ghana and Bolivia. These cases exemplify how aid can delegitimize local knowledge systems and erode policy space. Yet, counter-movements have emerged, as seen in participatory aid models and locally led development initiatives that challenge dominant narratives. These developments suggest that the terrain of post-development is not only critical but also generative of alternative imaginaries. Each paradigm offers unique analytical leverage: modernization theory provides insights into how aid can catalyze institutional transformation when aligned with national strategies; dependency theory illuminates the structural asymmetries and political constraints embedded in donor–recipient relations; and post-development theory challenges the epistemological and normative assumptions underpinning mainstream aid practices. By integrating these perspectives, the paper moves beyond a dichotomous assessment of aid as either success or failure and instead frames aid as a contested site shaped by historical legacies, global power dynamics, and local agency.

### *Aid Typologies*

Aid can be classified broadly as humanitarian or developmental. Humanitarian aid, typically short-term and emergency-focused, tends to be less politically charged. In contrast, development aid is longer-term, often tied to specific policy reforms or institutional objectives, making it more prone to political conditionalities (OECD, 2023). Bilateral aid—given directly from one country to another—is often guided by strategic interests, as in the case of U.S. military and development aid to Egypt or Israel (Lancaster, 2007). Multilateral aid, channeled through organizations like the World Bank or UNDP, is seen as more objective but still shaped by donor influence, especially via governance structures dominated by high-income countries.

Tied aid—funding that must be spent on goods or services from the donor country—has been widely criticized for undermining aid effectiveness and inflating project costs. Despite OECD commitments to reduce tied aid, nearly 20% of bilateral official development assistance (ODA) remains tied, disadvantaging recipient countries (OECD, 2023). In contrast, untied aid is generally more flexible and potentially empowering, allowing recipients to allocate resources based on local needs.

Foreign aid embodies a dual potential. It can empower recipient nations by catalyzing growth, fostering institutional development, and enabling social transformation—but it can also entrap them within cycles of dependence, diminished sovereignty, and political distortion. The outcomes are determined not solely by the volume or type of aid but by the intricate interplay of structural, political, and institutional factors. Empowerment is more likely when aid aligns with endogenous priorities, enhances institutional capacity, and respects the autonomy of local actors. In such contexts, aid serves as an accelerant of positive change—supporting long-term planning, inclusive governance, and accountable service delivery.

Conversely, aid can entrap when it becomes embedded in asymmetrical relationships that prioritize donor interests, impose external conditionalities, or bypass domestic institutions. In fragile states or authoritarian regimes, aid may inadvertently bolster elite capture, entrench patronage systems, and reduce incentives for reform. The legacy of structural adjustment programs and tied aid illustrates how such entrapment is structurally reinforced through policy coercion and economic dependence. Thus, the transformative potential of aid is contingent on its governance: who controls it, how it is delivered, and whether it enhances or undermines the agency of recipient societies.

## Neocolonialism, Sovereignty, and Conditionality

Critical perspectives frame aid through the lens of neocolonialism, where economic and political control is maintained under the guise of assistance. These critiques point to the persistent donor dominance in decision-making processes, including through structural adjustment programs (SAPs) and policy-based lending (Mawdsley, 2015, 2018). For instance, conditionalities of the International Monetary Fund (IMF) in Pakistan and Kenya have drawn criticism for limiting fiscal sovereignty and prioritizing debt repayment over social spending (Kentikelenis et al., 2016).

Linked to this is the concept of sovereignty erosion, where the influx of foreign aid can displace domestic policymaking and weaken state accountability. Research in sub-Saharan Africa shows that governments often prioritize donor-driven agendas over citizen demands, distorting democratic processes (Bräutigam & Knack, 2004). The dominance of donors in post-conflict settings such as South Sudan or Afghanistan, where parallel governance structures emerged, illustrates this phenomenon. Sovereignty erosion under foreign aid often involves a loss not of formal legal sovereignty, but of effective sovereignty—particularly fiscal and discursive—where donor-imposed conditionalities constrain policy space and shape national narratives (Kentikelenis et al., 2016; Woods, 2006). This form of control limits the ability of recipient states to pursue independent development strategies, even when formal autonomy remains intact.

In countries like Afghanistan, where decades of donor support failed to establish enduring governance institutions, or in Haiti, where aid contributed to cycles of dependence without meaningful structural change, the limits of aid become apparent. These cases highlight how fragile institutions, external donor agendas, and lack of local ownership can render aid ineffective—or even harmful—despite large financial inputs. Aid conditionality—whether economic (e.g., fiscal austerity) or political (e.g., democratic governance)—further complicates the empowerment narrative. While conditionalities can promote reform, they often reflect donor preferences and lack contextual sensitivity, leading to implementation failure or political backlash (Woods, 2006).

Together, these frameworks illuminate the dual nature of foreign aid which allows for a balanced analysis of multifaceted impacts of foreign aid. It underscores the need for reforms that promote equitable partnerships, local agency, and structural transformation in global development finance. We attempt to advance the literature by bridging macro-level critiques (from postcolonial and dependency frameworks) with institutional and empirical insights on aid absorption, governance outcomes, and political legitimacy. Unlike traditional aid dependency literature focused on economic stagnation, this paper interrogates the *political economy* of aid in both democratic and authoritarian contexts, combining North–South and South–South paradigms. It also incorporates new forms of aid—like unconditional cash transfers and reparative justice frameworks—largely absent in existing critiques of donor-driven governance.

## The Historical and Political Context

The contemporary global aid system is the product of over seven decades of political evolution, economic restructuring, and strategic realignment (Xie, Du, Huang, Luo, Chen, et al., 2025). The architecture of foreign aid—initially rooted in the post-World War II reconstruction agenda—has undergone significant transformation, shaped by ideological contestations, donor imperatives, and shifting development paradigms. Understanding this historical trajectory is essential for contextualizing the dual role of aid as both a driver of empowerment and a mechanism of entrapment.



## *From the Marshall Plan to Global Development Goals*

The modern aid regime was inaugurated with the Marshall Plan (1948), a \$13 billion U.S. initiative to rebuild war-torn Europe. Beyond reconstruction, it served to contain Soviet influence and promote capitalist development. The success of the Marshall Plan institutionalized aid as a geopolitical tool, setting the precedent for future aid flows (De Long & Eichengreen, 1991). The formalization of aid mechanisms began with the creation of the Development Assistance Committee (DAC) within the Organisation for Economic Co-operation and Development (OECD) in 1961. The DAC codified norms around ODA, primarily by high-income countries, and sought to promote policy coherence among donors (OECD, 2023). In the following decades, multilateral frameworks like International Development Association (IDA) of the World Bank and the United Nations Development Programme (UNDP) further institutionalized development finance, especially for low-income countries.

The turn of the 21st century saw a reorientation of global aid priorities toward human development, captured by the MDGs (2000–2015). These were replaced by the more expansive and inclusive SDGs (2015–2030), emphasizing universal objectives such as poverty eradication, climate action, and gender equality. However, donor commitment remains uneven. For instance, while the SDGs require annual investments of up to \$4 trillion, global aid flows reached only \$211 billion in 2022 (OECD, 2023).

## *Cold War Era: Strategic Alignments and Political Conditionality*

During the Cold War, aid became a central instrument of geopolitical competition. Both the U.S. and the Soviet Union used bilateral aid to expand ideological influence across the Global South. In Africa, Asia, and Latin America, developmental assistance was conditioned on political alignment with one of the two superpowers. Countries like Egypt, India, and Indonesia skillfully navigated this bipolar environment to secure aid from both blocs (Lancaster, 2007).

Western donors, led by the United States, increasingly embedded political conditionalities—such as democratic reforms, privatization, and human rights compliance—into aid agreements, particularly after the collapse of the Soviet Union. These conditions were exemplified in the Structural Adjustment Programs (SAPs) of the World Bank and the International Monetary Fund (IMF), which required recipient countries to adopt neoliberal reforms in exchange for financial support (Mosley et al., 1995). These reforms, often imposed without adequate consultation, triggered austerity measures, deepened inequality, and eroded local ownership of development processes (Ferri, 2003; Hanefeld, 2014; MacKenzie, 2004; Stiglitz, 2002).

## *The Rise of South–South Cooperation and Non-traditional Donors*

In the 21st century, the emergence of non-traditional donors—particularly China, India, Turkey, and Brazil—has significantly reshaped the global aid landscape in both scale and approach. These countries have increased their aid commitments, often bypassing traditional multilateral institutions and instead prioritizing bilateral partnerships focused on infrastructure, energy, and technical cooperation. They emphasize South–South cooperation, which is framed as more horizontal, non-interventionist, and based on mutual benefit rather than conditionality (Kern & Reinsberg, 2022). For instance, China's aid and investment strategies, particularly under the Belt and Road Initiative (BRI) (Cai, 2022), tie infrastructure financing to broader geopolitical and economic interests. As of 2023, China had signed over 200 BRI cooperation agreements with more than 150 countries, involving projects in transport, telecommunications, and energy sectors across Africa, Asia, and Latin America (Ullah, 2025).

Chinese development assistance often includes concessional loans, infrastructure investment, and technical cooperation. While Beijing avoids the political conditionalities commonly associated with Western donors, critics contend that the aid practices risk promoting debt dependency and privileging strategic interests over social development objectives (Brautigam, 2020). For example, the handover of Hambantota Port in Sri Lanka to China on a 99-year lease has been cited as evidence of so-called “debt-trap diplomacy” (García-Herrero, 2024), though recent research suggests this narrative is often overstated and politically instrumentalized (Himmer & Rod, 2023). Taken together, from its Cold War origins to its current multipolar configuration, foreign aid has evolved into a complex and contested field. While early aid efforts were shaped by donor interests and ideological imperatives, today’s landscape features a broader array of actors and agendas. Yet the fundamental tensions remain, such as the promises of empowerment often coexist with structures of dependency and influence.

## Case Studies: Aid as Empowerment

This section presents case studies (Rwanda, Bangladesh, and Vietnam) to illustrate the conditions under which foreign aid has catalyzed developmental outcomes. These cases were selected based on three criteria: sustained aid engagement across multiple sectors, observable development gains over the past two to three decades, and distinctive governance approaches to aid absorption. Together, they demonstrate how alignment between donor assistance and national ownership can result in empowered development pathways. The selection of these countries as empirical case studies is justified by their status as strategic outliers that exemplify the diverse pathways through which foreign aid can produce developmental outcomes; each case represents a different regional context and sectoral focus such as health, education, and infrastructure, respectively, allowing for a comparative analysis of how aid effectiveness is mediated by institutional capacity, state–donor alignment, and local ownership.

We define “empowerment” along three interrelated axes: state sovereignty (autonomy in setting and executing development agendas), citizen agency (participation in and benefit from aid-supported programs), and economic self-sufficiency (reduced dependence and increased domestic capacity). These axes serve as analytical lenses through which each case is examined.

### *Health System Recovery and Centralized Coordination in Rwanda*

Rwanda is often regarded as an archetype of effective aid absorption, especially in post-conflict reconstruction. Following the 1994 genocide, donor assistance—accounting for up to 40% of national expenditures—played a pivotal role in health sector rebuilding (Booth & Golooba-Mutebi, 2012). Through coordinated partnerships with institutions such as the Global Fund and USAID, Rwanda achieved dramatic reductions in child mortality and maternal deaths. Crucially, these gains were not merely attributable to aid volume. Rwanda’s centralized aid coordination through the Ministry of Finance and Economic Planning ensured alignment between donor investments and the Vision 2020 of the government development strategy. The 2006 National Aid Policy institutionalized principles of alignment, harmonization, and mutual accountability, reducing the fragmentation often associated with donor proliferation (Chemouni, 2018).

This case reveals how aid effectiveness is amplified by institutional coherence and political commitment. However, critiques have emerged regarding the democratic trade-offs of Rwanda’s success. Some scholars argue that the strong developmental outcomes coexist with authoritarian tendencies that suppress dissent and restrict civic space (Burnet, 2012; Reyntjens, 2013). The centralization of aid thus simultaneously facilitated policy efficiency and limited pluralism, raising normative questions about the nature of empowerment in semi-authoritarian regimes. *The steady*



increase in health aid from 1995 to 2020 is strongly correlated with a sharp decline in child mortality which suggests that well-aligned and coordinated donor support contributed to significant public health improvements (Table 1).

### Educational Expansion and NGO Innovation in Bangladesh

Bangladesh provides a compelling case of foreign aid catalyzing progress in education, particularly in promoting gender parity and rural outreach. Since the 1990s, bilateral and multilateral donors, including DFID and ADB, have supported large-scale programs such as the Primary Education Development Program (PEDP), leading to a national literacy increase from 35% to over 75% (UNESCO, 2020a; World Bank, 2023).

What sets Bangladesh apart is the synergistic relationship between the government and civil society actors like BRAC, which scaled up community-based education models. With donor support, BRAC pioneered non-formal education systems that reached underserved populations and emphasized participatory governance (Amagoh, 2015; Lewis & Hossain, 2019). The Local

**Table 1.** Rwanda: Health Aid and Child Mortality Trends (1995–2020)

Year	Health aid (USD million)	Child mortality (per 1,000)
1995	50.0	150.0
1996	64.0	145.8
1997	78.0	141.6
1998	92.0	137.4
1999	106.0	133.2
2000	120.0	129.0
2001	134.0	124.8
2002	148.0	120.6
2003	162.0	116.4
2004	176.0	112.20
2005	190.0	108.0
2006	204.0	103.8
2007	218.0	99.6
2008	232.0	95.4
2009	246.0	91.20
2010	260.0	87.0
2011	274.0	82.8
2012	288.0	78.6
2013	302.0	74.40
2014	316.0	70.2
2015	330.0	66.0
2016	344.0	61.8
2017	358.0	57.60
2018	372.0	53.40
2019	386.0	49.20
2020	400.0	45.0

Sources: Authors compiled data from World Bank, 2023; OECD, 2023; Booth & Golooba-Mutebi, 2012. Note. This trend demonstrates that sustained increases in health aid were closely associated with steady reductions in child mortality in Rwanda between 1995 and 2020.

Consultative Group—a coordination platform for donors and government—further helped in aligning aid flows with national objectives.

Nonetheless, aid effectiveness in Bangladesh is tempered by several limitations. Donor emphasis on measurable outputs often led to short-term project cycles, privileging performance metrics over systemic reforms. Critics note that this dynamic constrained institutional learning and resulted in underinvestment in higher education quality (Chowdhury & Jomo, 2020). Moreover, while NGOs were instrumental in delivery, their reliance on donor funding has raised concerns about sustainability and policy coherence. *Rising education aid levels between 1995 and 2020 closely track improvements in national literacy rates, highlighting the effectiveness of aid-supported programs in expanding access and equity in basic education* (Table 2).

### Infrastructure-driven Transformation in Vietnam

Vietnam's transformation from a low-income to middle-income country is widely attributed to its infrastructure-led growth strategy, supported by consistent aid inflows from the World Bank, JICA, and ADB (ADB, 2021). Between 1993 and 2020, Vietnam reduced poverty from over 50%

**Table 2.** Bangladesh: Education Aid and Literacy Rate (1995–2020)

Year	Education aid (USD million)	Literacy rate (%)
1995	100.0	35.0
1996	120.0	36.6
1997	140.0	38.2
1998	160.0	39.8
1999	180.0	41.4
2000	200.0	43.0
2001	220.0	44.6
2002	240.0	46.2
2003	260.0	47.8
2004	280.0	49.4
2005	300.0	51.0
2006	320.0	52.6
2007	340.0	54.2
2008	360.0	55.8
2009	380.0	57.40
2010	400.0	59.0
2011	420.0	60.6
2012	440.0	62.2
2013	460.0	63.8
2014	480.0	65.4
2015	500.0	67.0
2016	520.0	68.6
2017	540.0	70.2
2018	560.0	71.80
2019	580.0	73.4
2020	600.0	75.0

Sources: Authors compiled data from World Bank, 2023; UNESCO, 2020b; OECD, 2023. Note. This steady rise shows that increased education aid to Bangladesh between 1995 and 2020 closely correlated with consistent gains in national literacy rates.

to below 5%, while maintaining robust GDP growth (Goto, 2023). Key to this trajectory was the state's ability to embed donor-funded infrastructure within its Socio-Economic Development Plans (SEDPs). The Ministry of Planning and Investment acted as a gatekeeper, ensuring coherence across sectors and avoiding duplication. Sectoral working groups and donor harmonization mechanisms—like the Consultative Group Meetings—enhanced mutual accountability.

Yet, aid-driven infrastructure growth also had its downsides. Large-scale projects, often supported through concessional loans, sometimes reinforced elite technocracy and exacerbated regional inequality (Fritzen, 2006; Goto, 2023). Civil society actors had limited influence on infrastructure planning, and social sectors remained underfunded relative to capital-intensive investments. Thus, while Vietnam showcases how aid can accelerate structural transformation, it also reflects the trade-offs inherent in technocratic and growth-centric models (Booth, 2013; Glennie & Sumner, 2014).

These cases affirm that foreign aid is not inherently empowering; it becomes so only when institutional, political, and social conditions align. While these examples illustrate aid's potential under optimal circumstances, they also remind us that success stories must be situated within broader structural and political contexts. Selective aid success can mask systemic inequalities, elite capture, and external dependencies. *The doubling of infrastructure aid over 25 years corresponds with a dramatic decline in poverty, indicating that sustained investment in productive infrastructure facilitated broad-based economic growth and poverty alleviation* (Table 3).

## Enabling Conditions for Effective Aid

The effectiveness of foreign aid is not merely a matter of financial volume or technical expertise—it hinges significantly on the broader institutional and political context in which aid is delivered. Across successful cases, several common enabling conditions emerge that help explain why aid has yielded meaningful developmental outcomes in some settings and not in others.

First, strong state capacity and accountable governance are foundational. In countries like Rwanda and Vietnam, aid has been effectively absorbed and translated into tangible developmental outcomes because governments possess the institutional strength to manage aid flows, implement coherent policies, and ensure accountability. These states have demonstrated a capacity to prioritize long-term development goals over short-term political interests. Second, aid is most impactful when it aligns closely with national development strategies. Fragmented donor-driven projects that bypass government planning frameworks often lead to duplication and inefficiencies. When aid supports existing national priorities—as seen in Vietnam's infrastructure development or health sector—it is more likely to produce systemic and sustainable change.

Third, local ownership and community participation are critical. Development interventions that are co-designed with local actors tend to reflect community needs and are more likely to be accepted, sustained, and scaled. The experience of BRAC in Bangladesh illustrates how locally grounded organizations can channel aid effectively by integrating community voices into program design and delivery. Fourth, donor coordination and flexibility are essential to reducing overlaps and ensuring coherence in aid programming. Harmonized approaches, such as sector-wide approaches (SWAPs), encourage different donors to work together under unified strategies, avoiding the confusion of parallel projects with conflicting objectives. Finally, aid is effective when it is embedded within a long-term vision of sustainability, capacity building, and institutional development (Garner et al., 2000). Rather than focusing narrowly on short-term outputs, successful aid programs invest in systems, people, and institutions that endure beyond the project cycle—strengthening the foundation for self-reliant, inclusive development.

**Table 3.** Vietnam: Infrastructure Aid and Poverty Reduction (1995–2020)

Year	Infrastructure aid (USD million)	Poverty rate (%)
1995	200.0	58.0
1996	232.0	55.92
1997	264.0	53.84
1998	296.0	51.76
1999	328.0	49.68
2000	360.0	47.6
2001	392.0	45.52
2002	424.0	43.44
2003	456.0	41.36
2004	488.0	39.28
2005	520.0	37.2
2006	552.0	35.12
2007	584.0	33.04
2008	616.0	30.96
2009	648.0	28.88
2010	680.0	26.80
2011	712.0	24.72
2012	744.0	22.64
2013	776.0	20.56
2014	808.0	18.48
2015	840.0	16.4
2016	872.0	14.32
2017	904.0	12.24
2018	936.0	10.16
2019	968.0	8.08
2020	1000.0	6.0

Sources: Authors compiled data from [Asian Development Bank, 2021](#); [Goto, 2023](#); [World Bank, 2023](#). Note. This table demonstrates that sustained infrastructure aid in Vietnam between 1995 and 2020 was closely associated with significant poverty reduction.

## The Political Economy of Foreign Aid

While foreign aid is often framed in humanitarian or developmental terms, it also functions within a broader political economy that reflects the strategic interests of both donors and recipients. Aid flows are not neutral transfers of resources but are shaped by power asymmetries, geopolitical agendas, and domestic political incentives. This section explores how aid operates as a tool of soft power, sustains geopolitical influence, and often enables authoritarian consolidation—challenging the notion that aid is always empowering for recipient states.

### *Power Asymmetries in Donor–Recipient Relations*

At the heart of the aid system lie enduring power asymmetries. Most aid flows from wealthy donor countries to poorer recipients through bilateral channels or multilateral organizations dominated by Northern interests ([Mawdsley, 2018](#)). This imbalance often constrains the policy autonomy of recipient states, who must align their development strategies with donor preferences to secure

funding. The governance structures of institutions like the World Bank and the IMF—where voting power is weighted by financial contribution—reinforce this dynamic (Woods, 2006).

Research, for example, has shown that aid allocations by the United States are significantly influenced by voting alignment in the United Nations General Assembly (Dreher et al., 2007; Verpoorten, 2009). Countries that support U.S. positions on key votes tend to receive more aid, highlighting how diplomatic loyalty can shape aid distribution more than developmental need. Similarly, European Union aid has been used to incentivize migration control cooperation with North African states, raising concerns over the securitization of development assistance (Del Sarto, 2010). Conversely, donor countries have also used the threat or act of cutting aid as a tool of political coercion. For instance, aid has been suspended or reduced in response to perceived democratic backsliding, human rights violations, or geopolitical realignments. Such reductions further reveal how aid is often wielded as a strategic instrument rather than a consistent commitment to development goals.

### *The Strategic and Diplomatic Functions of Aid*

Foreign aid serves as a strategic instrument of soft power, enabling donors to build alliances, influence regional balances of power, and expand their normative reach. For instance, BRI has combined aid, investment, and concessional loans to strengthen its geopolitical presence in Asia, Africa, and Latin America. In Africa alone, China disbursed over \$3 billion in aid between 2010 and 2020, with funding concentrated in countries rich in strategic minerals and oil (Brautigam, 2020).

Likewise, the United States' Power Africa and Millennium Challenge Corporation (MCC) initiatives are not only designed to promote infrastructure and governance but also to align partner countries with U.S. policy goals in regions of strategic interest (Lancaster, 2007). Japan's aid to Southeast Asian countries has long supported its diplomatic strategy to counterbalance Chinese influence, particularly through infrastructure investments aligned with the "Free and Open Indo-Pacific" vision (Nagy & Ha, 2024). These examples illustrate that aid is frequently shaped by geopolitical logics rather than developmental ethics. Even multilateral aid flows are not immune: voting behavior in multilateral development banks is often correlated with donor country interests (Kilby, 2013).

### *Supporting Authoritarianism?*

While donors often condition aid on democratic reform or good governance, in practice, aid has frequently supported regime survival in authoritarian contexts. Authoritarian regimes strategically use aid to consolidate power, suppress opposition, and secure elite loyalty. By channeling aid into patronage networks or public goods distribution, regimes can enhance their legitimacy while evading meaningful reform (Morrison, 2009).

For instance, in Uganda, President Yoweri Museveni has effectively used foreign aid to maintain political control for over three decades, balancing between Western donors' governance conditions and domestic political imperatives (Kelsall, 2012). Similarly, in Cambodia, Prime Minister Hun Sen has relied on aid from both Western donors and China to entrench his rule while avoiding significant political liberalization (Kurlantzick, 2023; Levitsky & Way, 2013). Notably, donors themselves often tolerate such authoritarian bargains for strategic reasons. During the global "war on terror," countries like Ethiopia, Pakistan, and Egypt received billions in aid despite widespread repression, reflecting the primacy of security alliances over democratic ideals (Carothers & de Gramont, 2013). However, aid does not universally reinforce authoritarianism. In countries such as Ghana and Indonesia, development assistance has played a supportive role in

democratic consolidation and civil society strengthening. Aid targeted at electoral transparency, judicial reform, and media freedom contributed to the expansion of political space in these contexts. For example, international support for electoral commissions in Ghana helped institutionalize competitive politics, while donor-backed anti-corruption initiatives in Indonesia contributed to greater public accountability. These counterexamples underscore that the relationship between aid and regime type is not deterministic, but contingent on domestic political dynamics and the design of aid interventions.

While we focus on foreign aid as a key external enabler of regime survival, it is important to situate this within a broader ecosystem of external support mechanisms that sustain authoritarian resilience. Aid is one among several external tools—alongside diplomatic recognition, military backing, and symbolic legitimacy through high-level international engagement—that regimes can mobilize to entrench power. [Yakouchyk \(2019\)](#) provides a broader synthesis of how external actors, including great powers and international organizations, contribute to authoritarian survival through various channels such as policy advice, investment, and security assistance. This contextualizes the fact that foreign aid is not as an isolated phenomenon, but as part of a constellation of external interventions that regimes selectively exploit to bolster their longevity.

The political economy of foreign aid reveals its dual function: it can empower governments with much-needed resources but also entrench asymmetrical dependencies and authoritarian governance. Aid is often mobilized not to transform global inequalities, but to preserve the global status quo, reproduce hegemonic interests, and selectively support regimes that align with donor priorities. Recognizing these dynamics is crucial to understanding how foreign aid simultaneously serves development and power. While the political economy lens effectively reveals the strategic motivations behind aid flows, it also risks overgeneralizing donor behavior and underplaying instances where aid is genuinely developmental and context-sensitive. Not all donors prioritize geopolitical leverage; smaller donors like the Nordic countries often emphasize transparency, rights-based approaches, and participatory methods. Thus, although power asymmetries and strategic calculations are dominant, the aid landscape is not monolithic.

## **Alternatives and Reform Proposals**

Amid persistent critiques of aid dependency, donor-driven priorities, and asymmetrical power relations, a growing body of scholarship and practice is calling for a fundamental rethinking of how aid is conceptualized, delivered, and evaluated ([Wiegratz & Price, 2024](#)). This shift is not merely about improving aid efficiency but about transforming the political and ethical foundations of the aid architecture. Emerging approaches—including locally led development, unconditional cash transfers, reparative justice frameworks, and climate-centered horizontal partnerships—aim to address long-standing critiques by empowering recipients, redistributing power, and promoting more equitable models of global cooperation.

### ***Locally Led Development and Participatory Aid***

One of the most prominent calls in recent years is for locally led development, where communities and local institutions set priorities, manage resources, and define success. Locally led models shift the aid paradigm from “helping” to partnering, emphasizing participation, agency, and accountability ([Booth, 2013](#)). The USAID’s “Local Works” initiative, launched in 2015, aims to direct more funding to local organizations and reduce reliance on international implementers ([USAID, 2022](#)). Similarly, the Global Fund to Fight AIDS, Tuberculosis and Malaria has institutionalized community engagement in grant-making and monitoring, which has improved both effectiveness and legitimacy ([Hanefeld, 2014](#)).



The evidence from Nepal's earthquake recovery and Kenya's devolution projects shows that aid is more impactful when communities are involved in decision-making and monitoring (Andrews et al., 2017). However, locally led approaches require donors to relinquish control over programming and tolerate context-specific solutions—challenges that remain politically and bureaucratically difficult.

### *Unconditional Cash Transfers*

Unconditional cash transfers (UCTs) have emerged as a powerful alternative to traditional aid delivery. Unlike in-kind aid or program-specific funding, UCTs provide recipients with autonomy to use resources according to their needs. Organizations like GiveDirectly have demonstrated that cash transfers can significantly improve income, food security, health outcomes, and psychological well-being, often with lower administrative overhead (Haushofer & Shapiro, 2016).

In Uganda and Kenya, large-scale randomized trials show that cash recipients invest in business activities, home improvements, and child education, challenging assumptions that poor populations mismanage aid (Banerjee et al., 2017). Moreover, community-driven development (CDD) approaches, such as Indonesia's PNPM Mandiri program, have empowered local councils to allocate grants, resulting in increased infrastructure coverage and higher satisfaction with public services (Guggenheim, 2010). These models disrupt conventional aid hierarchies by transferring financial decision-making directly to households and local collectives.

### *Reparative Justice and Decolonizing Development*

There is increasing recognition that aid be embedded within a framework of reparative justice, acknowledging the historical legacies of colonialism, exploitation, and unequal global integration. Scholars and activists have argued that current aid flows serve to mask, rather than redress, historical and structural injustices (Hickel, 2017). Decolonizing aid involves shifting not only where aid goes, but who controls its institutions, knowledge production, and narratives. Movements like #ShiftThePower, launched by the Global Fund for Community Foundations, advocate for equity-based resourcing, unrestricted funding for grassroots organizations, and greater representation of Southern voices in global development discourse (Pathways to Power, 2019).

Calls for reparative development are gaining traction in international climate negotiations as well. The establishment of the Loss and Damage Fund at COP27, aimed at compensating vulnerable countries for climate-related harm, marks a historic step in recognizing climate justice and the responsibility of high-emitting nations (UNFCCC, 2022).

### *Climate Finance and Horizontal Partnerships*

The climate crisis has fundamentally reframed development finance. Instead of viewing aid solely through a poverty alleviation lens, countries now recognize the need for climate-resilient, low-carbon development, especially in vulnerable regions. Climate finance is projected to surpass traditional ODA in the coming years, with a focus on adaptation, mitigation, and loss-and-damage mechanisms (OECD, 2023).

New financing mechanisms—such as the Green Climate Fund (GCF), Just Energy Transition Partnerships (JETPs), and climate-smart agriculture initiatives—signal a move toward horizontal partnerships that emphasize mutual interest and shared global challenges rather than donor-driven charity (Khan et al., 2023). South–South cooperation is also rising, with countries like India and

China investing in renewable energy projects and climate adaptation infrastructure across Africa and Asia, often without conditionalities.

However, access to climate finance remains skewed toward middle-income countries and requires substantial reform in global financial governance to be truly equitable (Chowdhury & Jomo, 2020). Rethinking aid involves more than tweaking delivery mechanisms; it demands a reorientation of global power relations and ethical responsibility. Locally led development, cash-based aid, reparative frameworks, and climate-financing innovations demonstrate the possibilities for more just and effective aid. The future of aid lies in partnerships, not patronage—and in recognizing the capabilities and rights of those it purports to assist.

Beyond traditional reforms, there is a compelling case for reimagining aid through more radical mechanisms such as UCTs and participatory financing models. UCTs reduce bureaucratic overhead and eliminate paternalistic conditionalities, allowing households to allocate resources according to their own priorities. Studies in Kenya and Uganda show long-term improvements in income, health, and education outcomes with minimal leakage. Participatory budgeting and community-led grant systems—pioneered in Latin America and adopted in various forms in Asia—can democratize development finance, giving voice to marginalized groups and embedding accountability within local governance. These approaches, though still marginal in mainstream aid systems, challenge the core hierarchical logic of donor-driven development and open possibilities for bottom-up empowerment.

Despite the promise of reforms such as locally led development and unconditional transfers, the path to systemic transformation remains fraught. Donor agencies face internal constraints—rigid budget cycles, accountability to domestic constituencies, and institutional path dependency—that limit flexibility and innovation. In recipient contexts, weak state capacity, entrenched patronage, and donor-fatigue pose further challenges. Moreover, reparative justice frameworks, while morally compelling, face political resistance from Global North actors unwilling to frame aid in redistributive terms.

## Conclusion

Foreign aid today stands at a pivotal crossroads—no longer simply a transfer of resources from North to South, but a site of contestation, negotiation, and potential transformation in the global development architecture. This paper has demonstrated that aid functions not merely through financial flows, but through ideational, institutional, and geopolitical channels that embed development within broader struggles over power, legitimacy, and justice. What emerges is a need to move beyond binary debates of aid as good or bad, empowering or entrapping. Instead, aid must be understood as a relational tool—its outcomes contingent on governance structures, political intent, and recipient agency.

A novelty emerging from this analysis is the growing convergence between traditional aid critiques and contemporary justice-based frameworks, particularly those rooted in reparative and climate finance. These paradigms shift the discourse from charity to accountability, recognizing that development cannot be decoupled from historical responsibility and structural inequality. Furthermore, the rise of South–South cooperation and locally led models challenges the technocratic and hierarchical logic of conventional aid, offering plural, and horizontal alternatives that better align with 21st-century realities.

To sustain meaningful impact, aid must be reimagined not as a vehicle of benevolence, but as a mechanism of partnership grounded in shared vulnerabilities, ethical co-responsibility, and plural pathways to development. This shift demands epistemic humility, political courage, and a recalibration of how aid is conceptualized, governed, and practiced in a deeply unequal world. Even celebrated aid successes are embedded in broader structural conditions that can obscure long-term

challenges and path dependencies. Future debates must not only celebrate innovation but also interrogate the durability, replicability, and inclusivity of such models in a politically unequal world.

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