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B. Hassler's
'Science and politics of foreign aid'

Hassler, Björn (2003) *Science and Politics of Foreign Aid: Swedish Environmental Support to the Baltic States*. Dordrecht: Kluwer Academic Publishers: 221 pp.
ISBN 1 4020 1167 9.

Foreign aid has been subject to investigation since the beginning of worldwide aid distribution after the Second World War. Numerous studies have focused on the different factors that are important in the policy process. Several studies found evidence of the influence of donor interests in aid allocation (e.g. McKinlay and Little, 1979; Maizels and Nissanke, 1984). A new book, *Science and Politics of Foreign Aids*, by Björn Hassler,¹ continues this old tradition, by focusing on Swedish interests in environmental support to the three Baltic States, right after their release from the Soviet yoke. Although it continues an old tradition, it does so in a new way that is very accessible to people other than scholars that are interested in statistical evidence. It gives a broad overview of Swedish aid and environmental policy and draws some important, although debatable, conclusions with respect to the real nature of Swedish aid.

The objective of this book is to show that national interests played an important role in foreign aid delivery in one specific case, namely Swedish environmental support towards the three Baltic States, Estonia, Latvia and Lithuania, for the period 1991-1996.

¹ Björn Hassler received his MSc in Political Science at Linköping University, Sweden in 1994 and his PhD at the same university in 2000 for the research on which this book has been based. The book has been written within the research project *Social Change and Democracy in the Baltic Sea Region*. During the work on this book he has been employed by Södertörns Högskola, Sweden.

The author uses a rational-choice approach in his search for egoistic motives. He assumes people to behave rationally and to be primarily concerned with their own interests. Furthermore, he assumes a consensus in the national policy arena, in order to use governments as central actors in his analysis. He does not deny that the starting point of foreign aid may be altruistic concern; he only claims that self-interest motives play a dominating role in the choices that are made in the foreign aid delivery process.

Hassler uses a model based on game theory to show under what conditions Sweden and a particular Baltic country would engage in a joint project in the Baltic country, assuming that both players are only interested in their own well-being. Obviously, it follows that both players would only co-operate if expected benefits exceed expected costs. For the Baltic country this would only be the case if collective and private net benefits from the joint project plus net Swedish grants exceed the collective and private net benefits from an alternative domestic project plus the collective benefits from an alternative Swedish projects. For Sweden, this would be the case if collective benefits from the joint project minus the gross grant exceed the collective and private net benefits from an alternative domestic project plus collective benefits from an alternative Baltic project. Although several factors are left out of Hassler's model it may be sufficient to give a good approximation of actual considerations.

The book is based on three hypotheses, which are derived from this model and are to be tested in a quantitative way supported by qualitative data. The hypotheses are not tested until the final chapter, after a thorough elaboration on the origins of aid, the characteristics of environmental policy, the Swedish consensus and the Baltic States' environmental preferences.

The first hypothesis states that the collective good content is higher in the set of assisted projects than in the set of projects financed exclusively by domestic resources. The hypothesis is tested by comparing the Baltic States' environmental preferences with the characteristics of joint environmental projects. Baltic States' preferences are said to consist of eleven issue areas with the same value attached to each of them by the Baltic States' governments. The collective good content of the eleven issue areas is estimated and the projects are ranked accordingly. From a diagram it is concluded that issue areas

with a high collective good content are more likely to be involved in joint projects than those with a low collective good content. There does, however, not seem to be a statistical relation between the collective good content and the number of projects or the amount of Swedish resources invested. Nonetheless, the author claims that Swedish interests play a dominant role. There are at least two important aspects to this analysis that the author fails to mention. First, it may very well be the case that the amount of collective good content is not that important, but that it is the sheer presence of some collective good content that is essential for Swedish decision making. This could be the case because it is so hard to identify the exact amount of collective good content. Second, the author does not recognise that there might be very large differences in effectiveness and efficiency of additional environmental investments in the different issue areas, which could explain differences that are not explained by a simple regression analysis on the amount of invested resources or the sheer number of joint projects.

The second hypothesis claims that the number of initiated projects will be high in the early phases of the interaction between Sweden and the Baltic countries, and thereafter stabilises and only varies with, for example, relative changes in national income, relative public spending, or external disturbances. This would be the case because there is much to win in the early years of co-operation. Marginal benefits of environmental investments tend to be decreasing. Furthermore, opportunity costs of environmental investments by low-income countries are higher than by high-income countries. This means that an increase in Baltic national income would lead to a diminishing need for assistance, because the countries are willing to invest more themselves. The exact formulation of the hypothesis does, however, not seem to be in line with an expected continuous decrease in environmental assistance. Furthermore, this hypothesis is not really tested in Hassler's work. It is just touched upon in the final chapter. It is shown that it took two to three years before the volume of assistance reached a steady rate, but a decline had not been observed by 1999. This could have at least two causes, of which only the first has been mentioned by Hassler. First, the economic downturn in all three Baltic countries did not give much room for Swedish assistance to withdraw. And second, it could be the case that there were certain

restrictions on the amount of Swedish assistance. Maximum levels, provided by reluctance of the Swedish public to spend more money abroad, could have resulted in less than optimal investments in the early years. Minimum levels, on the other hand, may have been provided by long-term contracts, the influence of vested interests, or the existence of specific policy targets, which could have been the cause of the absence of an expected decrease in Swedish environmental assistance.

The third and final hypothesis states that externally financed environmental projects tend to withdraw domestic resources from nationally prioritised areas where the collective good content is low. This seems quite obvious as well, since no country has unlimited resources and only a certain amount will be available for environmental investments. Consequently, the hypothesised increase in projects with a high collective good content will lead to a decrease in the number of projects with a low collective good content. Although no statistical tests or data have been shown to prove this claim, it is stated by Hassler that resources flew from projects with a low collective good to projects with a high collective good. Furthermore, it is argued that utility for the Baltic country would have been higher if projects with a low collective good content had as much chance of being selected as projects with a high collective good content.

In Hassler's book, it is claimed that Swedish environmental support to the Baltic States in the period 1991-1996 has primarily been driven by self-interested considerations. The evidence provided by the testing of the three hypotheses is, however, not very convincing. The book is quite accessible though, because it does not depend very heavily on statistical evidence and formal modelling. On the other hand, scholars that are very much into formal rational-choice modelling and hard-core statistical testing will be quite disappointed. Although the book has the objective to explain, it is in some respects not much more than a descriptive work on Swedish environmental aid policy towards the Baltic States. This is exacerbated by the quite lengthy elaboration on the history of Swedish aid and environmental policy. Hassler's new book is, however, very clearly written and provides the reader with a lot of information on Swedish aid and environmental policy. It is, therefore, a colourful addition to any scholar's bookshelves dealing with either one of these policy fields.

References

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