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THE REALITY OF AID 2000[1]

The reality of aid at the dawn of a new millennium is that it is not helping to eliminate poverty—more than four million children born in the year 2000 will die before they reach the age of five. The facts of global poverty in the year 2000 are an indictment of the global political, economic and social order. More than four households out of ten in the whole of South Asia remain in absolute poverty. Absolute poverty is likely to have risen to 1.5 billion people by the end of 1999–one quarter of the world's population.

While economic globalisation has increased wealth for many and opened up opportunity and choice for people in both rich and poor countries, it is taking a severe human toll in both developed and developing countries.

The gap between rich and poor countries, and between rich and poor people within even the richest countries, has continued to grow. This gap reflects not just extreme inequalities of income but structural, social and political inequalities that entrench a growing number of people in poverty. The poverty gap is mirrored by the growing distance between the per capita income of the members of the Development Assistance Committee of the OECD and the aid they give. Put bluntly, the OECD countries have taken the conscious decision to neglect the needs of people living in poverty, despite overwhelming rhetoric to the contrary.

Crises in Angola, Somalia and Central America have cost thousands of lives in the past year without provoking essential shifts in the volume and nature of aid. Meanwhile, the financial crisis in Asia generated a swift and significant response from governments and institutions. ***Clearly aid continues to be more of a political than a humanitarian tool.***

The World Bank has declared the Asian crisis over, but its social impact, both within and beyond the region, is deepening. Worldwide, poverty is getting worse. Some countries have fallen two decades behind in development; and, even in the richest countries, the poorest people are becoming poorer.

Most major agencies have conceded that the previous, growth–driven model of aid and development has proved inadequate. The proposition that economic growth alone will solve long–term needs while emergency programmes will fill the gaps in the short–term has been widely acknowledged as false. It is agreed that the strategy for poverty eradication and aid must be reviewed. Growth is a necessary but insufficient condition for poverty reduction and the same is true of aid.

During the past year, most donor governments have made Shaping the 21st Century (S21C) and its goal of poverty eradication the centre of their aid policy. Many have taken steps toward a more coherent and transparent aid policy with improved monitoring of aid flows and impact and have pledged to make aid more effective. The rhetoric around this, however, has not

1 THE REALITY OF AID PROJECT: The Reality of Aid exists to promote national and international policies that will lead to poverty eradication. It is a collaborative, not–for–profit project, which reports on the performance of aid donors from the perspective of Non Governmental Organisations (NGOs). The 2000 edition is the seventh in a series of annual reports. The Reality of Aid Report is produced by Eurostep (European Solidarity Towards Equal Participation of People), ALOP (Latin American Association of Development Organisations) and a coalition of NGOs from the non–European Development Assistance Committee donor countries. The NGO Norwegian People's Aid is lead agency. During the last two years The Reality of Aid Project has strengthened Southern involvement in the assessment of efforts to eradicate poverty and the debate around aid issues. This process will continue over the next two years with a view to achieving a balanced participation between Northern and Southern NGOs on an individual basis and through networks. The Reality of Aid Management Group is chaired by Elin Enge from Norwegian People's Aid and its members are Simon Stocker (Eurostep), Mariano Valderrama (ALOP) and Brian Tomlinson (Canadian Council for International Cooperation). Project Manager is Gunhild Oerstavik and Tony German, Judith Randel and Deborah Ewing of Development Initiatives edit the Report. The Reality of Aid is funded by the participating NGOs and by a generous grant from the Ford Foundation. The Reality of Aid is a collaborative project, implemented and managed by NGOs. The reports contain independent analysis of each of the OECD donor's aid efforts, Southern perspectives on the impact of these and reliable, accessible data on what ODA is spent where and how. Every effort is made to ensure that the information it gives is accurate and that the interpretation is fair. Correction to any errors of fact or interpretation would be welcome.

been matched by contributions at a level that can realise the S21C goals.

In any event, the focus on S21C has tended to usurp the responsibility of donors to address seriously the broader agenda for achieving global social development set out at the Copenhagen Social Summit. The follow–up by donor countries to the Social Summit needs to ensure that S21C is an integral part of, not an alternative to, that broader agenda.

While making aid more effective is important, it is a relative concept. Aid is merely one element in a poverty eradication strategy; its effectiveness depends on other contextual factors–trade, investment and fulfilment of human rights among others. The bigger picture is enabling governments and people directly affected by poverty to solve the problems that cause it.

This requires redistribution of wealth and changed power structures, both within the poor countries and between North and South. The concept of development and its objectives need to be challenged, discussed and reshaped. A clarification of where the agenda is set and by whom is important to ensure transparency and allocate responsibility.

Development strategies need to be linked first and foremost to ensuring basic human rights–including dignity–and creating employment and livelihood opportunities. They also need to be linked to genuine efforts to shift decision–making and responsibility–and the resources to make these meaningful–to the countries and the people experiencing the worst effects of poverty. Multilateral donors, governments and NGOs alike need to ask themselves: ***Do marginalised people really feature in the development process–or only in funding proposals? Is true partnership achievable when large segments of society suffer exclusion due to their poverty, ethnic origin or gender? Whose definition of development counts?***

Donor and recipient country governments alike have signed on to the global commitment to eradicate poverty. Both need to be held accountable to this. Yet ‘partnership’ is hardly possible in the face of growing inequity, with developing country governments being asked to accept conditions rather than consensus. In this climate, an honest dialogue about a new model for poverty eradication might be more realistic than a false partnership in the old model.

The fact that more than a billion people are living and dying in poverty is not a tragic twist of fate, but a deliberate turning of heads. The goal of absolute poverty elimination remains affordable and within reach. Most governments have committed themselves to this goal. If it is to become reality, there is an urgent need for a concerted and creative approach to replacing the old donor–driven model of aid. This must involve governments, civil society and donors. It must include channelling adequate resources to practical poverty eradication efforts. ***Above all, however, it must focus on ensuring that people living in poverty have the power to challenge the forces that create poverty.***

THE COST OF GLOBALISATION

The United Nations Development Programme notes the human impact of the Asian financial crisis: 13 million people losing their jobs, and real wages down by 40–60% in Indonesia alone. In Brazil at the end of 1998, 50% of the people who had risen out of poverty since 1994 fell back below the poverty line.

The African continent is entering the new millennium with 44% of the population of sub–Saharan Africa still living under the poverty line. Yet although sub–Saharan Africa has 80% of the poorest and most indebted developing countries, only Mozambique was among the top 10 recipients of Official Development Assistance in 1996/97.

The world is not only entering the year 2000 with the *majority* of its population struggling on less than USD 2 a day. It is also entering the new century prepared to accept that almost a billion will still live in poverty in 15–20 years’ time.

If the globalisation of finance and labour markets, communication and commerce are inevitable, the globalisation of rights and responsibilities should be imperative in international development policy.

THE FAILURE OF POLITICAL LEADERSHIP

Of course, aid alone cannot eradicate poverty. It can contribute effectively to this goal, however, if it is integrated into a comprehensive approach to development that addresses the inequalities both between and within countries. Giving political priority to reducing poverty is meaningful only where equal priority is given to overcoming the *causes* of poverty, which include unequal access to education, information and decision–making, as well as material resources.

Aid is a proxy for the political commitment of the North to greater global justice. What is required is the political momentum that makes overcoming poverty not the purview of a middle ranking government department, but one of the key priorities guiding overall government policy in donor and developing countries alike. The challenge is for political leaders, and especially those in the North, to go beyond aid and work for deeper and more comprehensive approaches to intractable poverty.

Winners and losers in the globalisation race are inevitable. But it is a fairly safe bet that the small *élite* and expanding middle class who set the rules of the race are going to be the winners and a vast number of poor people, mostly living in developing countries, are going to be the losers. At the moment, key questions, such as how to ensure that the process of economic globalisation enhances, rather than reduces, human security are barely being asked–let alone answered–in global trade forums and in government ministries.

It took a woefully long time for official donors to acknowledge that World Bank/IMF structural adjustment programmes have often made the most vulnerable people worse off. The transparency and free market solutions being offered to poor countries share many characteristics with adjustment models. Just as aid has been used to mitigate the social costs of structural adjustment, it now seems that it is being used to mitigate the costs of rapidly globalising. It is critical that the social impact of structural change be assessed prior to decisions being made, to ensure that restructuring itself builds in positive measures to enhance the well–being of people living in poverty.

The approach of donor countries to the burden of debt also illustrates the failure of political leaders to engage with poverty as an issue and to take into account the human impact of their decisions. The daily denial of education and health care to children in Africa, to pay debts for which they and their families have no responsibility, to people and countries who are at worst comfortably off, is a fundamental injustice which cannot continue.

THE IMPORTANCE OF EQUITY

A decade after publication of the World Bank's *1990 Poverty Report*, it is being recognised that profound inequality of income and social access is a cause, as well as a consequence, of poverty. An increasing number of economists suggest that income inequality in itself inhibits growth and poverty reduction–and that growth plus increased social spending may be an insufficient answer where social, political and economic systems channel power and resources inexorably to those who already enjoy them.

Latin America is the region with the most unequal distribution of wealth and income. Extreme poverty could be eradicated in countries such as Argentina, Brazil, Chile and Mexico through redistribution, without foreign aid.

Aid needs to be spent both on interventions that benefit poor people directly and on supporting a wider policy environment for poverty elimination, in which poor people can voice their interests. In both cases, the chain of causation between the spending of each aid dollar and benefit to poor people needs to be evident and plausible.

The *Reality of Aid 2000* report highlights NGO concerns in all OECD countries that donors translate the poverty orientation of their policy into practice. The India chapter points to donors shifting priorities and concentration of their programmes in this country. Despite the rhetoric of poverty reduction, the Department for International Development has shifted programmes to Indian states where *«this shift is likely to open up considerable business opportunities for corporations . . . given that states like Andhra Pradesh, Orissa and Gujarat are in the forefront of market–led reforms in India».*

POVERTY REDUCTION AND BASIC EDUCATION

Widespread access to quality education is necessary before the full poverty–reducing impact of other social services, such as improved health care, can be unlocked. But 40% of children in developing countries grow up without completing four years of primary school, the minimum needed to have a chance of acquiring basic literacy and numeracy.

During the 1990s, donors and governments recognised the crucial importance of increasing access to basic education. The target the international community set itself for achieving universal primary education, however, has already been shifted from 2000 to 2015. And, even if the meaning of 'education' is reduced to 'enrolment', the prognosis on current trends is that an estimated *75 million children* will still be out of school in the year 2015.

Donors and governments could do much more to improve the strategic effectiveness of development cooperation as a catalyst for education reform. Increasing the volume and improving the poverty targeting of aid is one part of what is needed to reinvigorate the 'education for all' movement, but even more important is harnessing the energies and capacities of civil society organisations as actors in the process of change.

In many of the world's poorest countries, both coverage and quality of basic education have deteriorated badly in the past quarter–century, and gains made over the 1960s and 1970s have been wiped out. Almost all developing countries face growing gaps in completion and achievement between rich and poor, and between men and women. Latin America's universal primary enrolments, for example, are drastically undercut by the fact that 4 in 9 pupils fail the first grade. In Burkina Faso, the richest children are 12 times more likely than the poorest to complete secondary school.

Perhaps the biggest failure of education policy during the 1990s has been the failure to overcome the growing trend towards two–tier education systems: one for the rich, another—underfunded, mismanaged and ineffective—for the poor.

In many countries, both poor and rich are choosing to abandon failing public schools; the non–poor by putting their children into a rapidly growing number of private schools, the poorest by withdrawing their children (particularly girls) from school altogether.

A coherent plan to make education serve poor and marginalised people better requires, on the one hand, an enabling macro–economic environment (debt repayment burdens alone can cripple government's ability to plan and sustain investment in improved education) and, on the other hand, a participatory and transparent national process of reform.

OWNERSHIP AND PARTNERSHIP

The importance of developing country ownership and leadership is frequently asserted as a principle for development cooperation and a condition for progress–largely because aid efforts are unlikely to succeed if recipients have programmes forced upon them. In practice, ownership is too often nominal. Frequently, so–called 'government plans' are likely to have been drawn up using (sometimes national) consultants working within largely donor–designed terms of reference.

Donors need to look at the bigger picture, beyond their nationally defined development priorities to globally agreed commitments on development and poverty reduction. Governments in the South are party to such commitments through the various UN agreements reached in the 1990s. Calling both sides to account for implementation of international agreements (for example, in the fields of gender equality and investment in basic social services) would be less patronising and more effective than donors imposing a conditionality.

In a context of falling official aid, donors have referred to increased private investment as though this is an alternative. In Latin America, growth founded largely on the influx of foreign capital, without institutional reform or public policy designed to increase employment, quickly proved unreliable growth.

From 1990 to 1997, foreign capital was flooding into emerging markets. Barely had the flows of capital begun to diminish as a result of the international financial crisis, however, when we saw the precariousness and weakness of the foundations underlying macroeconomic balance. Erratic, short–term capital flows have led to volatility and precariousness in developing–country economies.

Gender Equity no Longer «an Optional Extra»

A number of chapters in *Reality of Aid 2000* report substantial developments in the treatment of gender equality issues in official approaches to poverty reduction. In countries that have not prioritised this area in the past, there is evidence of some change. However, this leads straight back to the issue of equity and structural change. Women are over–represented among the most vulnerable and marginalised groups. Until power relations and access to information and resources are challenged and changed, the volume and direction of aid will have little impact on their quality of life.

CONCENTRATION POLICY NOT PRACTISED

As part of the effort to increase aid effectiveness and to focus on countries that are likely to show results, a number of donors are reasserting their intention to concentrate ODA. Earlier *Reality of Aid* reports have noted the gulf between donor rhetoric on concentration and reality. Looking at recent data, we see less not more aid concentration. In 1986/7, 30% of DAC aid was concentrated on the top 15 countries. In 1996/7, that had fallen to 25%.

Spending not focused on the poorest countries

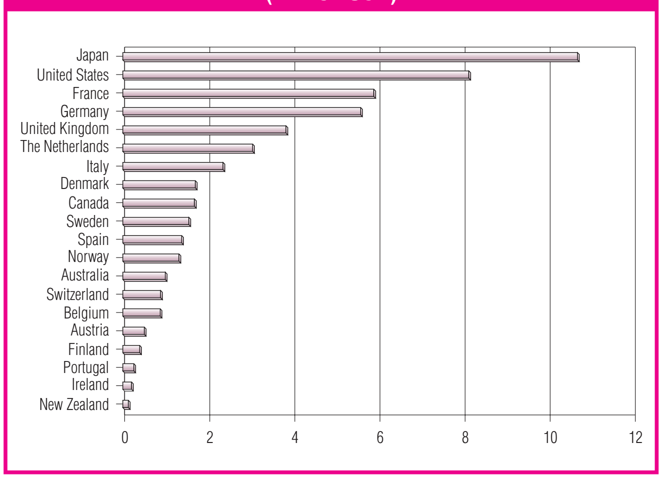
Official Development Assistance to low income and least developed countries (LICs and LLDCs) fell by USD 3.6 billion in 1997– more than 12%. While it is true that the *share* of total aid allocated to LICs and LLDCs increased by one percentage point in 1997, the world's poorest countries–with an average income of less than USD 2 a day– are getting lamentably low percentages of reduced aid.

Allocation of aid to countries where poor people live may be a crude measure, but it is also a pretty fundamental first step on the road to poverty eradication. Aid can be a catalyst but its role is always going to be subsidiary to the major influences on poverty, which include government policy, economic and social stability, global trade and financial conditions as well as the efforts of poor people themselves.

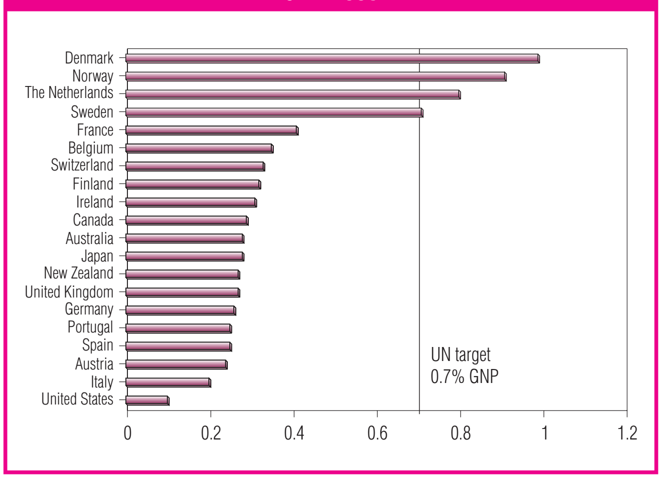
In terms of eliminating poverty, two important points need to be made here:

- ***Foremost, aid cannot be a substitute for other action. Richer countries cannot think that they are taking meaningful action on poverty if they give aid but fail to address some of the structural inequalities that consign one quarter of the world's people to live in absolute poverty. Equally, poor countries should not focus only on the failure of OECD donors to meet their international commitments, when reform of domestic policy is also an area of unfulfilled obligations.***
- ***Secondly, aid must be seen by all governments as a scarce and precious resource not to be wasted on projects that enhance the prestige or suit the convenience of donor or***

ODA VOLUME DAC DONORS 1998 (million USD)



ODA AS PERCENTAGE OF ODA A DAC DONORS GNP 1998



recipient but have little relevance to the poorest people. Where governments–donor and recipient–know that programmes are not working well even though they meet technical criteria for targeting basic needs, they should not continue to support them for the sake of exerting influence over constituents or clients.

Another major trend in aid visible in the 1990s –which can be both positive and negative in terms of poverty elimination– is the increasing integration of OECD government approaches to aid, development co–operation, foreign affairs, and trade and security policy. On one hand, this improves coherence; on the other, dwindling aid resources are being asked to do more and more each year.

Towards a new framework for global human security

A global human security agenda, whose first priority is ensuring that people are able to enjoy economic, social and political stability, is surely one around which an effective public and political consensus can be built.

Economic growth, according to theory, should have a direct effect in the alleviation of poverty. The benefits of economic growth in the 1990s, however, did not lead to improvement in the unequal distribution of income in developing countries. The instability caused by volatile capital flows has made the establishment of a new international financial framework the order of the day.

There is recognition –even within the World Bank–that the neoliberal recipes linked to the Washington Consensus have not worked. Nevertheless it is clear that the alternatives are being put forward only at a rhetorical level and are not worked through in practice. There is an important role for initiatives such as Reality of Aid and Social Watch in discussing and reshaping development and aid policies and proposing concrete steps towards the achievement of global human security.

● Reality of Aid
gunhild.oerstavik@npaid.org