

The Reality of Aid 2000

An Independent Review of Poverty Reduction and Development Assistance:

A Focus on Basic Education Policy Implementation

A Summary of Key Messages

1. The facts of global poverty and aid in 1999/2000 reveal growing numbers of people living in absolute poverty, while aid for all OECD donors, including Canada, has been reduced to its lowest level in more than 30 years. Put bluntly, the OECD countries seem to have taken the conscious decision to neglect the needs of people living in poverty, despite overwhelming rhetoric to the contrary.

2. The goal of absolute poverty elimination is affordable and within reach. The failure to channel resources to practical poverty eradication efforts and overcome the causes of poverty is a failure of political leadership on a grand scale.

3. *The Reality of Aid 2000* highlights NGO concerns in all OECD countries and in the South that donors translate the improved poverty orientation of their policies into practice. After three decades of aid and development, the basic lessons for effective poverty reduction are well known:

- ❖ Ownership and partnership -- who's at the helm? Too often the rhetoric of "partnership" masks an overwhelming burden of donor-imposed conditions.
- ❖ The increasing role of donor-directed technical assistance is one indicator of the extent of donor—as opposed to developing country—management of ODA.
- ❖ After a year of negotiations, in May 1999 development ministers from the donor countries failed to agree to reduce tied aid even for the least developed countries.
- ❖ An effective anti-poverty approach – as opposed to an effective aid approach – demands that poverty be addressed even in the most difficult situation – for example, where there are high levels of corruption or inappropriate policies. Donors must look to alternatives, such as civil society organizations, that work more directly or represent the interest of people living in poverty.

4. A review of selected CIDA basic education programme experience suggests some important directions for a CIDA basic education strategy supported by increased resources. A coherent global plan to make education serve poor and marginalized people better requires both an enabling macro-economic environment (significantly reducing debt burdens) and a participatory and transparent national process of reform in developing countries.

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“The fact that more than a billion people are living or dying in poverty is not a tragic twist of fate, but a deliberate turning of heads.”

“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.”

“...[T]he facts of global poverty in the year 2000 are an indictment of the global political, economic and social order....A positive difference for African countries will only be possible if the reversal of the downward slide of foreign aid can be permanently arrested and aid flows to Africa are increased significantly over the coming years....The African continent is entering the new millenium with 44% of the population of Sub-Saharan Africa still living under the poverty line.”

“While well-articulated policies are now in place,...Canadian contributions to improving human development and human security require an unambiguous and strategic focus on poverty eradication for the aid programme. The quality of Canadian aid relationships, complemented by sufficient resources, is fundamental...for achieving a sustainable impact on poverty reduction.”



1. The facts of global poverty and aid in 1999/2000 reveal growing numbers of people living in absolute poverty, while over the decade aid for all OECD donors, including Canada, has been reduced to its lowest level in more than 30 years. Put bluntly, the OECD countries seem to have taken the conscious decision to neglect the needs of people living in poverty, despite overwhelming rhetoric to the contrary.

- There is growing evidence that globalization is taking a severe human toll in both developed and developing countries. *The Reality of Aid* notes the human impact of the Asian financial crisis: 13 million people losing their jobs and real wages down 40 to 60% in Indonesia. The Latin American chapter points to the case of Brazil where in four months 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, a chapter from Africa points out that 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.
 - Canadian aid to Sub-Saharan Africa received no special protection from cuts to ODA. Between 1992/93 and 1997/98, Canadian aid to Sub-Saharan Africa declined by 29.1%, a rate significantly greater than the nominal decline in ODA as a whole (24.3%).
- The world is not only entering the year 2000 with the majority of its people struggling needlessly on less than \$2 a day. It is also entering the new century prepared to accept that a billion will remain in poverty in 15 or 20 years' time, even if targets for poverty reduction set by the OECD Development Assistance Committee are achieved by 2015.
- In 1998, the international decline in aid halted. For OECD countries as a whole aid rose by US\$3.2 billion or 8.9% in real terms, but it remains at 0.23% of donor GNP, still the lowest level in 30 years. This is a very modest step in reversing the big cuts of the decade, and to some degree is the result of recovery packages for Indonesia and Thailand.
 - Without further retroactive increases in the February 2000 Federal Budget, Canadian ODA is expected to fall in 1999/2000 to \$2.35 billion or 0.27% of Canadian GNP. Canada has dropped to 11th position among 21 OECD donors from 7th in 1996.

2. The goal of absolute poverty elimination is affordable and within reach. The failure to channel resources to practical poverty eradication efforts and overcome the causes of poverty is a failure of political leadership on a grand scale.

- 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 Canada chapter highlights CCIC's call for government leadership to ensure that poverty reduction is the central purpose of Canada's aid programme. CCIC's *Call to End Global Poverty* sets out recommendations for renewing the role of aid within Canadian foreign policy.
- 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 globalization race are inevitable. But it is a fairly safe bet that the small elite and expanding middle class who set the rules of the race are going to be the winners and the vast majority 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 globalization enhances, rather than reduces, human security--are barely being asked in global trade forums and in government ministries – let alone answered.

- It took a woefully long time for official donors to acknowledge that World Bank / IMF structural adjustment programs have often made the most vulnerable people worse off. Proponents of globalization often have the same prescriptions. The New Zealand chapter suggests that social impacts should be assessed to ensure that restructuring economies has positive measures to enhance the well-being of people living in poverty.
- NGOs are demanding double-pronged accountability. Donors must be able to show how much of their aid is directly targeted on improving the lives of people living in poverty. But they must also be able to demonstrate how their overall program of development cooperation, inside and outside the confines of the aid ministry, is contributing to poverty eradication, in a comprehensive approach that addresses inequalities between and within countries.

3. *The Reality of Aid 2000* highlights NGO concerns in all OECD countries and in the South that donors translate the improved poverty orientation of their policies into practice. Tafter three decades of aid and development, the basic lessons for effective poverty reduction are well known.

- In Canada, *The Call to End Global Poverty* makes specific proposals for renewing Canadian aid for poverty reduction in four major areas (see the accompanying *Renewing Canadian Aid: A CCIC / in common Fact Sheet*):
 - ❖ Focus on those living in poverty;
 - ❖ Engage in new ways of working to promote ownership in the aid relationship;
 - ❖ Educate and engage Canadians; and
 - ❖ Rebuild aid resources and pursue deep debt cancellation.
- **Creating conditions for greater equality is fundamental for sustainable poverty reduction:** Growth plus increased spending may be an insufficient answer to poverty where social, political and economic systems channel power and resources inexorably to those who already enjoy them. Addressing power relations, governance and access to economic opportunity and social resources by those who are excluded is essential to pro-poor development.
- Perhaps the biggest failure in education policy during the 1990s has been the failure to overcome the growing trend towards two-tier education systems: one for the rich, another – under-funded, mismanaged and ineffective – for the poor.
 - In many countries, both poor and rich are choosing to abandon failing schools; the non-poor by putting their children into rapidly growing number of private schools, the poorest by withdrawing their children (particularly girls) from school altogether.
 - In Peru for example the effective hours of learning in rural schools are 226 per year, in the marginal urban areas it is 450 hours per year, while in private schools, boys and girls study 1,100 hours per year.

3.1 Ownership and partnership -- who's at the helm? Too often the rhetoric of "partnership" masks an overwhelming burden of donor-imposed conditions.

- 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.
- The India chapter documents the District Primary Education Program as a successful experiment, conceived by government, where decentralization and community participation was to be put into practice on a large scale. Donors agree that it is a major improvement on earlier donor interventions in basic education, and that one of the key ingredients is good ownership where one sees greater questioning of the state level by the district level.
- As a starting point, donors might focus not on 'ownership' but simply on dialogue and engagement between donors, government and civil society. Dialogue based on inclusive, democratic principles should enable poor people, and organizations that genuinely represent poor people's interests, to make their voices heard.

3.2 The increasing role of donor directed technical assistance is one indicator of the extent of donor—as opposed to developing country—management of ODA.

- Over the past four years, as total aid has fallen, technical cooperation has increased from a fifth to a quarter of all aid disbursements. Reforming supply-led technical assistance should be an urgent priority in an agenda to encourage local capacity and ownership.
- The Latin America chapter points, for example, to the efforts for reconstruction after Hurricane Mitch, where thousands of consultants from external governments and NGOs "are trying to do everything quickly, without consulting anyone and with highly passive 'participation' from local institutions."
- Canadian technical assistance has been increasing rather than decreasing in recent years. In 1997/98 CIDA relied on 8,055 experts in the delivery of its aid program, of which only 994 (12.3%) were from developing countries.

3.3 After a year of negotiations, in May 1999 development ministers from the donor countries failed to agree to reduce tied aid even for the least developed countries.

- Aid tying illustrates the precedence that domestic producer interests often take over the interests of developing countries. Tied aid is likely to be less effective, because reliance on external goods and services is built in; it adds about 15% in excess pricing to the overall aid bill, and it does not build up local capacity.
- Fully 68.5% of Canadian aid was tied in 1996, ranking 15th among 17 reporting donors in the amount of untied bilateral aid.

3.4 The negotiation of separate and individual strategies and projects with bilateral donors places an enormous and unnecessary burden on developing country governments.

- The Uganda chapter points to the positive experience of the 1997 Poverty Eradication Action Plan that provides a framework for the government and donors to deal with poverty in a holistic manner. Beginning in 1999/2000, all donors are channeling resources for the education sector through the Poverty Action Fund. Regular stakeholder meetings, organized by government and including donors, civil society organizations and the media, monitor allocations from the Fund.
- In supporting basic education, *The Reality of Aid* proposes that donors move away from the project approach – islands of excellence in a sea of under-provision – to a sector approach that assures government ownership of its education strategies. The chapter on basic education lays out the ingredients for a successful sectoral approach.
- The Canada chapter points out that a sectoral approach for CIDA will require new ways of working that point to the need for skilled personnel to be present in ongoing policy dialogue and to bring Canadian niche programming to the table.

3.5 An effective anti-poverty approach – as opposed to an effective aid approach – demands that poverty be addressed even in the most difficult situation – for example, where there are high levels of corruption or inappropriate policies. Donors must look to alternatives, such as civil society organizations, that work more directly or represent the interest of people living in poverty.

- There are no magic bullets, financial or otherwise, to quickly reverse the crisis in education. Targets cannot be ends in themselves. They may in fact encourage simplified top-down approaches.
 - Primary schools in many countries suffer from decades of political, financial and administrative neglect.
 - Parents, particularly in poor communities, have few means to hold officials or teachers accountable.
 - The Latin American chapter points to the critical neglect by government and donors of teachers as the key players in any attempt to improve the quality of education.
 - Curriculum is often too rigid and elitist to accommodate the complex realities of poor peoples' lives and those of excluded girls.
 - The experience of Latin America also demonstrates the importance of addressing broader issues of social development to sustainably improve the quality of education in the poorest areas, through improved livelihoods for people living in poverty.
 - In education reform, donors should not undercut democratic responsibility of governments, but should encourage dialogue between governments and civil society organizations at every level.

- CCIC, in the Canada chapter, proposes a CIDA / NGO Civil Society Initiative to develop a CIDA-wide strategic framework for strengthening interventions and impacts for civil society organizations in the development process.
 - In Africa, for example, the opening up of political space through democratisation and the emerging desire to find African solutions to the continent's problems represent opportunities for which civil society organisations must strategically position themselves. With a stronger civil society, greater transparency and accountability, the diversion of resources or misuse of foreign aid will be reduced significantly.
- Many donors (e.g. DFID in the UK and the Dutch) are increasingly focusing their ODA, taking into account studies that demonstrate the conditions required for effective results. The pressure to produce results and make aid “effective”, according to the India chapter, has led some donors to neglect the two poorest states in the country, accounting for 50% of India’s poor population, with weak economic management, to focus on the star performers. “This seems to be an extreme case of punishing the poor for the failures of their rulers.”

4. A review of selected CIDA basic education programme experience suggests some important directions for a CIDA basic education strategy supported by increased resources. A coherent global plan to make education serve poor and marginalized people better requires both an enabling macro-economic environment (significantly reducing debt burdens) and a participatory and transparent national process of reform in developing countries.

- ❖ Equality and the quality in education opportunities;
- ❖ Placing ownership and responsibility in developing country governments, while supporting the capacity of civil society to hold governments accountable;
- ❖ Carefully managing technical assistance to assure increased developing country capacity; and
- ❖ Finding new ways of working with governments and other donors on developing country sectoral strategies for basic education, and less on managing distinct projects.