



CANADA'S COALITION TO END GLOBAL POVERTY  
ENSEMBLE POUR ÉLIMINER LA PAUVRETÉ DANS LE MONDE

## Reality of Aid 2004

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## Security and Development

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*Reality of Aid 2004 Report*

### Background

In September 2000, world leaders at the United Nations endorsed a vision of global justice for the 21<sup>st</sup> century and committed themselves to the Millennium Development Goals (MDGs) which aim to halve the proportion of people living in poverty by 2015.

But just three years later, in October 2003, the Development Assistance Committee of the OECD released a controversial policy statement on development cooperation and the prevention of terrorism. This policy asserts that “development cooperation has an important role to play in helping to deprive terrorists of popular support and addressing the conditions that terrorist leaders feed on and exploit.”

In the face of profound crises of poverty, growing inequality and conflict in Asia, Latin America, the Middle East and Africa, the lens through which donors now wish to assess their aid priorities appears to be increasingly their own security interests and the “war on terrorism.” Some donors are also seeking to expand the criteria for official development assistance (ODA) as they merge military, political and humanitarian responses in the name of the “war on terrorism.”

### Country Examples

Australia: In a November 2003 statement to Parliament on the Australian aid program, poverty reduction placed second to security in the aid rationale. The focus was on aid as an instrument to promote security

and to combat terrorism. While there is some acknowledgment on the part of the government to the relevance of meeting basic needs – particularly basic education – in countering terrorism, there is strong emphasis on activities to boost policing and law enforcement and to strengthen financial systems – activities that contribute to the national security of Australia, but whose links with poverty reduction remain largely unproven. Australian aid now includes several initiatives for counter-terrorism capacity building, including bilateral counter-terrorism programs with Indonesia and the Philippines, a “Peace and Security Fund for the Pacific Island Countries” and a contribution to an Asia-Pacific Economic Cooperation (APEC) fund for counter-terrorism capacity building.

Denmark: Poverty reduction remains the overriding aim of Danish aid; however, development policy is increasingly being integrated into foreign policy and perceived as a tool to overcome threats to national security. The fight against terrorism is now a new aid priority. Direct support to combating terrorism has been increased and aid to program countries is dependent on their active involvement in the “war on terror.”

Japan: Japan’s 1992 ODA Charter laid out the basic principles of Japanese aid covering environmental conservation to attention to trends in recipient countries’ military expenditures to democratization and the introduction of market-oriented economy. In 2003, there was a shift in Japan’s ODA with a new ODA Charter

adding Japan's own security and prosperity to its purpose, and the "prevention of terrorism" included in the principles of ODA implementation.

United Kingdom: The 2002 International Development Act makes it illegal for UK aid to be spent on anything other than poverty reduction. However, the "war on terror" has affected the allocation of development aid. In October 2003, the UK announced that in order to fulfil its commitment to reconstruction in Iraq, it would have to reduce aid to middle-income countries. Aid programs in more than 20 countries are affected. Bilateral aid to some countries is being withdrawn completely and spending in countries such as South Africa, Sri Lanka and Bolivia will be reduced. These changes are affecting the poorest in the middle-income countries. Aid to countries that support the "war on terrorism", however, has increased.

United States: US development assistance appears to be increasingly viewed through the lens of US security interests and the "war on terror." Continuing engagement in Iraq and Afghanistan threatens to drain financial and human resources away from other priority areas and programs. Country allocations show an increasing shift of resources away from traditional recipients in Africa and Latin America, towards countries that are seen to be key allies on the front lines of the "war on terrorism." US development assistance delivery mechanisms have become fragmented, with multiple agencies within the US government responsible for foreign assistance delivery and an increasing reliance on budget allocations for discrete special projects. A proliferation of implementing entities, many with little experience in providing foreign assistance, complicates decision making resulting in a loss of coherence and coordination in the delivery of aid. This escalating incoherence in foreign policy

implementation is exacerbated by the US government's continued focus on a largely unilateral approach, characterized by decreasing consultation with development partners, other donors and recipient countries.

Canada: Since 2002, the government's commitment to poverty reduction in Africa and to nine priority countries has been undermined by very large CIDA aid commitments in Afghanistan and post-war Iraq. Between 2002 and 2008, CAN\$916 million has committed for humanitarian and reconstruction programs in Afghanistan and Iraq, an amount slightly less than what is committed annual increases to the whole of Sub-Saharan Africa (about \$1.2 billion).

### **Conclusion**

There is an overt shift in donor priorities that seemingly conflates combating terrorism with combating poverty. Recognition of the importance of stability and security for effective aid implies the need for a greater commitment to poverty-focused assistance, to address the causes of conflict and provide greater economic and social equity. Simplistically combating symptoms through law enforcement, financial regulation and the like, is not the answer.

Although it is necessary and legitimate for governments to support effective programs to combat terrorism, the resources for these activities should come from national security budgets, not from the overstretched aid and development budget. Donors are failing to live up to their commitment to finance the Millennium Development Goals. For too long aid budgets have been used to finance foreign policy priorities of donor countries. The poverty focus of international assistance must not be undermined by broadening the definition of ODA to include resources devoted to security and the "war on terror."

## Reality of Aid 2004

### Human Rights and Governance

*The Reality of Aid 2004 calls for all actors in the global aid regime to entrench the discourse of human rights, not only in their policies, but also in their practices for international cooperation to achieve the Millennium Development Goals and the eradication of poverty. – Reality of Aid 2004*

The obligation to respect, protect and fulfill human rights rests with the State. But the extent to which individual governments recognize and discharge their human rights obligations varies widely. These obligations are established in internationally agreed human rights instruments such as the UN Declaration of Human Rights and the Covenant on Economic, Social and Cultural Rights.

Development cooperation could and should play a key role in enabling the international community to work together to implement a legally binding international human rights framework.

In 1986, the United Nations adopted the Declaration on the Right to Development. Since then, efforts to make this document a binding legal instrument have failed due to the lack of support from developed countries and International Financial Institutions (IFIs) such as the World Bank and the International Monetary Fund.

#### **Citizen rights, empowerment and improved equality are essential conditions for overcoming poverty.**

Development is a political process that engages people, particularly the poor and powerless, in negotiating with each other, with their governments, and with the world community for policies and rights that advance their livelihood and secure their future in their world.

#### **Democratic Governance and Ending Global Poverty**

The question of democratic governance is also at the heart of effective strategies to end global poverty. The donor

community, however, has become preoccupied with its own notions of “good governance”, covering an ever-wider field of activities ranging from economic policies to counter-terrorism.

When the result of “good governance” policies is the poor having to pay for privatized water, international companies extracting profits from fragile southern economies and the most vulnerable people having to bear the risks of unemployment in a capricious global market, then the relationship between these “good governance” policies and poverty reduction must be questioned.

Donors must shift the emphasis of their policies from their own notions of “good” governance to “democratic” governance. The latter understands governance as a culturally and country-specific democratic means for the exercise of peoples’ rights, which ensures equity, promotes social solidarity and sustainable livelihoods. By contrast, the World Bank and donors adopt a technocratic approach to governance with its emphasis on administrative efficiency and policy conditionalities that undermine public process for citizen and parliamentary oversight.

Finding avenues to empower the poor and marginalized to claim their rights for education, for health or basic livelihoods, is the key challenge for all development actors. Making progress on democratic governance and participation is essential to effective strategies for poverty reduction.

There is a troubling trend where donors have used the rationale of improved governance to pursue a widening array of

projects and programs that have little to do with direct poverty reduction. The starkest example is the increasing use of governance to further donors' national security interests. In particular, a number of donor countries have directed aid for various counter-terrorism activities under the rubric of "good governance".

### **Bringing Democracy to Multilateral Institutions**

Democratic governance must start with the urgent need to bring deep-seated democratic reform to the multilateral system. Citizens look to multilateral institutions to form global democratic consensus and act on priority issues such as fair trade or combating curable diseases. But these institutions are being sidelined by the US and its allies when they do not serve their immediate and expressed strategic economic and geopolitical interests.

IFIs and the WTO have been widely challenged for their lack of democracy and their rigid defence and promotion of the interests of industrial countries. Reform of these key multilateral financial and trade institutions is effectively blocked through their control by these same powerful countries.

A democratic and effective United Nations is the responsibility of its member countries. Leadership is urgently required to make the Security Council and the Economic and Social Council (ECOSOC) strong and effective democratic forums for determining the way forward on urgent global issues.

### **Reforming Bilateral Donor Practices**

Donors must establish realistic timetables to reach their long-standing commitment to finance aid with 0.7% of their Gross National Income. There is, however, equally a need for donor strategies that focus exclusively on ending global poverty, and achieving the Millennium Development Goals, grounded in a rights framework. And "local ownership" must be its centerpiece.

Real local ownership in aid relationships will be found where citizens, and especially the poorest and most marginalized, are acquiring the capacity and power to gain influence over a local, national and global development agendas that have as their ostensible object the improvement of conditions for those living in poverty.

Donors must move beyond a rhetorical respect for local ownership with real change. Donors must strengthen ownership and local accountability by reducing their reliance on highly intrusive conditions for their aid as well as their reliance on donor country technical assistance to assure the implementation of their agenda. They must untie their aid and orient their trade and investment policies to strengthen local productive capacities and livelihoods for poor people.

### **Conclusion**

The selective and often self-serving way that donors interpret ideas of governance and human rights is not consistent with a genuine rights approach to development and poverty.

The poorest developing countries often face conflicts between their obligations to comply with binding UN treaty commitments and to IFI or World Trade Organization agreements. In such a situation, governments may be left with no choice but simply to ignore the human rights treaty obligations, as the pressure from largely donor-imposed conditionality is stronger. Countries may be punished for violating IFIs and WTO conditions, but not those of the UN.

Human rights are essentially active and should not merely be "promoted" or "protected", but are to be practiced and experienced. They have implications for the actions of all donors, governments, and on non-state actors in development cooperation.

# Reality of Aid 2004

## Background

### Facts and Figures

- Nearly half of the world's population lives on less than US\$2 a day.
- Richest 5% receive 114 times the income of the poorest 5%.
- One third of all deaths (that's 18 million people a year or 50 000 people daily) are due to poverty-related causes.

### United Nations Millennium Development Goals (MDGs)

All 191 United Nations Member States pledged to meet the MDGs by 2015. The goals:

1. Eradicate extreme poverty and hunger.
2. Achieve universal primary education.
3. Promote gender equality and empower women.
4. Reduce child mortality.
5. Improve maternal health.
6. Combat HIV/AIDS, malaria and other diseases.
7. Ensure environmental sustainability.
8. Develop a global partnership for development.

Although the MDGs are clear benchmarks for ending poverty, they are modest. If the goal to halve the proportion of people living on less than US\$1 a day (under Goal 1) is reached by 2015, it will still leave 900 million people in absolute poverty – a mere reduction of 230 million.

### Canada at a Glance (OECD, Development Assistance Committee Statistics) 2002

- Canada gave US\$ 2 006 million or CAN\$3 150 million.
- Canada gave 0.28% of Gross Nation Income (GNI) to Official Development Assistance (ODA). Still well below the internationally agreed upon figure of 0.7%.
- Canada was ranked 12<sup>th</sup> out of 22 donors.

### 2003

- Canada gave US\$ 2 209 million.
- Canada gave 0.26 % of GNI to ODA.
- Canada was ranked 13<sup>th</sup> out of 22 donors.

### Reality of Aid Network

- The Reality of Aid Project is the only major North/South international non-government initiative focusing on analysis and lobbying for poverty eradication policies and practices.
- It brings together more than 40 civil society networks working in international cooperation.
- Reality of Aid has networks in 22 donor countries, in Asia, the Americas and Africa.

# Reality of Aid Key Proposals

## A Call for Fundamental Reform:

*'The poor should be considered as full citizens and not simply victims, as full citizens and not simply recipients, as full citizens and not merely beneficiaries or charity cases....Unless we put people, and particularly those that have been historically excluded, at the centre of public life, our development goals will continue to evade us.'*

Kumi Naidoo, Secretary General, Civicus

As the UN Secretary General, Kofi Annan has recently highlighted, we live at a critical juncture in world history. It is one that urgently calls for both a return to processes of multilateralism and the international legal framework of human rights, and their reform to meet the challenges of peace and international cooperation. Aid alone plays a minor role in restructuring such an effective multilateral system for the 21<sup>st</sup> century; nevertheless aid is also a critical resource through which donors have structured a relationship with developing countries for more than four decades. But will the global community, both nations and citizens' organisations, find the creativity and building blocks for dialogue on the democratisation of governance and the promotion of rights through the aid regime?

The Reality of Aid network has set out some proposals for such reforms, in both the multi-lateral and national realms, and is committed to pursue them vigorously. They are:

### 1. Governance and Human Rights

Donor countries must carry out their development cooperation programmes so that governance reflects their binding obligations under human rights law and the rights based approach in line with internationally agreed human rights

instruments, including the right to development.

Governance has been given a wide range of interpretations, but what it must mean is a framework based on democratic governance and human rights, which leads to a national political process that is democratic and based on the principles of law and human rights.

In practice, the ill-defined governance sector provides for the most part a space for pursuing a range of donor interests with aid money.

The principles of good governance apply to the management of international cooperation and aid institutions as much as to developing countries.

### 2. Governance and Conditionality

Imposed conditions are incompatible with democratic governance. Any terms must be fairly and transparently negotiated with participation of and accountability to people living in poverty and in line with the principles of international human rights and a rights based approach.

Good governance should not be a vehicle for imposing market based approaches.

Conditionality cannot even be justified on the basis of effectiveness.

PRSPs that simply embody International Financial Institution prescriptions, leave little room for authentic local and national debate. Where accountability is essentially to the IFIs, rather than local stakeholders, these plans not consistent with the principles of democratic governance and human rights, which are essential preconditions for effective strategies to eradicate poverty.

### 3. Achieving the MDGs

The MDGs are an expression of commitment to economic social and cultural rights and define a set of steps to enable

those rights to be realised. If MDGs are to contribute to international goal of poverty eradication, efforts to achieve them must be founded on strategies that empower and recognise the rights of all people, including all the poor no matter where they live.

Donors must comply with their obligation contained in Goal 8 specifically increasing ODA to the UN target of 0.7% of GNI, improving the quality of their aid for poverty reduction and achieving debt cancellation for the poorest countries.

The emphasis on a global partnership in Millennium Goal 8 is welcome. But in promoting 'an open, rule-based trading and financial system', envisaging cooperation with the private sector and encouraging competition in the global economy, there are real dangers that the poverty imperative will in practice be overwhelmed by corporate and donor national interests and that the rules adopted will be no different to current rules which reinforce unequal power relations.

#### **4. Governance of the International Financial Institutions**

The International Financial Institutions that are mandated to support the fight against poverty embody entrenched inequalities of power and wealth in their systems of governance. The IFIs must not remain the monopoly providers of policy advice on governance reform or the gatekeepers on resource transfers. Aid should support governments, representative institutions and legislatures, in formulating national poverty reduction strategies. Aid should not determine the process.

#### **5. Diversion of Aid for Donors' Security Interests**

Aid should be treated as money held in trust for people in poverty. Current attempts to divert resources for poverty reduction to pay for donors' security interests are the most serious expression of the endemic problem of aid resources being hijacked to fund rich country priorities.

#### **6. Reinvigorating Multilateralism**

The imperatives of poverty eradication and democratic governance underline the

obligations to reinvigorate multilateralism, in the current context of the adverse global impact of unilateralism, especially the practices of the US government and its allies.

In pursuing governance and rights, clearly politics matters. While we may fear that counterterrorism measures may have subsumed the spirit of Monterrey and dashed hopes for international cooperation on financing for development, we must never lose the dream that continues to inspire millions of marginalised and poor people to struggle to secure their rights in their daily lives and in the politics of their particular locale. Indeed it is our obligation as citizens and governments to accompany and sustain people in their efforts to eradicate poverty.

The selective way that donors interpret ideas of governance and human rights is not consistent with a genuine rights approach to development and poverty.

There may be conflicts between international obligations to comply with UN treaty obligations and IFIs conditions or WTO agreements. In such a situation, governments may be left with no choice but simply to ignore the human rights treaty obligations, as the pressure from largely donor-imposed conditionality is stronger. Countries may be punished for violating IFIs and WTO conditions, but not those of the UN.

Civil society networks in the Reality of Aid focus their policy and advocacy attention on issues in democratic governance. As such, governance is not an end in itself, to be engineered through technical assistance and policy interventions by donors. Rather it is fundamentally about politics, power and the exercise of rights in society, and is therefore an evolving and particular process that may take decades.

Two decades of secret negotiations for structural reforms have removed the political locus for national decision making away from domestic political checks and balances where citizens have a potential influence on public policy.