

## **Reality of Aid 1998/99 Main Messages**

- Aid Falls to a Record Low Level in 1997
- Ending Poverty is Affordable
- Private Flows to Developing Countries Miss the Poorest and Debt Servicing
- Aid to the Poorest Countries and Sub-Saharan Africa
- Implementing Aid Policies through Developing Country Ownership, Participation and Genuine Partnerships
- Reaching the Goal of Basic Education for All by 2015

### **Summary:**

**The primary messages of Reality of Aid 1998/99 focus on donor credibility and the seeming absence of political will to act on repeated rhetoric to place the eradication of poverty at the centre of policies and practices affecting their relationships with developing countries.**

"If policies were programs and promises dollars, the Reality of Aid could report great progress on the road to eradicating global poverty this year. But at a time when donors acknowledge that ending poverty is possible, it seems that commitments are being offered instead of resources and real change."

*... Reality of Aid 1998/99*

**The Canadian chapter highlights the linkage between renewed growth in Canadian ODA resources with an effective implementation of Canadian aid policies and practices for poverty eradication. CCIC has launched *In Common*, a campaign for making significant progress for Canada to shape new global relationships.**

**As part of this campaign, the Canada chapter for *Reality of Aid* calls both the vision and political will on the part of government, civil society, individual citizens and the private sector to work together for**

- increasing the International Assistance Envelope by 6% or \$120 million in the 1999/2000 federal budget as part of a timetable for renewed ODA growth, with a target of 0.35% of GNP by 2005/06.
- devote at least 60% of the aid budget to poverty eradication in programs that directly improve the conditions and rights of people living in poverty, and direct the remaining 40% to activities that can demonstrate their relevance to poverty eradication;

- emphasize the quality of long-term collaboration, local knowledge, local decision-making and ownership, and gender sensitivity in measuring results for effective development cooperation and in contracting arrangements for implementing CIDA programs;
- promote a learning culture among development actors from government, the voluntary sector, universities and colleges, and the private sector, that stress sharing information, knowledge and evaluation results in an accessible way; and
- devote a minimum of 2.5% of ODA to public education and the engagement of Canadian citizens in understanding the issues of development cooperation.

## 1. Aid Falls to a Record Low Level in 1997

- In 1997 world aid has fallen to its lowest ever recorded level. Total aid from OECD members fell from \$55.4 billion in 1996 to \$47.6 billion in 1997, a decline of 14.2%. The *Reality of Aid* report says that 3.2 billion people are now living on less than U.S.\$2 per day. Yet, at 0.22% of GNP, the rich countries are not willing to invest even 30 cents in every US\$100 of their collective wealth in the fight against world poverty.
- For Canada, contributions to Official Development Assistance in 1998/99 is expected to drop to 0.27% of our country's GNP, the lowest level since 1968/69. When adjusted for reporting anomalies, Canadian ODA fell in 1997 to 0.31% of GNP (from a high of 0.45% in 1991) and 9<sup>th</sup> position among 21 donor countries in the OECD.
- The Report disputes the claim that donors cannot pledge enough money. The world community, reacting to financial turmoil in Southeast Asia, was able to find U.S.\$57 billion to bailout South Korea in one week in December 1997. In six months Canada joined IMF coordinated bailouts with promises of loans worth \$1.5 billion. to Thailand, and South Korea, as well as an additional \$770 million in agricultural and essential goods export credits for Indonesia..
- As *Reality of Aid* concludes, the issue is one of *political will*. "When donors' own interests are at stake, they are prepared to act quickly and pledge massive sums. But when the interests of poor people are at stake, years pass and fewer resources are found".
- *The Reality of Aid 1998/99* questions the leadership of the G7 countries in the international community. These seven donors, as recently as May 1998 in Birmingham, continue to talk about development partnerships in terms that require developing country governments to make more effort to reduce poverty at precisely the time when six of the seven countries have allowed their aid to decline in real terms. The excuse of financial constraints posed by large public deficits rings hollow when aid is still falling in 1997 at a time when public deficits in OECD countries have been reduced to 1.3% of GNP in 1997 from a high of 4.3% in 1993.

## **2. Ending Poverty is Affordable**

- The UNDP estimate that an additional \$40 billion in investment by developing and developed countries over 10 years would be sufficient to provide basic services for poor people in education, primary health and nutrition, reproductive health and family planning, water and sanitation. A further \$40 billion a year could close the gap in income of poor people to raise out of absolute poverty more than 1.3 billion people living on less than a dollar a day.
- In 1996, 16 donors who reported to the DAC together spent less than 2.1% of their ODA on basic health and 1.3% on basic education. *The Reality of Aid 1998/99* has calculated the additional donor investment of bilateral aid required to meet their fair share of the \$40 billion for basic social services. In 1995 donors were collectively short \$5.8 billion against a target of \$11.2 billion, or a mere seven cents in every \$100 of government revenue. Canada fair share is \$278 million, and in 1995 we fell 62% short of this target (\$172 million) and in 1996 more than 70% (\$196 million).

## **3. Private Flows to Developing Countries Miss the Poorest and Debt Servicing by Low Income Countries Limit Progress on Reducing Poverty**

- Aid is being undermined by international policies. Debt, global financial chaos, declining terms of trade, and increasing global inequity severely undermine the ability of aid to contribute to poverty eradication.
- While private flows were substantially lower in 1997 than 1996 (with expectations that they will be even lower in 1998), only a tenth of private flows went to low income countries (mainly China and India), and even within these countries such investment rarely touched the rural poor. Sub-Saharan Africa received just \$4 billion of total flows of \$206 billion.
- Low income countries returned \$47 billion in debt payments to Northern creditors in 1997 --- substantially more than they received in aid --- in fact an amount equivalent to total DAC aid in 1997. The Report suggests that "any credible strategy by OECD countries on poverty needs to incorporate much more debt reduction".
- The multilateral Highly Indebted Poor Country debt initiative is roundly criticized as too little relief, too late, with onerous structural adjustment conditionality with adverse affects on the poor. The Report points to the example of Tanzania where credible national plans for universal education are unachievable when that country must continue to pay out one third of its entire budget on debt servicing. Under current HIPC rules Tanzania has little prospect of achieving debt relief until 2002 and beyond.
- The Canadian government is promoting acceleration of HIPC within its current framework. While Canadian NGOs seek substantial reform of HIPC and increased debt

cancellation for the poorest countries, they have called on the Government to cancel all remaining debt owed to the Export Development Corporation and the Canadian Wheat Board (approximately Cdn\$800 million) over the next four years. These funds would be provided outside increases to the Canadian ODA as reflected in the Federal Budget's International Assistance Envelope.

#### **4. Aid to the Poorest Countries and Sub-Saharan Africa**

- The vast majority of the poor live in Low Income Countries and in the Least Developed Countries. In 1994, donors committed themselves to reduce by half the proportion of those living in absolute poverty by 2015. Yet in 1996 the Low Income Countries still received less than half of total ODA and aid to the Least Developed Countries represented less than a quarter of total ODA, its lowest level since 1989.
- Canada has maintained a relatively high proportion of its aid for the Low Income Countries, but aid to the Least Developed has declined by more than 33% since 1992/93, at a rate substantially greater than the decline of Canadian aid as a whole.
- Canadian aid to Sub-Saharan Africa has followed the trend noted in *Reality of Aid 1998/99* for a consistent decline in priority for that region. Between 1992/93 and 1996/97 Canadian aid to Sub-Saharan Africa fell by more than 30%, a rate far greater than the nominal decline in ODA as a whole (21%) or bilateral aid (17%).

#### **5. Implementing Aid Policies through Developing Country Ownership, Participation and Genuine Partnerships**

- *Reality of Aid 1998/99* points to consistently high levels of technical assistance – more than 25% of total ODA – in donor programs. This heavy reliance on expatriate experts for implementation undercuts local ownership and fails to build local capacity and in effect repatriates to the North a high percentage of aid funds in the form of consultancies and contracts.
- Southern contributions to the 1998/99 edition of the Report bring further examples of limited engagement by governments and donors with civil society (in Latin America, in Nepal, in Mali) that severely limit collaboration on common development goals and popular participation in the planning and implementation of programs intended to improve the lives of local people.
- The Report challenges the level of real commitment to participation resulting from donor discussion at the DAC: "If governments and donors want authentic participation, it means engaging with NGOs not as contractors but partners; it means respecting the fact that real

people, if given a choice, will demand that greater attention will be given to social issues and solidarity, not only economics."

- While recognizing the inherent difficulties in achieving "authentic partnership", the Report has many examples of situations where NGOs and other civil society actors are excluded by governments and donors in consultations to set development priorities or discuss structural barriers to making progress on poverty reduction.
- The Report sets 12 practical steps that donors could implement on their own to promote greater developing country ownership and partnership. Among these steps are
  - resist when possible creating parallel structures that compete with government responsibility;
  - train aid management staff to build poverty-oriented and culturally sensitive capacities;
  - invest in long term programs for learning and exchange;
  - reduce and target technical assistance;
  - develop program plans for developing country timelines, rather than donor procedures;
  - hold transparent Consultative Group meetings and other aid policy meetings in the developing country; and
  - significantly reduce conditionality while building clearer mutual accountability.
- The Canadian chapter highlights the importance of issues in gender equity in making progress on poverty eradication, with women and children making up more than 70% of people living in poverty. More success would be achieved in integrating gender issues in bilateral programs if there were
  - more systematic and consistent networking, dialogue and donor coordination;
  - more specialized skills in gender equity analysis and planning in the project team;
  - integrated detailed knowledge of local conditions to strengthen local capacity to assure positive impacts of projects for women; and
  - the allocation of significant resources (money, human, time) to all projects, with gender sensitive objectives and targets, and with long term approaches to effect change at both policy and community level.

## **6. Reaching the Goal of Basic Education for All by 2015**

- Assuring access to education for children is simply a matter of rights. Despite commitments by all countries at Jomtien in 1990 to assure basic education for all children by the year 2000, the numbers of poor children in Africa and South Asia without access to primary education is rising. According to the UN lack of primary education could result in one billion adults being illiterate in the year 2000.

- Southern NGOs, reviewing the experience of donor programs promoting quality basic education conclude that "it is only when all education projects ensure improved access, equity and relevance that we can talk of education for all and education as a basic human right."
- The gender gap in education is striking. Not only is female enrolment lower, but school dropout rates also tend to be higher for girls than for boys. Taking 1995 adult literacy rates for low income countries (except China and India), 45% of adult women are illiterate, but less than a quarter of men (24%). Almost 68% of women in South Asia are illiterate, compared with 41% of men.
- One result of diminished education opportunities is that women are under-represented in almost all significant sectors of national life, with the exception of the informal sector, where many women who drop out of school eke out a livelihood.
- The World Bank, along with almost all donors now recognize that educating women and girls is an extremely effective way to address poverty: Following the Copenhagen Social Summit, the 21 OECD donor countries committed themselves to work with partners in developing countries to achieve universal primary education by 2015 and to eliminate gender disparity in primary and secondary education by 2005.
- In a preliminary review of donor and country experiences in promoting basic education in the 1990s, the authors of *Reality of Aid 1998/99* make a number of observations:
  - Overall donor spending on education has fallen since 1990 as total aid allocations have declined. But a positive trend has been a significantly increasing share of education allocations by donors for basic education. Bilateral spending on basic education has increased three-fold up to 1994/95.
  - Several southern authors point to the non-transferable responsibility of the state to finance and promote basic education. International cooperation must complement this responsibility and should not become a palliative in the absence of public funding. Several examples are given (for El Salvador and for Namibia) of innovative donor initiated programs oriented to strong community participation and non-traditional learner centred approaches. But both these examples raise issues for their effective integration back within the formal school system.
  - The impact on poverty reduction through education is not just an issue of financing; the quality and content of teaching, and its impact on attitudes and values, accountability to communities, local involvement and mobilization, are centrally important. In Latin America, for example, "there is a marked disparity in the quality of education available for different social classes and ethnic groups."
  - On the other hand, financing is also a basic barrier to access. Several Southern chapters suggest that donor/government enthusiasm for school user fees and other hidden costs can and do lead to the exclusion of large numbers from poor income

groups. Kenyan households for example must contribute between 30% and 50% of the costs of educating their children, while in Uganda parents can be asked to pay up to 65% of total costs of keeping a child in primary school.

- Initiatives taken through development cooperation for basic education raise a number of issues –
  - the impact of aid tying on appropriate goods and services for schools;
  - inadequate methodologies for reconciling different Ministry priorities where donors are pushing for priority to the poor, decentralized control, and culturally relevant education;
  - insistence on seeing impacts in quality of education while allocating short-term funding, often with rigid regulations; and
  - the predominant role of foreign agencies and consultants in initiating projects.
- When complemented by a willingness of donors to coordinate and by government capacities to put together credible plans involving local administrations and communities, *Reality of Aid* authors suggest that sectoral-wide holistic approaches offer the potential for a coherent and long term impact. Consequently, spending on basic education should not be at the expense of other parts of the education sector, with donor and government spending additional to current levels of commitment.
- NGOs and some donors have place a strong emphasis on non-formal education. A substantial review of these programs in Zimbabwe points to the fact that 95% of participants are women in literacy programs. But government and donor "preoccupation has been the reduction of levels of literacy and less emphasis was placed on the importance of making them more relevant and attractive to women". Materials only touched the surface of family planning, AIDS, women's rights and violence against women for example.
- While Canadian policy and the interests of the current Minister for International Cooperation identify a strong interest in basic education in CIDA's policies and strategies, recent reviews of CIDA's experience in basic needs programming conclude that "with few exceptions...CIDA bilateral programs have done very little to date in the area of primary and secondary education." A significant exception has been a regional girl child education program in Africa, in coordination with African partners, UNICEF and Norway. But Canada's support for basic education at 0.1% of bilateral aid in 1995 ranked 11<sup>th</sup> among the 13 reporting countries according to the OECD. CIDA Policy Branch will be developing a detailed framework and strategy for basic education over the next year (1998/99).