

A DIFFERENT FUTURE FOR Development Assistance

In May 2009, Paul Kagame, president of Rwanda, made an impassioned plea to the givers of foreign aid to break out of old patterns of giving and embrace a different future for development assistance.¹ Kagame is not alone in calling for changes to the way the developed world gives aid. Many development experts, economists and aid practitioners have also signalled the need to break our habits of aid practise and thinking.

They are calling for a different approach, one in which all levels of society in both rich and poor countries work together to help poor countries achieve their own developmental goals. An approach that acknowledges and works within the diversity of individuals, nations, and circumstances in the developing world; that recognises and harnesses the potential of the globalised market; and that realises that it is not big plans but a number of small incremental changes that are able to conform and adapt to particular needs and circumstances that will reduce poverty and foster development.

Kagame, since taking office in 2000, has been applying these new approaches in Rwanda to ever-improving results.² But the approach he and others are calling for is not the one holding the international community's attention. Since 2000, international discussion of foreign aid and development has been largely centred on the United Nations' (UN's) eight Millennium Development Goals (MDGs)³ and on the UN's plans for the achievement of these goals by 2015.

The basic ends of the MDGs are the same as Kagame's. Both long to see such things as a reduction in the numbers of people living in poverty and the launching of sustainable development in the poorest countries of the world. However, the methods the MDGs employ are very different, calling for

a continuation of development thought and foreign aid practices that have so far had little long-term success.

It is time that we in the developed world recognise the limitations of our old ways of doing aid. It is time that we take on Kagame's and others' challenge of forging a different future for development assistance.

THE LIMITATIONS OF TRADITIONAL PLANS

From the beginnings of the foreign aid regime in the aftermath of World War II, governments and international organisations have crafted grand plans to reduce poverty and bring about development. The outcomes of such plans, unfortunately, have not been as positive as their designers would have liked. By the 1990s, despite a multitude of plans and trillions of dollars expended, the numbers of people living in extreme poverty were rising and most poor countries were not sustainably developing.⁴

The primary difficulty with the grand plans of the traditional foreign aid regime is that they are based on faulty theories about how development occurs. The MDGs, though designed to correct the mistakes of past plans, are built upon similar theories. In particular, the MDGs and the UN's plan for their achievement rest on two primary assumptions: 1) that a simultaneous large-scale assault on the many dimensions of poverty is necessary to launch poor countries into development; and 2) that this takeoff into development can be simply purchased.

The assumptions of the MDGs

The first assumption on which the MDGs are based comes out of work done by economists such as Jeffrey Sachs of Columbia University. Sachs cut his economic teeth advocating for 'shock therapy' for the former Communist states of the Soviet Union—the use of

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all-encompassing measures to push countries off one economic trajectory and onto another. He has now turned this same line of thinking to the global South, asserting that these countries are stuck in poverty traps that can only be released by a full and concurrent assault on all those things that make up the trap (ie. poor fiscal situation, governance failures, cultural barriers, geopolitics, lack of innovation, demography, physical geography and poverty itself).⁵ To fully realise the potential of this full and concurrent assault, Sachs and others maintain that rich countries need to increase their levels of official development assistance (ODA) so as to fill poor countries' financing gaps.⁶ This idea of a 'financing gap' comes from economic ideas of the 1950s and 1960s that contended that a gap exists in poor countries between the capital that they have on hand and the capital needed to takeoff into development. According to work done in that era by World Bank economists Paul Rosenstein-Rodan and Hollis Chenery, and Massachusetts Institute of Technology professor Walt Rostow, it is possible for rich countries to figure out how big this financing gap is for each poor country and then to fill that gap with ODA, thus launching



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poor countries into self-sustained growth.⁷ This is the second assumption underlying the MDGs—takeoff into development can be simply purchased. Scholars and politicians have worked with these assumptions for the past ten years, hoping to determine exactly what will be necessary to achieve the major targets outlined by the MDGs and ultimately to see poverty ended.

The MDGs themselves were created and codified from 2000 to 2001 to set up a simultaneous assault on poverty in its many dimensions: income, hunger, disease, education, environment and exclusion. In 2001, the UN asked Sachs to head up the Millennium Project and to devise an implementation plan for the MDGs. The Millennium Project reported back in 2005 with 449 interventions that it asserts the international community must advance simultaneously by 2015 if the MDGs

are to be successful.⁸

In the meantime, the UN's High-level Panel on Financing for Development and the World Bank had conducted studies, based on the economic theories of Rostow and Rosenstein-Rodan and Chenery, to work out the anticipated cost of achieving the MDGs. Both concluded that roughly an additional US\$50 billion per year in ODA would be necessary to fill poor countries' financing gaps and meet the MDGs by 2015.⁹

Based on these findings, the UN has repeatedly called on rich country governments to direct their ODA toward the 449 interventions of the Millennium Project and to increase their combined ODA by at least US\$50 billion per year, a doubling of aid giving from the levels of 2001.¹⁰ Ideally, the UN would like to see developed countries increase their ODA to 0.7% of their gross national income (GNI) as a way of demonstrating

their commitment to the international fight against poverty, though such high levels of giving would exceed the price tag set on the MDGs by almost US\$300 billion.¹¹

THE LIMITATIONS OF THE MDGs

The international community has heartily embraced these goals and the UN's plan for their fulfilment. Rich country ODA programmes have aligned their projects and programmes to the MDGs; non-governmental organisations (NGOs) have dedicated themselves to their fulfilment; and grassroots organisations and movements have sprung up in their support, demanding that governments act quickly to push ODA budgets closer to 0.7% of GNI. Before joining this panoply, however, it is imperative that we stop and recognise the limitations of the MDGs and the Millennium Project's



plan for their implementation.

For one, the assumptions upon which the MDGs are built are faulty. First, the assumption that a simultaneous large-scale assault on the many dimensions of poverty is necessary to launch poor countries into development perpetuates a problem that has plagued aid efforts for the past seventy years—the idea that we have all the answers. International development and poverty reduction are complex issues that present difficult questions that intelligent, dedicated people have sought answers to for decades. Economists and development experts William Easterly of New York University and Dani Rodrik of Harvard University contend that these issues and the questions they raise are so complex and so context-specific that they do not have single answers, as the MDGs would imply. The great diversity of developing countries, their people and their experiences of poverty make single answers, grand plans, and simultaneous, uniform action impossible.¹²

The second assumption of the MDGs is just as, if not more, flawed as the first. The idea that a takeoff into development can be simply purchased, as was mentioned previously, comes out of economic ideas of the 1950s and 1960s about financing

gaps in developing countries. Most development economists today view the financing gap model as too simplistic to accurately account for how economic growth occurs. Economic development, they assert, comes about not just through investment and capital, as the financing gap model assumes, but through the complex interactions of politics, domestic policies, social services, global markets, culture, microeconomic interventions and institutions.¹³

Not only does the financing gap model leave out important contributions to economic growth in its analysis, it also overestimates the ability of aid to lead to growth. Easterly has shown that greater amounts of aid do not necessarily lead to higher investment and growth the way the financing gap model says it should. In fact, he finds that, on average, higher aid may even negate both investment and growth, thus undermining the final purpose of the MDGs—to end poverty.¹⁴

Beyond the problems with the assumptions upon which the MDGs are based, there is one additional major limitation of the MDGs: the specific goals laid out by the MDGs are overly ambitious. Goals One through Five, which deal with the well-being of individuals living in poverty, are

dependent on change occurring in developing countries at a rate not seen historically in either developing or developed countries. For the MDGs to be achieved by 2015, developing countries' economies would have to grow at twice the rate they grew in the 1990s; countries would have to increase their primary school enrolments approximately three times faster than any country has increased enrolments in the second half of the twentieth century; and infant and maternal mortality would have to decrease at twice the rate at which such things decreased in all countries between 1980 and 2000.¹⁵

So while the MDGs are a noble exercise demonstrating the willingness of the international community to contend with the poverty of approximately 1.4 billion people in our world, they are not a solid enough ground upon which to build either governmental ODA programmes or private aid and assistance efforts. They derive from ideas and practices that have historically and economically proven to be ineffective in reducing poverty and fostering development, and they hold us back from embarking upon a different future for development assistance.

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A DIFFERENT FUTURE FOR DEVELOPMENT ASSISTANCE

If we truly wish to see the aspirational outcomes of the MDGs realised—a reduction in the numbers of people living in poverty and the improvement of living conditions for people in the world’s poorest countries—then we need to stop being distracted by the plan to achieve the MDGs by 2015 and refocus our efforts on a different future for development assistance envisioned for us by Kagame and others.

First, foreign aid and development assistance efforts need to acknowledge and work within the diversity of individuals, nations, and circumstances in the developing world. A people’s history, customs, society, government, geography and politics all come together both to create their current lived experience and to delineate what they deem reasonable and acceptable for their future development. The multitude of differing histories, customs, societies, governments, geographies and politics in the developing world demands a multitude of individualised responses, not a one-size-fits-all approach.¹⁶

Departure from a one-size-fits-all approach means moving away from grand plans and investing instead in incremental changes and piecemeal solutions that are able to adapt to local circumstances and meet local needs. Such incremental approaches are able to be flexible in their assessment of developmental challenges and innovative in their methods for confronting those challenges; and they are likely to foster partnerships between those in the developing and developed world, as knowledge and expertise are exchanged and expended in pursuit of the next intervention. Several aid watchers and development experts have signalled that private and governmental aid and assistance efforts that take such an incremental approach are those most likely to meet with success.¹⁷

To ensure that our piecemeal solutions are having a positive impact, it is vital

that we set definite, measureable goals for all interventions and then regularly have those interventions evaluated against their stated goals. Too often in our current discussions of foreign aid and development assistance we concentrate on how much we are spending instead of on what those dollars are doing. As Easterly has put it, ‘Letting total aid money stand for accomplishment is like the Hollywood producers of *Catwoman*, . . . voted the worst movie of 2004, bragging about their impressive accomplishment of spending \$100 million on its production.’¹⁸ More important than how close our aid budgets are to 0.7% of GNI is the effect that that money is having. To discover this aid and assistance projects and programmes need to be regularly, independently evaluated for their effectiveness, and cancelled, adapted or up-scaled as appropriate.¹⁹

Finally, we must acknowledge that traditional aid and development assistance—such as the giving of grants of money and concessional loans and the building of hospitals and schools—is not on its own going to bring about sustainable development. We must also recognise and harness the developmental potential of the globalised market.

Much of the developmental progress that has been made in the past several decades has come from the globalisation of developing countries. The increasing globalisation of China, India, Korea, Thailand and Vietnam has enabled much of East and Southeast Asia to experience soaring growth rates alongside a drop in the percentages of its populations living in extreme poverty and dying from communicable diseases and an increase in the percentage of its children attending school.²⁰

As globalisation is neither a simple nor unproblematic process, developed countries should be prepared to support developing countries as they globalise. Developed country governments can do this by taking down their protections to enable developing countries an

equal opportunity in their markets. They can also set up programmes, like New Zealand’s Recognised Seasonal Employer Policy, to allow developing country workers into their country for the purposes of temporary work. Such work gives developing country workers the chance to gain experience of a modern market and to make money to send home in the form of remittances.²¹ Private citizens of developed countries can do their part to facilitate positive globalisation by making investments in developing countries and by targeting their philanthropy to addressing the humanitarian hurdles—such as urbanisation and a drop-off in the viability of subsistence living—that the poor especially will face in a globalised market.²²

CONCLUSION

We have seen the limitations of our old ways of doing aid as epitomised by the MDGs. Their faulty assumptions do not accurately account for the complex ways in which development occurs, and their overly ambitious plan to reach achievement by 2015 is misleading and threatens to leave us feeling hopeless when the targets are not reached. We need a different future for our development assistance.

The future of our development assistance needs to reside with projects and programmes that take into account and work with the diversity of the developing world; that set measureable, practical goals and are subjected to regular evaluation. Hope lies in those approaches that think not in terms of grand plans but in terms of piecemeal solutions to individual problems, and that recognise that aid and assistance are great tools, but that it is the globalised marketplace that has ultimately had the most developmental success. It will be through these means that we will see the achievement of the aspirational objectives of the MDGs. •

- Management of the Expanding Australian Aid Program. AusAID has recently announced that there will be a review of technical assistance in 2010 including consultations with partner countries.
20. Assuming that budgeted expenditures remain around 24% of GDP.
21. OECD DAC Preliminary data for 2009 Table 1 Net Official Development Assistance.
22. OECD Economic Outlook Nov 2009.
23. For examples see the Copenhagen Consensus deliberations.
24. UNAIDS Epidemic Update 2009 and The Global Fund 2010 Innovation and Impact.
25. Roll Back Malaria Partnership 2010 Progress and Impact Series Number 1.
26. The Global Fund 2010 Innovation and Impact.
27. 2% of the US\$20bn estimated requirement for the next three year replenishment.
28. OCED DAC Development Cooperation Report 2010 Statistical Annex Table 7 using the unweighted average.
29. WHO/UNAIDS/UNICEF Towards Universal Access 2009.
30. Roehr, B "More people face treatment rationing as AIDS funding is cut" *BMJ* 2010;340:c2284.
31. Nossal Institute and World Vision Australia 2008 Reducing Maternal, Newborn and Child Deaths in the Asia-Pacific.
32. UNESCO Education for All Global Monitoring Report 2010.
33. For example see AusAID 2009 Community Attitudes Study: Topline Report and World Vision Australia 2009 Island Nation or Global Citizen.
34. World Vision Australia 2009 Island Nation or Global Citizen.
35. Olsen G 2000 Public Opinion and Development Aid: is there a link? and Hudson D and Van Heerde J 2009 Public Support for Development Assistance.
36. The difference between 0.7% and 0.5% of GNI in 2015 is likely to be around A\$3.5 billion. At a high end estimate of A\$3000 per life saved (eg the Global Fund to fights AIDS, TB and Malaria estimates their average cost at A\$2300 per life saved) this would mean around 1.2 million lives. The cost to save a child's life from the most common causes is likely to be even less.
37. World Vision Australia 2009 Island Nation or Global Citizen.
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1. Paul Kagame, "Africa has to find its own road to prosperity," in *Financial Times*, 7 May 2009.
2. See the World Bank's entry for Rwanda, available at <http://data.worldbank.org/country/rwanda> (accessed 4 May 2010), and United Nations Development Programme, "Rwanda", in *Human Development Report 2009*. Available at http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_RWA.html (accessed 4 May 2010).
3. The eight MDGs are: 1. To halve, between 1990 and 2015, the proportion of people living in poverty and suffering from hunger; 2. To achieve universal primary education by 2015; 3. To promote gender equality and empower women; 4. To reduce by two-thirds the under-five mortality rate; 5. To reduce the maternal mortality ratio by three quarters, between 1990 and 2015; 6. To have halted by 2015 and begun to reverse the spread of HIV/AIDS and the incidence of malaria and other major diseases; 7. To halve the proportion of people without sustainable access to safe drinking water and basic sanitation; and 8. To develop a global partnership for development.
4. Dani Rodrik, "Goodbye Washington Consensus, Hello Washington Confusion?" in *Journal of Economic Literature*, XLIV (December 2006), 973-987, 975.
5. Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Time* (New York: Penguin, 2005), 56-66.
6. Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Time*, 233-246.
7. P. N. Rosenstein-Rodan, "International aid for undeveloped countries," in *Review of Economics and Statistics*, 43 (2), 1961: 107-138; Hollis B. Chenery and Alan M. Strout, "Foreign assistance and economic development," in *American Economic Review*, 56 (4), 1966: 679-733; W. W. Rostow, "The take-off into self-sustained growth," in *Economic Journal*, 66 (261), 1956: 25-48; Walt Whitman Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto* (Cambridge: Cambridge University Press, 1960).
8. A complete annotated list of the 449 interventions may be found in: *Millennium Project, Investing in Development: A Practical Plan to Achieve the Millennium Development Goals* (London: Earthscan, 2005), 265-280.
9. Ernesto Zedillo, et al., *Recommendations of the High-level Panel on Financing for Development*, 22 June 2001, 9, 31-32; Shantayanan Devarajan, Margaret J. Miller and Eric V. Swanson, "Goals for Development: History, Prospects and Costs," Policy Research Working Paper 2819 (Washington, DC: World Bank, 2002).
10. Development Co-operation Directorate of the Development Assistance Committee of the Organisation for Economic Co-operation and Development, "ODA Steady in 2000; Other Flows Decline," 12 December 2001. Available at: http://www.oecd.org/document/4/0,3343,en_2649_34447_2698628_1_1_1_1,00.html (accessed 18 November 2009).
11. In 2008, the countries of the OECD provided US\$145.73 billion in ODA to the developing world. Though this total surpasses the UN's price tag for the MDGs for 2008 (lifting ODA by US\$93.08 billion from 2001's US\$52.69), it represents only approximately 0.3 percent of total OECD GDP. [Organisation for Economic Co-operation and Development, "ODA, 2001-2008," in *Query Wizard for International Development Statistics*. Available at: <http://stats.oecd.org/qwids/#?x=1&y=6&f=4:1,2:1,3:51,5:3,7:1&q=4:1+2:1+3:51+5:3+7:1+1:2+6:2001,2002,2003,2004,2005,2006,2007,2008> (accessed 7 May 2010); United Nations Department of Economic and Social Affairs, *The Millennium Development Goals: A Snapshot* (New York: 2010).]
12. See for example: William Russell Easterly, "The Big Push Déjà Vu: A Review of Jeffrey Sachs' 'The End of Poverty: Economic Possibilities for Our Time,'" in *Journal of Economic Literature*, Vol. 44, No. 1 (March

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- 2006), 96-105; Dani Rodrik, "Goodbye Washington Consensus, Hello Washington Confusion?" in *Journal of Economic Literature*, Vol. 44, No. 3 (December 2006), 973-987.
13. William Russell Easterly, "The Big Push Déjà Vu: A Review of Jeffrey Sachs' 'The End of Poverty: Economic Possibilities for Our Time,'" 98; Michael A. Clemens and Todd J. Moss, "Ghost of 0.7%: Origins and Relevance of the International Aid Target," *Center for Global Development Working Paper Number 68* (September 2005).
14. William Easterly, "The Ghost of Financing Gap: Testing the Growth Model Used in the International Financial Institutions," in *Journal of Development Economics*, Vol. 60, No. 2 (1999), 423-438.
15. Michael A. Clemens, Charles J. Kenny and Todd Moss, "The Trouble with the MDGs: Confronting Expectations of Aid and Development Success," *Center for Global Development Working Paper Number 40* (September 2004), 9-24; Robert Picciotto and Rachel Weaving, "Preface," in Robert Picciotto and Rachel Weaving, eds., *Impact of Rich Countries' Policies on Poor Countries: Towards a Level Playing Field in Development Cooperation* (London: Transaction, 2004), vii.
16. For more on the effect that the diversity of the developing world should have on our aid and assistance measures see: Jane Silloway Smith, *A Heart and Mind for the Poor: Learning from the past and working toward the future of foreign aid* (Auckland: Maxim Institute, 2010), 23, 29.
17. See for example: Carol C. Adelman and Nicholas Eberstadt, "Foreign Aid: What Works and What Doesn't," in *Development Policy Outlook, American Enterprise Institute for Public Policy Research*, No. 3 (October 2008), 1-7; William Easterly, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done so Much Ill and so Little Good* (New York: Penguin, 2006). For more on incremental change within the context of aid and assistance efforts see: Jane Silloway Smith, *A Heart and Mind for the Poor*, 23-25, 28, 29-30.
18. William Easterly, "The Utopian Nightmare," in *Foreign Policy*, No. 150 (September-October 2005), 53-64, 63.
19. One country that has taken the call for regular, independent evaluation to heart—and has been praised by many in the aid community for the positive effects of its developmental assistance as well as its transparency—is Norway. For more on Norway's evaluation practices see: Alf Morten Jerve and Espen Villanger, *The Challenge of Assessing Aid Impact: A Review of Norwegian Evaluation Practice, Study 1/2008* (Oslo: Norwegian Agency for Development Cooperation, 2008). For more on the importance of regular, independent evaluations in general see: Jane Silloway Smith, *A Heart and Mind for the Poor*, 28-29.
20. See the World Bank's entries for China, India, Korea, Thailand and Vietnam at: <http://data.worldbank.org/country> (accessed 5 May 2010); though he does not attribute their good fortune to globalisation, Director of the UN Millennium Campaign Salil Shetty reports that almost all of the progress made towards the MDGs has come from East and Southeast Asia: Salil Shetty, "The Millennium Development Goals: Countdown to 2015," in Jonathon Boston, *Eliminating World Poverty: Global Goals and Regional Progress* (Wellington: Institute of Policy Studies, 2009), 55-63, 55.
21. New Zealand's Recognised Seasonal Employer Policy is showing positive results with its developing-country workers: international Migration, Settlement and Employment Dynamics Research, *Final Evaluation Report of the Recognised Seasonal Employer Policy (2007-2009)* (Wellington: Department of Labour, 2010).
22. For more on globalisation as a tool of development and on ways in which developed countries can better enable it see: Jane Silloway Smith, *A Heart and Mind for the Poor*, 25-27, 30.
- One Mission, Many Actors**
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1. Duncan Green (2008). *From Poverty to Power: How Active Citizens and Effective States Can Change the World*. Oxfam International, p. 354.
2. A term coined by economist Paul Collier.
3. OECD DAC Preliminary data for 2009 Table 1 Net Official Development Assistance.
4. Paul Collier (2008), *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*. Oxford, OUP, p. 123
5. Joseph Stiglitz (2006), *Making Globalization Work: The Next Steps to Global Justice*. Camberwell, Australia, Allen Lane (first published in USA by W.W. Norton & Company, 2006), p. 59.
6. Joseph Stiglitz, *The Challenges of Meeting the Millennium Development Goals*. A speech given at the High Level Segment of the Economic and Social Council meetings at the UN headquarters in New York, June 29, 2005.