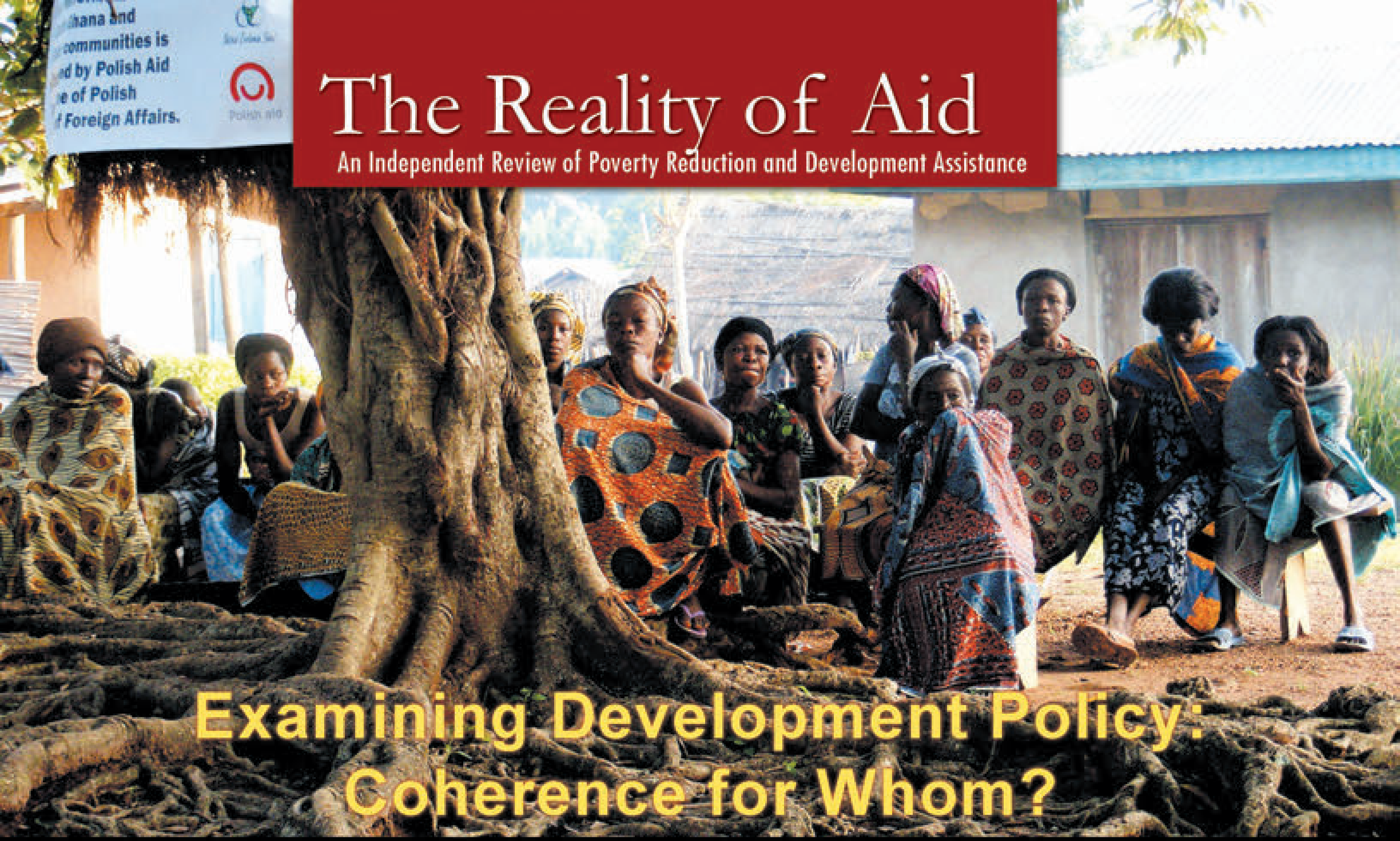


The Reality of Aid

An Independent Review of Poverty Reduction and Development Assistance

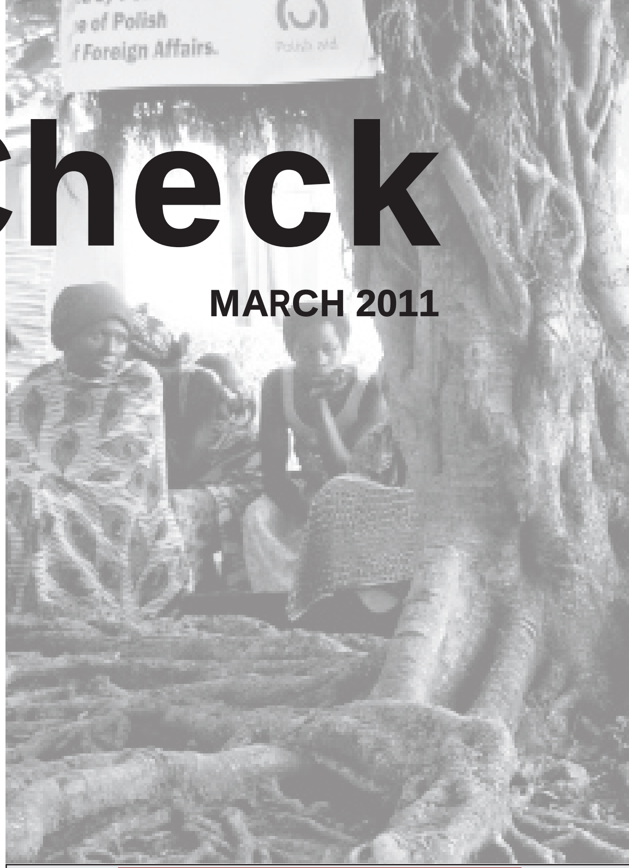
Examining Development Policy: Coherence for Whom?

RealityCheck

MARCH 2011

Issue prepared by IBON International / Reality of Aid Asia-Pacific

Reality**Check**



MARCH 2011

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Current international concern on policy coherence comes from the recognition that the enormous range of development policies implemented or proposed is motivated by diverse agendas and interests of various actors whose concerns and priorities may not be consistent or even intersect. This incoherence results in contradicting policies that have tremendous impacts on people especially the poor in developing countries.

Policy coherence for development (PCD) is often confused with and narrowed down to harmonization and coordination, but PCD covers the whole policy environment that ensures economic relations are not damaging as well as country ownership of development programs and policies. As such, PCD must be guided by principles of human rights, gender and social equity, ecological sustainability, solidarity, and mutual accountability to achieve development effectiveness.

This issue is prepared by:

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The Reality of Aid — Reality of Aid - Asia Pacific

The Reality of Aid

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The Politics of Policy Coherence

Brian Tomlinson

The notion that policies affecting development should all be consistent with and promote fundamental development objectives such as human rights, gender equality and sustainability is crucial. At the global level these interests lead to proposals to establish an equitable and inclusive development cooperation architecture, based on existing UN Conventions and Covenants, as well as on a new global agreement setting out a normative framework for development effectiveness.

The expression of "policy coherence for development" is highly relevant to these global policy goals because they can be systemically linked to existing Conventions on human rights norms and standards. However, the politics of "policy coherence" at the country level poses

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very different questions and potential outcomes. Here the determination of "policy coherence" will become highly political.

The articulation of policy coherence as an overarching framework for CSO policy goals for development cooperation in donor countries should be a strategic question rather than a universal proposal. The changing political dynamics in these countries may result in unintended practical implications arising from a global agenda of policy coherence for development policy.

The demand for "policy coherence for development" at the country level leaves the field wide open for governments and other interests that affect policy. These interests may have very different expressions of development policy, and give rise to politically defined coherence linked to their own development ends. There are indeed a number of donors, primarily Nordic countries, which have comprehensive laws governing international cooperation arising from a very different political regime, based more on corporatism than the interest-based politics of most donor countries.

Policy coherence for development assumes that development policy is itself coherent, even among aid actors, and that the intent of all is to focus on rights and poverty reduction. But surely it is the struggles over these policies as they relate to development outcomes that are still very much in play in donor countries. How rights criteria may be embedded in each policy area in relation to the drivers for these policies is a highly contested political process.

"Coherence" will only emerge politically when non-aid policies (particularly trade and investment, but also other areas) are developed within a human rights framework, which in most countries is far more challenging than achieving a rights approach in aid policy.

A key problem is that these other policy areas have both state and non-state drivers


Photo: Poland MFA

particularly within the private sector, but also other interests, such as farmers' organizations or environmental associations, etc. The pressures on national trade or international climate change policies can be highly diverse, some of which articulate interests in policy outcomes which are seen by the majority population to be legitimate "national interests", but which may challenge or reformulate the meaning and consequences of "policy coherence for development" in a given donor country.

While international CSOs assert that a wide range of policies should be assessed against development interests, even if this were to happen, and it is truly rare, such assessments will likely be at best one among other expressions of interests in a given country.

The analysis in this Reality Check seems to largely ignore these other drivers of policy, other than to assert that democracy, and its embedded institutions and processes, will be the foundation for a more rights approach. But such expressions of democracy in policy processes in donor countries at least often accentuate competing policy interests in which development outcomes are not seen to be crucial.

The advantage of official development assistance with respect to policy drivers is that it is a much more discretionary development resource, which in many instances (clearly not all) can be relatively untied to domestic interests. It often forms a counter-point to the expression of other policies and can strengthen counter-forces, either in civil society or in international forums, which push for strong development outcomes for trade or investment for developing countries. This is certainly the motivation for those who wish to promote a coherence agenda in donor countries. But the practical ability of aid actors to do so may depend upon a high degree of "incoherence" in overall development cooperation policy.

Political interests and power dynamics in donor/developed countries are not weighed in favour of rights-based development cooperation, which remains relatively weak and highly dependent upon the nature of the political regime in power. On the other hand, forces that support, either directly or indirectly, neo-liberal policy coherence has more permanency in domestic interest groups and is often politically stronger across different political regimes. In this context, a call for "policy coherence for development" is more likely to lead <u>in practice</u> to strengthening neo-liberal influences on aid policies, thus undermining an area where we might make progress for a rights-based policy, albeit in a context that is incoherent.

The growing strength of neo-liberal/foreign policy driven policy coherence for development is certainly the case in Canada and is emerging more strongly in Europe with changing political regimes. There are policy interests in these governments that also call for policy coherence for development (e.g. the whole-of-government approach). They reinforce trends and bring to bear government departments (defense or trade) that work against CSO strategic interests in achieving development effectiveness with aid resources.

So while there is no disagreement about the analysis of incoherence, the strategic approach to achieving greater coherence is still an unsettled question. For now, it may be more important to sustain greater "incoherence" with respect to the aid regime, allowing national political space to grow for a deeper development of and commitment to rights-based approaches for development policy.

But clearly international CSOs in donor countries need to work for development-friendly trade policy, or with respect to debt, climate change or investment policies, and to seek ways to balance various political interests affecting these policies. Rather than overarching calls for policy coherence by development activists, in each country there should be an assessment of policy checks and balances and concerted engagement with various interests affecting policy. At the same time, CSO insistence on more principled processes for international negotiation and human rights accountability for the policy outcomes create ways of inserting a rights approach in various areas of policy affecting development.

In this regard, a well-articulated human rights framework should be the overarching influence on policy proposals, rather than a vague notion of "policy coherence for development", open to other and perhaps negative interpretations.

Calling for "policy coherence for development" is an essential ultimate goal, but as a policy "ask", it is strategically weak and perhaps counter-productive. As suggested above, given the current and foreseeable political realities in several donor countries, it may indeed lead to a reinforcement of neo-liberal influences in determining national development policy, which ultimately is the decision of changing governments with corresponding changing "politics of coherence".

A strong human rights-based normative framework for a global Compact or Convention on Development Effectiveness, initiated either from the Busan High Level Forum later this year, together with proposals from within the United Nations system, would create an important counter-veiling instrument to strengthen the hand of development actors at the country level.

Photo: Poland MFA

Policy Coherence and Development Effectiveness

Tony Tujan, Jr.

Policy coherence refers to the overall policy for development that includes economic cooperation and development cooperation. Policy coherence must be premised on fundamental development objectives such as human rights, gender equity, and sustainability enshrined in covenants that all governments signed. However, policy coherence is often confused with harmonization or coordination, but it should be clear that policy coherence, though related to aid effectiveness, is not aid effectiveness.

For example, as ownership in a program country is developed through strong inclusive national strategies that are recognized and supported by development partners, policy coherence is improved. In the same vein, if there is alignment – where participatory country systems and programs are acceded and supported by partners – then it is more difficult to be incoherent. It is also in the same context that if there is harmonization, which is not division of labor but harmonization that signifies a country-led coordination of partner

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participation and action, then policy coherence is easier.

But in totality, what is important to stress about policy coherence is that it is meant to achieve the development goals in a thoroughgoing way, which is what development effectiveness is all about. In a nutshell, having policy coherence is having the focus of achieving international development goals while ensuring a coherent development process and effective poverty reduction strategies.

It is very well recognized that the road to achieving policy coherence is not easy and it goes to the heart of the question of mutuality. In donor countries, the starting point of policies in those countries will be their own development. At present, there are a number of countries leading the effort on policy coherence for development, but at the same time there are also laggards.

Working on concrete practice

The possibility of progress in policy coherence in all donor countries through partnership and better relationship, where donor countries will enhance and promote programs and strategies on country development goals on the premise of and operate under mutual benefit, needs to be worked on.

Economic relations must be scrutinized if they promote development or if they do harm.

A good example is trade relations which in many cases are incoherent and ironically create poverty in most cases. Investment policies, climate policies, and immigration policies must be evaluated and checked whether these really promote development.

There is also the question whether broad country ownership of development policies and programs is strengthened. While it is good to see mechanisms such as coordination among ministries, achieved to a large degree by countries such as Finland or Sweden, there needs to be more than just mechanisms, but also regulations, strong program country planning, and the existence of oversight mechanisms.

Challenges in promoting policy coherence

Balancing between development goals and economic growth through increased trade and investment illustrates the many challenges in promoting policy coherence. There is policy fragmentation and, worse, contradictory policy frameworks due to neoliberal orthodoxy in the past half century that has resulted in mixed outcomes and development disasters. Aid fragmentation, enhanced by global programs, private funds, and emerging donors, is also a big challenge.

Multilateral organizations to a large degree complicate the situation and enhance incoherence and even promote poverty-

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enhancing policies such as the Structural Adjustment Programs of the World Bank and the International Monetary Fund. Several provisions in the Uruguay Round that gave birth to the WTO are actually not coherent to development, and the European Commission trade policy is not coherent with its development policy.

The issue with multilateral organizations is that they constrict policy space, which has been the position of many civil society activists in relation to the Uruguay Round agreements – they prevent developing countries from creating policies that are attuned to their levels and requirements of development.

Policy coherence can be achieved better when civil society and parliaments are able to play their full role in ensuring that such policy coherence exists or is promoted. There is thus a strong need to promote and strengthen the essential roles that CSOs and parliaments play in advocacy and pushing for policy coherence for development. It is a disservice that in many countries, CSOs face problems in bringing issues to the table and the fact that many policies are made without the concurrence or the review of parliaments.

New aid architecture and covenant

Aid architecture reform is urgently needed, but at present, only ad hoc mechanisms are in place, such as the G-20, to address policy fragmentation in climate, trade, investment, and development finance. An international norm-setting mechanism for development policy is undeniably crucial at this point.

In the midst of challenges to achieve development effectiveness and policy coherence, Better Aid – an open platform with thousands of civil society organizations from more than 80 countries around the world that came together in Accra and is now strengthening its efforts towards the United Nations Development Cooperation Forum process as well as the High Level Forum in Busan – is studying the feasibility of proposing a convention on development effectiveness focusing on development cooperation.

The proposed convention highlights the need to address common standards and commitments of adherence to internationally agreed development goals and covenants. The international community must address the need for commitment to policy coherence for development by strengthening global policy frameworks. There is also a need to strengthen international coordination and voluntary mechanisms, the hallmark of development cooperation of all actors including new donors and private funds towards effective responses to both the immediate and long-term development challenges and demands.

Policy Incoherence and The Philippine CCT program

Arnold Padilla

In a country where 45 percent of the population live on less than $2 a day, while more than 15 percent of school children are not able to enroll in primary level and almost 28 percent suffer from stunting child malnutrition, the conditional cash transfer (CCT) program is deemed by most policy makers and economists as a welcome tool for poverty alleviation.[i]

Amid lack of real reforms to address the structural roots of poverty and to reverse the policies that perpetuate it, the controversial CCT program of Philippine President Benigno Aquino III – called Pantawid Pamilyang Pilipino Program (roughly, Helping Filipino Families to Cope Program) or 4Ps – may just end up wasting the already scant resources of the national government.

At the same time, it also serves as a cover for the wrong policies being promoted by international funders like the World Bank and the Asian Development Bank (ADB), which

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i DatafromtheWorldBankonpovertyheadcountratioat$2adayasof2006;DepartmentofEducation(DepEd)onnetenrollmentrateinprimarylevel as of School Year (SY) 2008-2009; and the World Development Indicators (WDI) on prevalence of child malnutrition as of 2008

Philip Brookes

are the most aggressive promoters of so-called safety nets and transfers like the CCT.

For instance, Filipino authorities claim that the 4Ps is not a stand-alone program and is supposedly meant to augment long-term reforms that aim to generate sustainable livelihood and equitably redistribute wealth.

Yet, priorities so far bared by the six-month old Aquino administration not only indicate the perpetuation of the flawed neoliberal policies being championed by the World Bank and the ADB but even point to their more aggressive implementation.

Aside from having a doubtful impact on the grinding poverty, the program is also vulnerable to bureaucratic inefficiency and corruption. These aggravate the fact that the 4Ps is mainly funded by foreign debt, particularly from the World Bank and the ADB. In the last three decades, foreign debt has been draining the Philippines of much needed public resources for social services and development.

4Ps: brief background[1]

At the urging of and with an initial $470 million loan from the World Bank, the Philippine Department of Social Welfare and Development (DSWD) under the administration of then President Gloria Macapagal-Arroyo launched the 4Ps in 2008. The World Bank is also financing CCT programs in 12 other countries with total lending of some $2.4 billion as of 2009.[ii]

Just recently, the ADB has also approved a loan worth $400 million to support the expansion of the 4Ps,[2] thus bringing the total funding (debt) for the Philippine CCT program at $870 million. Meanwhile, the Australian Agency for International Development (AusAID) has pledged 1.79 million Australian dollars in technical assistance for the program.[3]

Through the 4Ps, the government will provide a health grant of P500 (around $11) per household per month (for 12 months per year) regardless of the number of children as well as an education grant of P300 (around $7) per month (for 10 months per year) per household but only up to a maximum of three children aged 6-14 years old.

Thus, a household can receive a maximum of P1,400 (around $31) monthly under the 4Ps[iii] dispensed through state-owned Land Bank

ii Data from the World Bank's webpage on Conditional Cash Transfers accessible at web.worldbank.org

iii Based on the current exchange rate of P45 per US dollar, according to data from the Philippine central bank, accessed at www.bsp.gov.ph of the Philippines (LBP) automated teller machines (ATMs) or over the counter at rural banks.

To access the grant, a household must be identified as poor based on the National Household Targeting System for Poverty Reduction (NHTS-PR) using the Proxy Means Test of the DSWD. This type of survey determines the socioeconomic category of the families by looking at certain proxy variables like ownership of assets, type of housing, livelihood, etc.

To remain a beneficiary, a household's children and pregnant women must visit health centers to get regular preventive health checkups and immunizations. Children must also enroll in schools and attend more than 85 percent of school classes.

Initially, the 4Ps targeted poor households in 140 of the poorest municipalities and 10 cities with estimated total beneficiaries of only 380,000 households, to be covered for a period of five years (2009 to 2013). By the end of 2009, the number of target beneficiaries was expanded to 700 municipalities in 80 provinces covering 1 million households.[4]

Under the Aquino administration, the program's coverage has been substantially further expanded with the DSWD now planning to extend the cash grant to 2.3 million beneficiaries by the end of 2011.[5]

Consequently, the Executive asked Congress for a budget of P21.9 billion ($464.71 million) for the CCT program for 2011, a whopping 119-percent increase from its current allocation of P10 billion ($221.13 million).[6] Despite


World Bank - Philippines

Table 1. Annual per capita poverty thresholds (in pesos), poverty incidence (in percent), & magnitude of poor families & population (in millions): 2000, 2003, & 2006			
Indicator	2000	2003	2006
Annual per capita poverty thresholds	11,458	12,309	15,057
Magnitude of poor families	4.15	4.03	4.68
Poverty incidence among families	27.5	24.4	26.9
Magnitude of poor population	25.47	23.84	27.62
Poverty incidence among population	33.0	30.0	32.9

Source: National Statistical Coordination Board (NSCB)

questions on the capacity of the DSWD and the CCT program to absorb the sudden and drastic increase, the rise in the 4Ps budget was eventually left untouched by Congress.[7]

Poverty in the Philippines

Latest (as of 2006) official data from the National Statistical Coordination Board (NSCB) show that 27.6 percent of population and 26.9 percent of families in the Philippines are considered poor. The figures are based on the per capita poverty threshold of some P41.25 (or just about $0.80[iv]) as determined by the government.

Alternative estimates though suggest a much worse picture of poverty. Local nonprofit research group Social Weather Stations (SWS), for instance, reported that based on their September 2010 survey, 48 percent of Filipino families consider themselves as poor.[8]

Nonetheless, the 2006 official data indicate a worsening trend in poverty, reversing the improvement recorded in the previous government survey. In 2000, the number of poor Filipino families as measured by the NSCB was pegged at 4.15 million, which declined by around 120,000 in 2003 before increasing by 650,000 in 2006. (See **Table 1**.)

The Philippines gathers official poverty data every three years, with the 2009 figures slated for release in the first quarter of 2011. However, the NSCB has admitted that preliminary indicators show that the poverty incidence likely remained at its 2006 levels.[9]

This bolstered fears that the Philippines will not meet the 2015 deadline of the Millennium Development Goals (MDGs) to cut its incidence of extreme poverty by half (to 22.7 percent from the 1991 baseline of 45.3 percent).

In addition, the period of worsening or at best, stagnant poverty in the Philippines during the past decade (2000 to 2009) was also characterized by a relatively faster pace of economic growth, with the gross domestic product (GDP) growing by an average of 4.6 percent a year, much faster than the 2 percent recorded in the 1980s and 2.8 percent in the 1990s.[v]

To make an impact on poverty, economic growth must translate to more jobs

iv Based on the 2006 average exchange rate of P51.31 per US dollar, according to data from the Philippine central bank, accessed at www.bsp.gov.ph

v Annual GDP data culled from the World Bank's online database, accessed at data.worldbank.org

and livelihood, which apparently is not happening in the Philippines. Its average annual unemployment rate in the 2000s was 8.72 percent, still higher than the 8.53 percent it posted during the slower growth years of the 1990s and despite the statistical deflation of joblessness caused by the government's redefinition of unemployment.[vi]

Generations of Filipinos have endured poverty and job scarcity for centuries due to a backward agriculture that has failed to develop and industries that have been stunted by hundreds of years of colonialism and neocolonialism. Lack of genuine agrarian reform has deprived the rural population of dependable livelihood making poverty in the vast countryside most intense.

One estimate says that 75 percent of the country's poor are in the rural areas[vii] while official data say that poverty incidence is highest among farmers and fishermen. (See **Chart 1**)

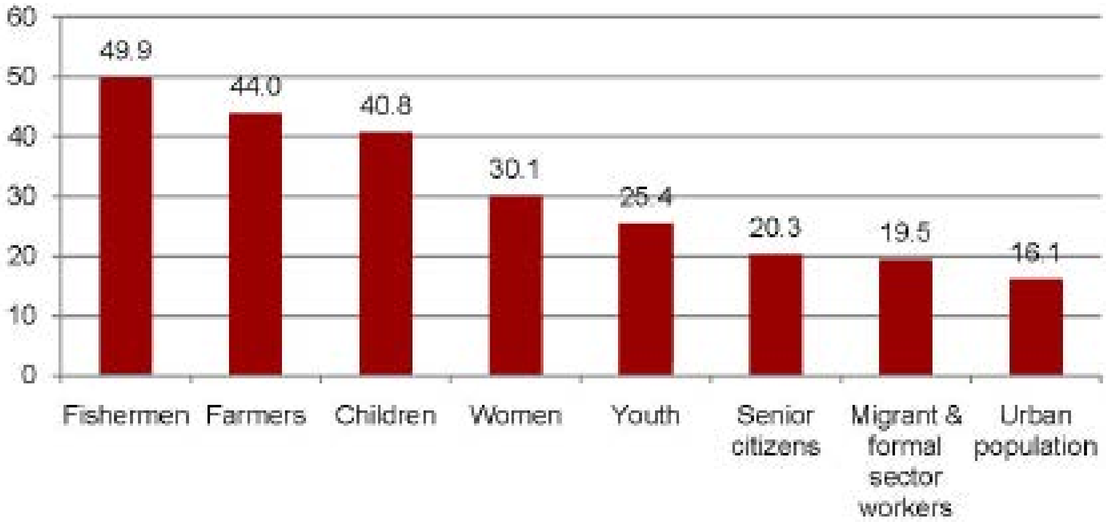
Concealing flawed policies

Given this particular characteristic of poverty in the country, a serious poverty reduction program that is sustainable must therefore include the implementation of genuine agrarian reform and rural development program.

vi Startingin2005,theNSCBadoptedanewdefinitionofunemploymentwhichexcludeddiscouragedworkersandthosenotwillingoravailableforwork from the labor force. The redefinition had a net effect of "statistically" reducing the number of unemployed by 1.87 million

vii Balisacan (2007) as cited by Joseph Anthony Lim (2009)

Chart 1. Philippine poverty incidence, by sector (in percent): 2006



Source: National Statistical Coordination Board (NSCB)

Sadly, Aquino's pronouncements, in particular on the controversial family-owned Hacienda Luisita,[viii] indicate that genuine land reform (i.e. actual physical distribution of land to the tillers) is not a priority of his government. He has also on several occasions indicated that the already negligible farm production subsidies must be abolished such as through the privatization of the National Food Authority (NFA).

Local industries that can spur domestic job creation, on the other hand, continue to be undermined by excessive foreign competition due to trade and investment liberalization, a policy that Aquino plans to expand. The Department of Trade and Industry (DTI), for example, has announced plans to pursue free trade agreements (FTAs) with at least six countries including the US, Europe, and China.[10]

The "income-boosting" effect of the 4Ps, while already temporary, will certainly be negated by the ever increasing cost of living in the country. The retail price of NFA rice, which is considered the poor man's rice, has been again raised by the government from P25 ($0.56) a kilo to P27 ($0.60), further departing from its original subsidized retail price of P18.25 ($0.41).[ix]

Fares in public transport are also expected to skyrocket soon due to the Aquino administration's aggressive promotion of public-private partnership (PPP) in infrastructure, considered as its centerpiece economic program. Fares in the mass rail transit system in Manila are projected to increase by more than 100 percent while

viii Hacienda Luisita, a 6,435-hectare plantation estate located in Tarlac province (about a three-hour drive from Manila), is the subject of ongoing labor and land disputes that in 2004 led to the bloody massacre of seven protesting farm workers. Farm workers want to end their ownership-sharing scheme (called stock distribution option or SDO) with Aquino's family. Aquino, however, has refused to persuade his relatives to concede to the farmers' demand and implement the 2005 decision of the Presidential Agrarian Reform Council (PARC) rescinding the SDO.

ix Based on the current exchange rate of P45 per US dollar, according to data from the Philippine central bank, accessed at www.bsp.gov.ph

rates in at least four major toll roads are anticipated to go up by 11 to more than 300 percent.

These are the sorts of flawed policies that perpetuate poverty in the country but are concealed by the 4Ps' temporary cash grant program. As a safety net, the 4Ps serve to moderate the harsh social and economic impact of neoliberal reforms that have been bankrolled and strongly advocated by the World Bank, ADB, and other supposed development partners of the Philippines.

Disjointed priorities

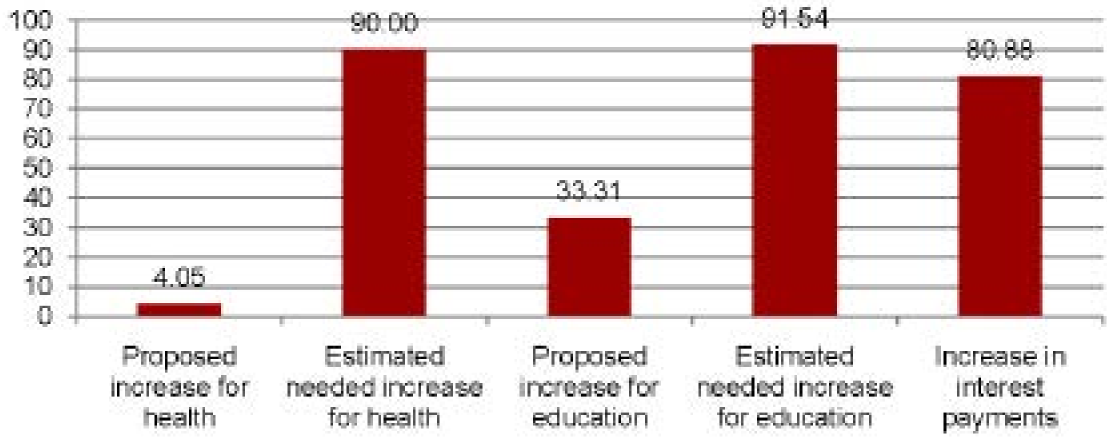
Furthermore, while the Aquino administration intends to instantly improve the coverage of public health and education in the country through the 4Ps, it does little to ensure the sustained and greater access of the poor to these services.

Consider, for instance, its proposed 2011 national budget wherein it slashed the subsidies for indigents under the National Health Insurance Program (NHIP) by P1.67 billion ($37 million). The budget allocation for 55 public hospitals nationwide has also been reduced by P363.7 million ($8 million) and the budget for specialty hospitals, by P970.6 million ($22 million).[11]

The Department of Education (DepEd), meanwhile, is proposing to add two more years to the country's basic formal education that is presently a 10-year program. This proposal, which is being targeted for implementation by 2012, does not only mean additional costs for families but will also further stretch the already tight budget for public education.

It is estimated that the Philippines is short of more than 54,000 teachers and 61,300

Chart 2. Proposed vs estimated needed increase in budget for health & education as compared to increase in interest payments (in P bn): 2010 & 2011



Sources:DepartmentofBudgetandManagement(DBM);AllianceofConcernedTeachers(ACT);andHealthAllianceforDemocracy(HEAD)

classrooms among other resources badly needed by public schools. At least P91 billion ($2 billion) must be raised to address these shortages[12] but the 2011 budget allocation for DepEd has increased by only P32.3 billion ($718 million) that can build only 13,000 new classrooms and hire 10,000 new teachers.[13]

This means that children of 4Ps beneficiaries are not assured of completing basic education (as the program might be prolonged under the new DepEd scheme) nor accessing quality education (due to shortages in public school teachers and facilities that the national budget could not cover).

The misallocation of the Philippine national budget highlights how disjointed the policies and priorities are of the government. While it refuses to allocate the needed resources for basic education and health services, it continues to allot a huge and increasing portion of the national budget for debt servicing.

At the same time, it supposedly intends to improve the dismal health and education situation in the country through the 4Ps, which is funded by foreign debt from the World Bank and the ADB. (See **Chart 2**) Initial estimates say that the CCT loan will cost the Philippine government some P44 billion (about $1 billion) in interest payments to the said multilateral financial institutions.[14]

Conclusion

Access to health and education, and the right to a decent standard of living are basic human rights enshrined in the Philippine Constitution as well as in various UN agreements on human rights. It is therefore the obligation of the national government and its development partners to ensure that these rights are respected.

This means that the government must work towards the creation of an environment that makes freedom from hunger and poverty, and universal access to health and education possible, which includes reliable and sufficient livelihood opportunities for all families and the allocation of adequate resources for quality public schools, hospitals, and health facilities.

Requiring some poor Filipino families to send their children to school and health centers so that they can access cash grants funded by World Bank and ADB loans promotes a dole-out mentality and is a distortion of the concept of human rights.

It also distorts the right to health and education and to a decent standard of living by creating temporary access for a targeted portion of poor families while using the conditional cash grants as a smokescreen for the defective policies that push an increasing number of Filipinos to hunger, ignorance, and poverty.

Lastly, the CCT further constricts the policy space available to poor countries like the Philippines to design and implement their own national social and economic programs based on the specific development needs of their people. It thus perpetuates the type of flawed development cooperation that has only worsened the plight of the poor and marginalized.

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The Question of Representation

Pedram Pirnia

A lack of appropriate consultation and a lack of appropriate representation mean the development agenda is still donor driven.

The development agenda and speaking on behalf of the 'Third World' and the disempowered is often still considered to be about finding Northern solutions for managing issues in the developing world.

It is remarkable to observe the change of language just in the last ten years within the development arena. For instance, development organisations, researchers and practitioners now call their subjects 'beneficiaries', 'target groups', 'partners', 'clients', or 'disadvantaged groups'. Themes of 'ownership' and 'partnership' are now central to aid policy[1]. Although there is an apparent change in the

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language, the ‘us and them’ relationship has not been dismantled. Aid is still based on conditionality and the reality of what is going on in the field remains the same[2].

When donors engage only at the level of this coded language it distorts their dealings with the Third World. When making decisions, donors forget to ask who is representing whom and what baggage they bring with the positions they adopt.

The imperialist transformation of the ‘Third World’ into a development programme has been made obscure to the point that donors’ superiority and dominance are simply naturalised.

Various symposia and conferences are held annually in exotic locations. Development experts are invited from the four corners of the world to join, observe, and comment on obstacles facing the developing world. ‘Logical’ and ‘practical’ statements are produced at the end of each assembly but what is truly lacking is appropriate representation of the true stakeholders of the South.

Participants at international conferences and world development forums are encouraged to think that they are there to help the ‘Third World’. The psychology behind the process, the participants’ lack of knowledge of the developing world, their lack of understanding

1 "PolicyOwnershipandAidConditionalityintheLightoftheFinancialCrisis:Acriticalreview"http://www.oecd.org/document/47/0,3343,en_2649_33959_43775535_1_1_1_37413,00.html

2 Ibid.

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of the people they represent (including their underlying motivation), and their lack of background knowledge of the issues involved are often glossed over. There may be good will, but more strategic approaches are needed to bring to the table voices that realistically convey the problems of the South.

Better results can surely be achieved through these forums by genuine representation of the disadvantaged. The absence of the true stakeholders is an issue that needs immediate attention.

"Can the subaltern speak?" (1988a) Gayatari Chakravorty Spivak's influential, albeit controversial[1], article, underscores what has become her untiring concern – the tendency of dominant discourses and institutions to marginalise and to disempower the third world subaltern. Representations of the 'Third World' can simplify local realities whilst ignoring diversity and existing capacity[3]. Even the language of empowerment can imply that without Western help the 'Third World' lacks agency[4]. For Spivak, the epistemic violence of imperialism has meant the transformation of the 'third world' to the point where Western superiority and dominance are naturalised.

We don't have to look too far afield in international development to see this process

3 KennethShuiOnFung"ThePost-modern(PM)argumentofEscobar(1991,1992,1995a,b)"http://www.sussex.ac.uk/languages/1-6-8-9-2.html

4 Fernando, J.L, NGOs and Production of Indigenous Knowledge under the Condition of Postmodernity

at work. As several analysts have pointed out (e.g. Frank, 1967; Sylvester 1999; 717 Escobar, 1991), modernisation theory (e.g. Rostow, 1960), which has so dominated the field, does not take into consideration the whole concept of colonialism and its history as much as it should. The whole notion of 'Third World' begins after World War II, with the growth patterns of the 'First World' serving as history's guide and goal. As the term 'development' was coined, a dichotomy of 'us and them' was created in terms of modernisation and neo-liberalism. Development policy became a mechanism of control, which was just as effective as colonialism had been[5]. The pervasiveness of modernisation is visible in the structural adjustment and free trade policies under which countries must liberalise socioeconomic and trade regimes. In some cases these policies have in fact resulted in further impoverishment and inequality[6].

This criticism is not meant to condemn or denunciate development institutions and wealthy nations. Rather it aims to underline the question of lack of appropriate representation, and lack of consideration from a third world perspective. The aim is simply to argue that our lenses are institutionally and geographically distorted and our donor representation of the 'Third World' is limited, constricted and inadequate. Development practitioners are obliged at some point to recognise the diversity of 'Third World' countries and identify the different circumstances that have impoverished them[7]. A unitary approach of development is unlikely to be effective.

It is time for a much-needed wake-up call. The question of representation is highly pertinent to development work and the achievement of the Millennium Development Goals. It demands vigilant self-examination and painstaking, ethical engagement with the partner countries.

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Simon Oosterman

Negative ODA Flows: Falling into the Debt Trap

Nicolas Gloeckl

Official Development Assistance (ODA), also commonly known as 'foreign aid', has emerged with the claim to catalyse economic development in poor countries and regions since the 'Marshal Plan' following World War 2. ODA can come in the form of loans, grants, technical assistance and other forms of cooperation from donor countries, which are transferred on concessional terms and convey at least a grant element of 25 percent (OECD, 2007). Today's ODA regime operates under two main frameworks, the 2005 Paris Declaration on Aid Effectiveness set to focus on five principles: Ownership, Alignment, Harmonization, Managing for Results, and Mutual Accountability aiming at improved aid delivery and the Monterrey Consensus on Financing for Development (2002), affirming the importance of external financing for development with its signatories pledging 0.7 percent of gross national product as ODA.

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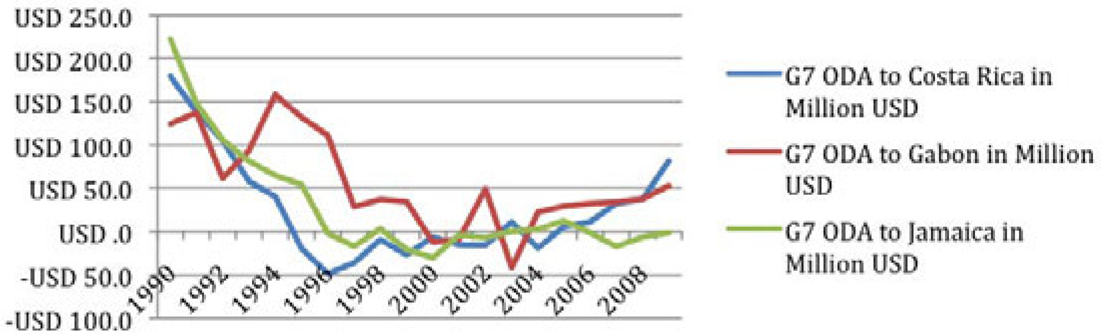
A general consensus on ODA acknowledges its necessity and importance in transferring knowledge and capital for genuine development. After a decade of stagnant growth in overall ODA to developing countries during the 1990s, flows have doubled from around 62 billion in 2002 to 128 billion USD in 2009 (OECD 2010). However, a false picture has been painted of ODA as a rapidly increasing and broadly positive source of capital for developing countries. Contradictory in nature, ODA has been negative during periods if donor and country disaggregated data are analysed. **Figure 1** shows total ODA by all G7 donors to Costa Rica, Gabon and Jamaica. While ODA has been positive for all countries during the early1990s, it fell sharply to negative figures when amortization of loans began to show their effects.

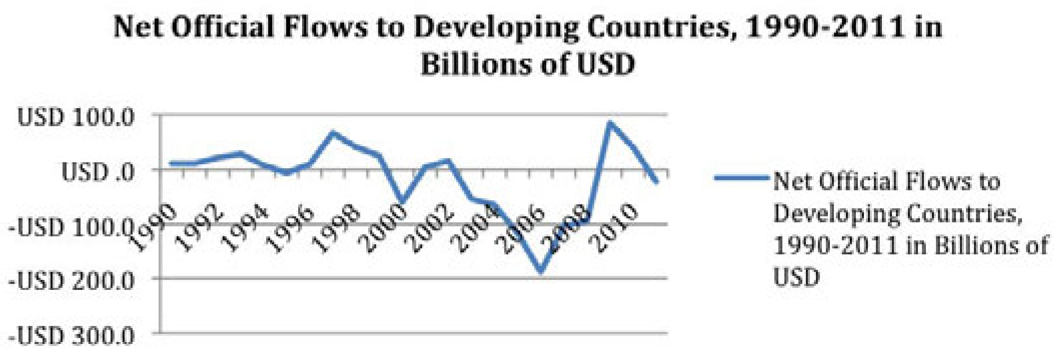
Negative ODA suggests strongly that increasing South-North transfers offset benefits from ODA. This case is progressively more evident as Net Official Flows to developing countries, i.e. loans, grants and grant-like flows minus amortization on loans, have been overall negative (calculated mean of -16 Billion USD, between 1990-2010) and severely negative over several periods during the last two decades, most notably between

Figure 1



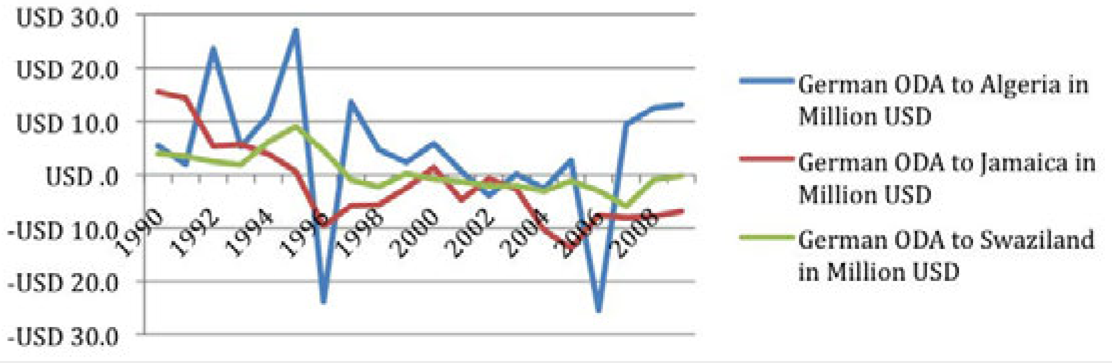
Source: OECD-QWIDS (2010), DAC Database

Figure 2



Source: IMF (2010), World Economic Outlook Database, October 2010

Figure 3



Source: OECD-QWIDS (2010), DAC Database

2003 and 2008 (see **Figure 2**). While ODA and official financial flows need to be held separate, it is imperative to note that the South has increasingly transmitted finance to the North and not the other way around, leading to a net outflow rather than an inflow of finance.

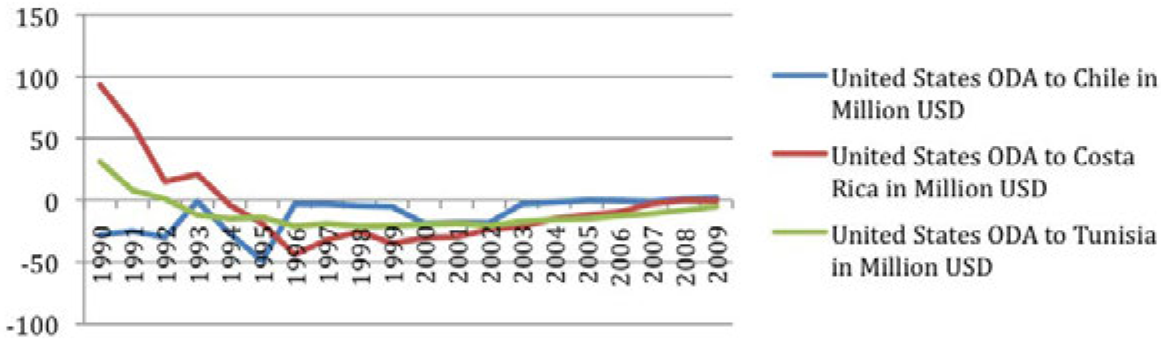
Negative ODA comes in different forms specific to donors and recipient countries' past and present ODA agreements. German ODA to Algeria, Jamaica and Swaziland has shown strong volatility with repayments matching and even outstripping previous positive ODA flows (**Figure 3**), while ODA by the United States to Chile, Costa Rica and Tunisia appears to have been negative over the long term (**Figure 4**). Different scenarios provide different problems to individual countries; however, an overarching country ODA trap becomes increasingly evident.

ODA Trap

While ODA is perceived to be an important and beneficial source of finance for development, this perception masks severe problems for receiving countries. The virtual rollercoaster ride that ODA is undergoing in many countries (see **Figures 1 and 3**) is reminiscent more of speculative stock market trading than sustainable development aid. This volatility suggests potential difficulties for developing countries in planning the fiscal future.

More importantly, however, is the recognition of a two-fold burden to recipient countries, which comes in the form of conditionality and increasing debt. Today, conditionality is a reality that has changed little since the 1980s, except rhetorically from SAPs to PRSPs and other fancy idioms. Its costs lie in forcing one-sided liberalization and opening up of domestic markets, undermining any serious efforts to real development by destroying the very protections that developed economies have enjoyed and emerging nations necessitate (Chang 2008). In paradox to its largely positive public perception, ODA adds to the external debt burden of developing countries. Even if overall ODA is positive, the external debt burden rises as any repayments and interests to loans inevitably lead to an increased debt stock, adding to the hardship of already stripped government budgets. In the Philippines, ODA is clearly foreign debt rather than aid, as 84 percent comes in the form of loans and only 16 percent as grants (Balangue, 2008).

Figure 4



Source: OECD-QWIDS (2010), DAC Database

While the grant proportion one might argue makes the loan less painful compared to a private loan, it is important to recognise that 'aid' in the form of ODA can never be real aid as long as it comes as a 75-percent strong loan, while adding to both conditionality and a country's debt burden.

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Reality Check

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The Reality Check is the official newsletter of the Reality of Aid. It is designed to highlight current issues in aid regime written from a regional perspective but with global significance, edited in rotation by the leading networks in the following regions:

The Reality of Aid Network exists to promote national and international policies that will contribute to a new and effective strategy for poverty eradication, built on solidarity and equity.

Established in 1993, The Reality of Aid is a collaborative, not-for-profit initiative, involving non-governmental organisations from North and South.

The Reality of Aid publishes regular and reliable reports on international development cooperation and the extent to which governments in the North and South, address the extreme inequalities of income and the structural, social and political injustices that entrench people in poverty.

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The International Coordinating Committee is comprised of coordinators of component regional networks (RoA Africa, RoA Asia/Pacific, and ALOP for Latin America), Canadian Council for International Cooperation, European Network on Debt and Development (EURODAD), and the Global Secretariat coordinator.

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