Part I
The Reality of Aid, Conditionality and Ownership

Introduction

Since 11 September 2001 the world has changed. A global coalition against terrorism has been assembled. Huge military and logistical resources have been marshalled. Politicians have been tireless in their efforts to build public and political support for concerted national and international action. Governments have found the money for a range of new needs – not least propping up airlines – for which the USA alone has offered US$5 billion in cash and a further US$10 billion in loan guarantees.[1]

But will this changed world be any different for the billion people living in poverty?[2] Can the money and the political commitment so quickly brought together to fight terror and prop up business and OECD economies, also be harnessed for the fight against poverty? Will new alliances and fresh thinking on security translate into a more effective North-South partnership that will see real global progress on human rights and poverty reduction?

In this report, written by NGOs from every continent, the promises of Presidents and Prime Ministers to redress the inequities in the current global order are set against the impact of actual approaches to global finance, political interest and human need.

From the perspective of NGOs, many orthodoxies need to be challenged, and an international order based substantially on short-termism and profit-seeking, shifting alliances and self-interest, needs to be replaced by long-term partnerships that respect self-determination and promote a rights-based approach to global equity and solidarity.

At a time when long-standing assumptions about the global order are being reassessed, the position and potential of international development cooperation needs to be reviewed. Arrested development and the vast economic disparities that separate us all on the planet do not cause events like 11 September – but they set the stage for more than 40 conflicts on the planet today. Global peace will remain out of reach for everyone unless everyone has a share in the common future – and something to protect. Fundamental institutional reforms are needed to ensure that international organisations reflect the financial, political and security interests of all, not just those who are already rich and powerful.

Elin Enge
Chair of The Reality of Aid

The Reality of Aid, Conditionality and Ownership

***'Donors want countries in the driver's seat, but want to keep the road map.'*[1]**

The Global System: failing those living in poverty

On the eve of the UN Special Conference on Financing for Development, there is no doubt that the global system has failed the poorest countries and people wherever they reside. At least 1.2 billion people, mostly women and children, live on less than US$1 a day. More than two million African infants die annually before their first birthday[2]. Gross inequalities remain. The world's 25 richest people have income and assets worth US$474 billion – more than the entire GNP of Sub-Saharan Africa.[3]

Not only do the poorest countries remain burdened by debt. They are also increasingly exposed to financial instability in a globalised market whose rules favour rich countries and corporations. The WTO Ministerial in November 2001 kick-started new trade negotiations that will no doubt further marginalise poor countries and people living in poverty, who saw few benefits from the agreements emerging from the Uruguay Round.

The strategies and resources required for significant progress on an agenda to bridge the widening chasm between a rich global minority and growing poor majority remain in rhetorical limbo.

In the months since 11 September 2001, new coalitions have been formed and considerable new resources found to combat terrorism against the US and its allies. But the everyday terror experienced by communities devastated in conflict, mothers dying in childbirth, infants succumbing to malnutrition and diarrhoea, young people dying of AIDS, families with no livelihood is a human tragedy on an almost unthinkable scale. Ever-deepening poverty, which robs parents of their children, which leaves AIDS orphans, which denies whole communities basic rights, is a deeply rooted crisis that requires urgent and radical action on the part of the international community.

Following the attacks on New York and Washington, many governments 9have spoken of the link between a peaceful global order, inequality and poverty. In the words of Clare Short, UK International Development Secretary,

> *'To tackle the underlying roots of violence and conflict, we need a massive international effort to reduce poverty and injustice, and to promote development, democracy and human rights.'* [4]

The changed world situation provides an opportunity for thinking beyond new money for aid, deeper debt relief and innovative approaches to poverty reduction - although these tools are essential.

More fundamentally, when heads-of-state and government gather in Monterrey, Mexico, for the Conference on Financing for Development (FfD, they must address the urgent need to achieve the International Development Targets and Action Plans of the 1990s (agreed by world leaders only 18 months ago in the UN's Millennium Session) and significant systemic reforms of the global economic order, and the international institutions that govern this order.

Double standards and increasing inequity

Over recent years, public scepticism about the willingness and capacity of governments to make meaningful progress in international negotiations on social, economic and environmental challenges, has grown. North-South resource transfers are declining and *northern-dominated global institutions are consolidating a system of highly unequal relations between countries.*

NGOs have been increasingly angered by the cynical exercise of power by northern governments promoting 'good governance' and 'aid effectiveness', while defending narrow political and economic self-interests. *Industrialised countries devoted US$353 billion (seven times total ODA spending) to protecting agriculture in 1998, according to UNDP.* [5] *At the same time, the policy choices available to governments in poorer countries are narrowed by conditionalities imposed by international financial institutions and bilateral donors.* As reports from NGOs in Asia illustrate, southern governments are forced to privatise and liberalise,[6] while OECD restrictive practices, tariff and non-tariff barriers cost developing countries US$160 billion a year.[7] This translates into real human suffering, which the World Bank recently quantified as 'welfare losses of US$19.8 billion'.[8]

Against the background of such double standards, hundreds of thousands of citizens' organisations are demanding renewed energetic leadership from governments, North and South, collaborating in reformed and fairly constituted international organisations. Appealing not only to governments but also to global public opinion, they gather at global and regional inter-governmental meetings to challenge acquiescence to policies that perpetuate a form of globalisation whose rules benefit the few.

While representing sometimes-divergent interests and differing viewpoints, this global convergence of citizens' organisations is united in a commitment to initiatives that construct democratic alternatives to the inexorable global expansion of the market into every facet of human life. They debate and propose alternatives to address structural, socio-economic, gender, ecological and financial barriers to overcoming absolute poverty.

Modest progress on reducing the burden of debt for the poorest countries in 2000 demonstrates the *potential* for citizens to demand action from governments. But if the aspirations embodied in the Millennium International Development Targets for 2015 (IDTs) and Action Plans are to be fulfilled, governments at the FfD will have to translate their renewed commitment for "a massive international effort to reduce poverty and injustice" into a new consensus on the importance of expanding human solidarity for global peace[9].

Using aid to shift power

Official Development Assistance (ODA), particularly for the poorest countries, should be a critical resource for implementing strategies to overcome poverty. Yet NGOs active in Reality of Aid for the past decade have witnessed and documented a widening gulf between donor policy rhetoric and the actual purposes, practices and consequences of donor programmes as experienced in the South.[10] The practices of imposing policy and project conditionalities, through which donors exercise their power, are the focus of this 2002 *Reality of Aid Report.*

Contributions from more than 35 NGOs around the world highlight the substantial links between a highly conditional *aid regime* and the impact of these policies on inequality and increasing poverty. Broadening the scope and depth of donor conditionalities and policy 'undertakings' by aid recipients seems to belie recent donor rhetoric favouring developing country 'ownership' of policies and strategies for reducing poverty.

In this report, NGOs highlight some of the major obstacles in the way of a real shift of power towards those who are marginalised, to enable them to take control of their own development. Changing aid relationships alone will not reduce inequality and overcome poverty. These goals require wider reforms, beyond foreign aid, in the rules that govern the global economy and its major institutions, as well as in leadership by government and civil organisations representing the interests of those living in poverty. De-linking aid from policy conditions can create political space for these more fundamental changes.

Are donors addicted to conditions?

While conditions are not inherent in the idea of aid, from the Marshall Plan for Europe through early development assistance in the 1950s and 1960s, conditionality, either explicit or implicit, has always been around. The notion

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of 'partnership' in the relationship between rich and poor countries goes back at least to the 1969 Pearson Commission report Partners in Development.[11] During the 1960s and 1970s, some developing countries achieved significant progress in social indicators by pursuing assertive, autonomous development strategies.

Donors such as Norway adopted approaches that emphasised partnership and 'recipient responsibility'. Many of the gains highlighted today were the product of these decades. Aid can claim to have made a significant contribution. Proactive southern-owned development strategies were accompanied by demands in the 1970s for a New International Economic Order (NIEO), with more equitable global economic and political relationships laying the foundation for a truly global partnership for development.

But the 'new global order' that emerged was diametrically at odds with the one envisaged for the NIEO. Dramatic rises in world interest rates, the dominance of neo-liberal market ideology in governments in the United States and the UK, and faltering state-led industrialisation in the South were accompanied by the explosion of debt for middle-income developing countries such as Brazil and Mexico, and later among more than 50 of the poorest countries. The economic traumas of the 'lost decades' of the 1980s and 1990s deepened inequality and poverty for many millions and accentuated ecological crises.

In the early 1980s, as interests rates in the North climbed to more than 20%, developing country debt grew exponentially and quickly undermined the capacity of governments to manage their development strategies. The prospect that defaulting southern debtors would impair industrial economies in the North, just emerging from a deep recession, brought a quick end to any potential for a wider North-South dialogue based on an NIEO.

Rather what emerged was an era of debt restructuring, loans tied to IMF/World Bank imposed structural adjustment and macro-economic conditionality. The latter provided northern-based transnational corporations with tremendous opportunities. Structural Adjustment Programmes (SAPs) dramatically reduced the role of the state, particularly in the social sectors and agriculture. They led to the privatisation of important sectors of the economy, and liberalisation of trade and banking regulations for export-led growth, often to the detriment of local industry and environments.

There is no need to retrace the evolution of the debt crisis, with massive multilateral and bilateral 'aid loans' tied to debt repayments and structural adjustment policies. While it was adamantly disputed by the International Financial Institutions (IFIs) and northern donors at the time, these loans and policies were in fact pressed upon developing country governments by hundreds of missions led by IMF/World Bank 'experts', so that they might service their debts to northern creditors at the expense of meeting extreme and expanding social needs.

By the late1990s, it was widely acknowledged that these prescriptions inspired by the Washington Consensus and imposed upon so many developing countries were deeply flawed.

Box 1: The Washington Consensus

The World Bank 2000 Poverty Report lists the ten objectives of the 'Washington Consensus'[12]

1. Fiscal discipline
2. Redirection of public expenditure toward education, health and infrastructure investment
3. Tax reform – broadening the tax base and cutting marginal tax rates
4. Interest rates that are market determined and positive (but moderate) in real terms
5. Competitive exchange rates
6. Trade liberalisation – replacement of quantitative restrictions with low and uniform tariffs
7. Openness to foreign direct investment
8. Privatisation of state enterprises

9. Deregulation – abolition of regulations that impede entry or restrict competition, except or those justified on safety , environmental and consumer protection grounds, and prudential oversight of financial institutions
10. Legal security for property rights

For much of the last two decades, the Washington Consensus has fed through into a doctrinaire insistence by the IFIs that developing countries should elevate economic orthodoxy above human need.

'The IMF starts with the truth that budget deficits should remain small in order to preserve macroeconomic stability. Then it demands budget austerity of impoverished countries to the point where those countries can't even keep their people alive – so depleted are the budget resources for public health, food transfers to the poor, and the like. In addition, the IMF has repeatedly insisted on debt servicing that exceeds the combined spending of the health and education ministries.' [13]

The number of Africans living below the poverty line has increased from 217 million in 1987 to 291 million in 1998 and primary school enrolment has fallen by 1%. [14]

'In 1998, the IMF, the World Bank and other international agencies loaned Indonesia more than US$50 billion. But with the bailout came stringent restrictions….the IMF-imposed austerity measures exacerbated the mushrooming social crisis……Between 1997 and 1998, according to the World Bank, the number of Indonesians living in poverty doubled.' [15]

Most donors now accept the positive relationship between greater equality and poverty reduction. But has the Washington Consensus promoted greater equality? The World Bank itself says 'cross country evidence suggest[s] that macroeconomic reforms on average have had little effect on income distribution'. [16]

'The distributional impact of reforms is at best unclear, but early claims that reform would improve distribution appear to have been unfounded…. The macro level evidence shows Africa to have high levels of income inequality, and it has worsened in the last decade.'[17]

When defending reforms against the charge that economic goals were being pursued at the expense of people living in poverty, the IFIs have traditionally pointed to 'the importance of social policies to ease the burdens that reforms impose'. But examining whether people in poverty have been adequately protected during adjustment, the Bank sponsored *African Poverty at the Millennium* report is clear. 'Have the poor been protected?– the answer must be no.'

Reforming conditionalities: tighter controls on developing countries?

Too concerned with compliance; not enough focus on the quality or legitimacy of the advice

The Washington Consensus emerges from institutions monopolised by the global élite. Making the link between persistent poverty and the lack of democracy in international institutions, Professor Jeffery Sachs comments:

'I do not believe in global governance by the rich countries, or international voting weighted by money as in the IMF and World Bank today, or permanent government by entrenched bureaucracies unencumbered by external review as has been true of the IMF, or governance by conditionality set by rich countries and imposed on the desperately poor.'

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Box 2: The Cost of IMF advice

A June 2001 speech by IMF Deputy Managing Director Shigemitsu Sugisaki refers obliquely to poor advice it has offered: 'At times, both our capacity to give advice, and the countries' capacity to implement reforms may have been stretched too thin.' Mr Sugisaki argues that the IMF is showing a new sensitivity on conditionality, quoting the case of Mozambique, where an earlier structural benchmark on the protection of the domestic cashew nut processing industry (judged by the IMF to hamper exports and lower the incomes of farmers and agricultural workers) has been abandoned. But Mr Sugisaki does not mention the 10,000 people who lost their jobs when competition caused cashew-processing factories to close down[18]. The IMF betrays little regret at the human cost of its advice. And while acknowledging that 'very broad and detailed conditionality may have the unintended effect of galvanising opposition to needed reforms' and asserting that 'national authorities must take the lead in the design of policies', Mr Sugisaki still manages to note that the cashew policy for Mozambique was abandoned because 'we judged that this was not critical to the program's macroeconomic objectives'. 'We judged' is the telling phrase, which seems to betray a certain reflex for control.

From the point of view of the IFIs, the concern was, with few exceptions, *compliance* with policy 'advice', never the quality of that advice.

Undermining domestic accountability

By definition, aid conditions are *donor-initiated* policies or mechanisms intended to ensure that resources from donors, and related resources provided by *developing country partners*, are used as the *donor* intended. They are often applied to effect (unrelated) policy and/or institutional changes to which, as Tony Tujan from IBON points out (See page 49) the recipient would not otherwise have agreed.

Conditionality relates not only to donor goals but also the process for achieving these goals. *The experience of NGOs in Uganda quoted in this report (See page 23) illustrates how even when countries have developed their own national strategies for addressing poverty, donors insist on additional processes, which undermine the very ownership and accountability that donors are claiming to promote.*

Donors were reluctant, except in the most extreme circumstances, to cut off aid, due to institutional imperatives to spend budgets as well as pressure from domestic commercial and political constituencies. *The issue for IFIs and bilateral donors was to ensure 'ownership' by developing country governments and partners of the policies that IFIs and donors declared would assure sustainable growth and poverty reduction. In the words of one donor informant, "ownership exists when they do what we want them to do but they do so voluntarily"[19].*

In the 1990s, aid conditions expanded both in scope and ambition, not only to influence macro-economic policy, but also to micro-manage a wide range of developing country policies and institutions. From 1995 to 2000, there was an average of 41 conditions per IMF loan. They ranged from fiscal policy, exchange rate policy, pricing and marketing, privatisation, financial sector regulation and systemic reforms, to social safety nets and the social security system.[20] As Nancy Alexander points out, the IMF attached an average of 114 conditions to loans to countries in Sub-Saharan Africa in 1999. (See page 129)

> *Far from abandoning aid conditionality, IFIs and bilateral donors are collaborating in an unprecedented consensus to retool the aid regime, under the rubric of 'ownership' and aid effectiveness. This consensus has several components:*
>
> *1) a new regime of IMF benchmarks, standards and codes to which developing countries must demonstrate prior compliance;*

2) *a trend towards 'selectivity' – choosing to work with governments who have adopted 'the right policies';*
3) *bilateral and multilateral aid disbursements tied to Poverty Reduction Strategy Papers, and*
4) *the expansion of the purposes for development assistance to include international cooperation for 'global public goods'.*

With the trend towards selectivity, compliance with individual conditions becomes less important. The more important questions are, 'what are the international norms for 'good policy', and, 'who sets them'. It is therefore very worrying that the donor-inspired consensus for these 'new' policies, approaches and targets barely acknowledges the impact of the past 20 years of failed policies of IFIs.

Recognising international problems

Most of the fundamental prescriptions of the IFIs remain embedded in policies that IFIs and donors promote for poverty reduction through what DAC chair Jean-Claude Faure has referred to as the necessity of integrating developing partners into the global economy.[21] This fails to acknowledge that, as Third World Network points out, the international financial system itself is part of the problem: 'The IFIs have continued to recommend, and where they can insist on, conditions which have the net effect of exposing developing countries to global competition while curtailing the scope for national measures that can promote social inclusion and poverty reduction. Developing countries need to seek strategic integration, rather then full integration, into the international financial system, establishing mechanisms designed to regulate and control international capital flows in order to reduce instability.'

Southern NGO case studies in this volume demonstrate the degree to which aid seems to be evolving into a sophisticated camouflage for fault lines produced by a globalisation, "in which power and expertise are delinked from more accountability, instrumental and financial values override life values, and what is expedient and profitable takes precedence over what is nurturing and responsible."[22] So profound are the contradictions between the theory of aid and its practice–and so gross is the widening gulf between rich and poor–that some NGOs cannot see a role for aid that goes beyond the simple humanitarian objectives of responding to acute need.

But most NGOs still acknowledge the importance of aid as an essential financial instrument for international cooperation, with a potential to fight poverty and promote sustainable development in the South, where blind faith in private flows or markets cannot achieve these ends. [23]

Donors give priority to economic and commercial interests

Rather than a seeming consensus for tackling global poverty, the *Reality of Aid* global network reveals deep scepticism on the part of civil society about the underlying motives for aid, to which donor conditions remain firmly attached. The average Filipino, argues Rosario Guzman of IBON, (See page 68) sees aid as a tool that serves the interests of the donor country, its transnational corporations, products and capital. *After 50 years of changing donor rationales and approaches, aid is widely viewed and resented as a means of advancing the commercial, political and diplomatic interests of the North.*

According to the World Bank, 'donors have apparently not used recipient governments' revealed commitment to tackling poverty as a basis for aid allocations. Econometric analysis of aid shows that "donor interest variables" capturing commercial and political considerations are a major determining factor for bilateral aid allocations.' [24]

The treatment of gender illustrates the selective approach of donors - where economic conditionality is strictly applied. These conditions take little account of the gender dimension, limiting gender considerations to the 'soft' issues of social development.

> *'Agencies find it hard to ensure that a gender perspective is a major factor determining the overall approach to the development framework. Women's roles, capacities, needs and aspirations are seen*

> *as being relevant to social development – but not so relevant in shaping fundamental economic, social and political processes.'* [25]

NGOs from Canada support this view, reporting that 'evaluations of the implementation of gender equality policy by CIDA and other donors, on the whole, reveal a marginalisation of gender concerns; at best women/girl beneficiaries are seen as add-ons for sectoral-wide social programmes and are invisible in most socio-economic projects….For recipient governments, implementing institutions and donors alike, policy commitments to gender equality issues seem to 'evaporate' when resources are allocated.'

But is conditionality the way forward to accelerate progress on such social indicators? While aid officials will often impose targets and policy undertakings, the evidence suggests that these have only a marginal impact and that other changes in practice can bridge the inherent tension between respecting ownership and making policy prescriptions. [26]

What do we propose?

1. Delink all forms of aid and debt cancellation for the poorest countries from all types of conditions, unilaterally imposed by outside donors and creditors. The IMF and the World Bank, controlled and governed by the United States, the EU, and Japan, should no longer be the 'gatekeepers' for international assistance.

NGOs in developing countries understand that the eradication of poverty requires international cooperation based on flexibility and appreciation of the unique circumstances facing people in poverty in each country. Ending poverty is an inherently political process specific to local economic, social, cultural, ecological and gender equality circumstances. *Donors and developing country partners need to negotiate conditions for resource transfers based on shared values and commitment to directing resources for the benefit of those who are socially or economically excluded. Fundamental to determining a fair and equitable process for such negotiations is who decides, shifting the highly unequal power relations in current aid decision-making.* Too often, secret missions from the IFIs or intense day-to-day donor management of sectoral programmes with Ministries of Health or Education supersede and undermine fragile democratic institutions and marginalise community organisations.

Where human rights violations and political relationships with national governments preclude such negotiations, *donors should find means to support organisations representing and fighting for the interests of people affected by poverty and marginalisation.*

The *Reality of Aid* is deeply concerned about donor discussions of conditionality at recent meetings of the IMF and World Bank Boards of Directors. These discussions purportedly aimed to reduce the number of formal conditions attached to loan agreements. But NGO analysis demonstrates that these moves are not attempts to reform these institutions. Rather, they appear to consolidate long-standing macro-economic conditions, within a harsher regime of policy changes for which developing countries will be 'certified'.

Using the rationale of developing country ownership and recognising the importance of governance in effective management of an economy, the IMF will streamline the areas in which conditionality will be applied, relying on 'prior actions' and the achievement of 'structural benchmarks' to demonstrate government 'ownership of policies'. Prior actions are a particularly harsh form of conditionality, since they must be taken *before* money is provided regardless of factors beyond the control of developing countries, such as prices and access to international commodity markets.

The IMF will also be sharpening its governance conditionality, focusing on budget management, anti-corruption measures, support for private property rights and open-door 'trade-related conditionalities'. According to analysis by the UK-based Bretton Woods Project, the World Bank intends to coordinate better with the IMF and assure compliance in the 'soft' areas of social policy and privatisation[27]. The much-debated initiative to support developing countries to produce Poverty Reduction Strategy Papers (PRSPs) is intended to facilitate this collaboration.

2. Rather than impose externally motivated PRSPs, donors must give unconditional support to developing country governments

committed to developing, with full participation by civil society,* their own *national development strategies and poverty reduction plans.

Authentic ownership of these strategies depends not only on the quality of national efforts to consult and reach social consensus on appropriate poverty reduction goals and socio-economic policy, but also requires donors to open the political space in which such efforts will evolve, perhaps over several years.

Uganda, as noted in this edition of *Reality of Aid*, is among the few developing countries with a home-grown strategy for reducing poverty. Other countries have undertaken domestic processes, often with the support of the UNDP, to pursue medium-term development goals. *Whatever their flaws in terms of broad-based participation, these efforts strengthen accountability of developing country governments to their citizens. Their motivation is rooted in domestic political processes and popular pressures.* They do not have stringent external financing conditionality hanging over them. They serve as a blueprint for both government and society setting out goals and specific plans to reduce poverty. They are an essential foundation for engaging donors on a more equal footing.

By contrast it appears that for many donors 'ownership' is largely rhetorical and their real concerns continue to revolve around how they can get developing country governments to implement donors' preferred policies and programmes.

Largely focused on technical aspects of national development plans and their adherence to preconceived notions of 'national poverty strategies', donors depoliticise the role of aid in meeting poverty goals by ignoring the more complex accountability owed to the supposed beneficiaries. Ownership of development options at the level of impoverished communities requires the freedom and capacity of people to express their rights, notwithstanding the particular constraints faced by women, children, indigenous peoples and marginalised minorities.[28]

As Box 3 makes clear, the PRS process, mandated and directed by the Bank and the Fund, is the antithesis of domestically rooted and owned national poverty strategies. With few exceptions, the development of PRSPs has been facilitated by the Bank and northern donors, and rooted in a timetable and process set outside the country. 'Foreign Aid has undermined decades of collectively negotiated governance processes in Africa, destroying the values that held societies together in favour of outsider definitions of leadership style'.[29]

Despite rhetorical intentions, civil society participants have documented the severe limitations of the PRS process and the absence of authentic participatory consultations.[30] Indeed, Joseph Stiglitz, former Chief Economist of the World Bank, suggested in Canada recently that much of what is needed to fight poverty is beyond the core competencies of the IFIs. These institutions are run for the most part by economists committed to a neo-liberal economic paradigm, which many have argued has accentuated poverty. They are profoundly ill-suited to continue to play a leading role on behalf of the international community for achieving the IDTs. Flexibility and respect for a multiplicity of views is essential for tackling poverty successfully. Professor Stiglitz encouraged bilateral development agencies such as CIDA to increase the independence, from the Bank and the Fund, of their strategies to reduce poverty.[31] *Positive efforts by bilateral donors to coordinate their aid must relate in the first instance to the expressed priorities of developing countries and not policy prescriptions emanating from the Bank and the Fund.*

3. Donors must cease tying approval of IMF/ World Bank-inspired PRSPs for the poorest countries to agreements for (very limited) debt cancellation and credits from the IMF Poverty Reduction and Growth Facility and from the World Bank's IDA (International Development Assistance) window, and allocations from bilateral programmes.

Full cancellation of the external debt owed by the poorest countries to northern donors and the international financial institutions is a litmus test of donor commitment to economic justice and the elimination of poverty. But as essential as debt cancellation is, for sustainable economies that can then devote resources to reducing poverty, it is neither a panacea for poverty nor a substitute for aid. Mexican President Ernesto

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Box 3 **PRSPs: Ownership, or conditionality by stealth?**

'The institutions claim that they encourage "ownership" of homegrown poverty reduction strategies. However, extensive involvement by creditors and donors in the PRS preparation diminishes the chances for country ownership. Furthermore, the practice of attaching conditions to loan operations militates against ownership.

'One high-level Bank official said that the PRS is a "compulsory program, so that those with the money can tell those without the money what they need in order to get the money".

'If the PRS were a government-led process, why would the Bank and Fund send numerous missions to the country to develop the PRS? Why would the first mission be developed in order to ensure "client commitment" to the PRS? Why would the Bank develop one 1000-page Sourcebook to tell developing country groups how to create a PRS and another Sourcebook to describe how to develop acceptable trade policies?'

'The process by which the PRS is developed ensures that borrowing country constituencies will be sidelined. Government authorities are encouraged to draft a PRS prior to consultation with civil society groups. The Boards of the IMF and Bank will provide oversight of the PRS development. The power of their veto over the PRS will have a decisive influence on the process.

'If a government wants to obtain resources, its PRS must meet the approval of IMF and World Bank Boards of Executive Directors. If a PRS conforms to the standards of these Boards, then the borrowing government will qualify for assistance from the IMF and World Bank as well as from other creditors and donors. In other words, there are high stakes for low-income countries. The quality of a PRSP will either open or shut the flow of international aid, trade and finance.

'There could be dire consequences for those governments that take an independent "line" and don't tell the IMF or World Bank what they want to hear[1]. If the IMF and World Bank reject a government's PRS, the government would lose access to trade credits, aid and finance and probably default on its debt obligations. Ultimately, its domestic economy could collapse. If the IMF and World Bank retain power and authority over programs, while the government merely implements programs, then the PRS is nothing more than a smoke screen to obfuscate the results of their operations. The concept of "ownership" has little meaning in this context.'

Extract from Charles Abugre, 'Still Sapping the Poor: A Critique of IMF Poverty Reduction Strategies', June 2000 (Updated January 2001), World Development Movement (UK) and Integrated Social Development Centre (Ghana).

[1] *The obvious example of this is Malaysia – where taking an independent line cut them off from support but assured better recovery during the Asia crisis.*

Zedillo's High Level Panel on Financing for Development, as a policy backdrop to the UN's FfD Conference, pushed donors to recognise the continued desperation of many of the highly indebted poor countries and to take actions beyond recent HIPC agreements. The Panel also strongly urged mechanisms for financing debt cancellation beyond ODA, to avoid merely redistributing aid among poor countries.[32]

The notion that even full debt cancellation completely tied to a country's PRSP could assure financing to achieve the IDTs is debunked by recent research by the Canada-based North South Institute. In a study of five HIPC countries, researchers calculated that less than a 10% drop in aid levels for these countries would negate the net financial flow effect of current debt relief. *Detailed examination of poverty*

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strategies for each country demonstrates a significant gap in financing for activities that would put the country on a path to sustained poverty reduction. Uganda, for example, has had a 'model policy environment' for poverty reduction in the eyes of many donors, but with only modest growth levels and current rates of ODA receipts (not an unrealistic scenario), will face a poverty funding gap of US$660 million after five years and US$190 million after ten years.[33] Because of growth and improved government revenues, and the impact of poverty reduction investments in early years, and because of lower debt-servicing requirements in later years, the financial gap between government resources available for the poverty programme and the expenditure needs will narrow in later years.

4. Develop fair and equitable mechanisms for determining priorities in promoting and financing 'Global Public Goods' that do not divert resources from poverty elimination.

During the past two decades, increased international efforts have been brought to bear on inter-governmental cooperation to deal with issues that affect all countries and people – such as infectious disease, financial stability, climate change and pollution, narcotics trafficking, peace and security. The UNDP calculates that some 15% of ODA resources are already being devoted to managing these 'global public goods'.

Expanding discussion and resources to finance global public goods as ends in themselves is both urgent and vital to our common future. But these initiatives are neither a substitute nor a pre-condition, for policies and programmes to end poverty. Indeed, creating a local environment where citizens can exercise their rights to health, education and a sustainable livelihood, is often a precondition to achieving global goals.

Setting priorities and policy options for dealing with global public goods within the multilateral system has been largely the prerogative of northern governments and institutions. The interests of many developing countries find little resonance in the international fora for determining global public goods – in discussions of international financial architecture for example – and yet they are called upon to participate as 'full' members of the international community. Without substantial and deeply rooted' reform of the mandates and governance of multilateral institutions, particularly the IFIs, but also the WTO and the UN, there will be no fair and just approach to concerns that potentially bind all humanity. Rich governments have already determined their priorities, thereby often reducing their global public goods to those most likely to maintain the stability of a global economy and eco-system that preserve the current advantages of their own populations. Such arrangements will be increasingly challenged by both governments and civil society in the South.

Financing for global public goods comes largely from declining aid resources. There is an in-built bias in the direction of middle-income countries that have capacity for and growing interest in fuller participation in the global economy, but *away from* the poorest people with fewer current global interests. The Experts Panel for the Financing for Development Conference estimated full funding requirements for their list of global public goods at US$20 billion, which is 40% of aid funds disbursed in 2000.

The UNDP framed global public goods as those *other things* that needed doing that could only be achieved through international cooperation, financed through relevant *domestic* departments and ministries. It would give a bitter edge to renewed international cooperation for global public goods if their pursuit generates a structural bias, and trend, in aid spending *away from those living in poverty*, at the very moment when re-investment in the fight against poverty has at least rhetorical support among donors.

There is no lack of proposals for alternative sources of substantial revenue to finance global public goods. The Experts Panel encouraged the Financing for Development Conference to consider "the desirability of establishing an appropriate source of funds."[34] They propose a carbon tax on the consumption of various fossil fuels, while others have suggested a tax on the transmission of electronic bits through cyberspace, on the use of the global commons, or a Tobin Tax on capital transactions. The latter, named after the Nobel Prize Laureate James Tobin, has received strong support from civil society organisations around the world, including many participants in the *Reality of Aid*, and was recently endorsed by French Premier Lionel Jospin.

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These mechanisms might not be the most appropriate. Growing public concern for a global issue often begets a high-profile global 'fix' that has as much to do with the perception of action, as it does with real solutions. Much attention has been given to the Global HIV/AIDS and Health Fund, financed with US$1 billion with much fanfare at the Genoa meeting of the G7 industrial countries in July 2001. The UK-based Christian Aid suggests that 'a global fund is a distraction from the real issue' and is 'inherently flawed'.[35] Discussion on the competing merits of different 'solutions' risks diverting attention from the need for action on all fronts – not least the need for major, long-term investment in public health. On the ground experience of several NGOs tells them that real emphasis for progress in the fight against AIDS, malaria and TB is with low-tech work in communities across Africa, with strengthening local health systems and with access to basic health care by people living in poverty. In Africa, where per capita spending on health is just US$10 a year, strengthening national health systems would assure a sustained attack on disease and would be closer to those affected. If the resources of the Global Fund are not oriented towards these investments it may prove to be counter-productive. Action on the AIDS and other disease pandemics in the South needs concerted efforts for poverty reduction, debt cancellation, affordable drugs, fair terms of trade, *and* government and donor direct support to community-based care.

5. To make ownership a central organising principle of aid, bilateral donors, individually and collectively, must fundamentally change aid procedures and practices.

If southern ownership in aid relationships is to be realised, the political will of donors *and their respective governments* is central. To date, the evidence is unconvincing. *Many bilateral donors have adopted the right policy language; they hire consultants and participate among themselves in seemingly endless discussion; but with few exceptions, real change, evidenced in institutional practice, is still very elusive. Moving beyond a rhetorical respect for ownership will require significant change in several key areas:*

a. reducing the reliance on donor country technical assistance;
b. untying aid;
c. unconditional cancellation of remaining bilateral debt for the poorest countries;
d. transparency and more flexible programme management;
e. public and political commitment to increasing resources for international cooperation.

a) Technical Assistance

Aid has become increasingly technocratic, with an overwhelming reliance on donor systems of aid management and accountability, implemented by a host of consultants and advisors. Technical cooperation (TC) currently makes up a third of all bilateral aid expenditures, tied almost exclusively to donor country consultants. The UNDP estimates technical assistance at US$14 billion in 1999, about one quarter of total development aid. The World Bank reports that 'some 100,000 foreign technical experts are currently employed in Africa, tending to displace local experts' and 'probably weaken capacity in Africa'.[36]

To its credit, the Dutch government is the first donor to untie technical assistance; recipient governments are free to procure services relating to Dutch development programmes without choosing Dutch experts. The UNDP is conducting a much-needed study of technical assistance – Reforming Technical Cooperation for Capacity Development. While certainly not the first study of TC, the UNDP is likely to reiterate serious shortcomings in TC practices that undermine local capacity and ownership of the development process. These include:

- an overwhelming reliance on expatriate consultants, who often fail to reflect local realities and whose interests are strongly attached to donor country approaches and priorities;
- the poaching of local skills from national institutions, for donor programmes and projects, at salary scales and benefits unavailable in national bodies;
- the imposition on local institutions of high-cost externally conceived TC approaches that give

local government little opportunity to exercise real oversight or choice over how available resources are utilised.

These choices can have real consequences for poverty reduction. The former Minister of Finance of Mozambique, Abdul Magid Osman, for example, recalled at a recent UNDP Roundtable that he had declined a provincial governor's request for US$50,000 for 100 additional primary teachers, only to see an expatriate consultant hired for US$150,000, paid out of a technical cooperation budget.[37]

Several reports in this *Reality of Aid* report, including those from Australia and Indonesia, point to how *high cost imported technical cooperation capacity gives developing countries a bad deal and costly often inappropriate advice which leaves countries paying for poorly designed projects and programmes long after the consultants have left*. Japan comes in for particular criticism in this year's report, for example for the fact that Nepal is obliged to enter into contracts in Japanese yen with Japanese nationals for the purchase of products and services - with Japanese nationals being exempt from Nepali customs duties, internal taxes and other fiscal levies.

Undoubtedly developing country institutions, particularly in the poorest countries, require assistance for improving their capacity to manage their own development processes. Indeed, the fragility of government ministries in many countries is often a result of two decades of cuts, reorganisations and privatisations initiated by IMF-imposed conditions for structural adjustment loans. Rebuilding, or creating and sustaining the requisite capacities in southern development institutions necessitates long-term engagement initiated by these institutions, not one-off donor-initiated 'capacity-building' exercises or a substitution of foreign consultants to produce results and reports on a donor-prescribed timetable. *Above all, recipient countries and partners need to be able to decide for themselves the terms and use of technical cooperation.*

The Reality of Aid calls on the donors to untie bilateral technical assistance, allowing developing country partners to choose the technical assistance they deem appropriate to meet their development objectives.

Often the assistance most appropriate to local circumstances (and at a fraction of the cost) can be found locally or from other developing countries. Developing country institutions may make these determinations with the same potential for political bias, inappropriate skills or lack of interest in improving conditions for beneficiaries, as reflected in critiques of donor practice. But rather than impose rigid rules and conditions, donors should rely on the complex web of local accountability to hold these distortions in check. Key is strengthening the role of beneficiaries, who are usually marginalised from decision-making about appropriate resources and skills to support local projects. Where technical assistance is called upon from donor countries, it should be driven as much by the values inherent in solidarity as by technical skill and should be viewed as a two-way process of knowledge exchange and mutual learning.

b) Untying aid

Donors have at long last acknowledged that aid given on condition that the resources are spent on donor country goods and services represents poor value for money (increasing costs by 15-30%) and often distorts the content of aid programmes away from the intentions of the beneficiaries. Donors agreed, after prolonged debate, to partially untie aid to the LDCs (with major exceptions for technical assistance among other components of aid transfers) starting January 2001. To its credit, from April 2001, the British Government untied all its aid with the exception of grants to UK NGOs and universities. The largest proportion of tied aid is directed to the poorest countries (because of the high proportion of food aid and technical assistance), countries that can least afford to challenge the terms for this aid.

It is not only formal tying that is the problem; it is the 'less direct conditions, which explicitly or informally tie developing countries into procurement relationships that benefit the donor', for instance the use of donor country consultants for feasibility studies naturally results in specifications that tend to give an advantage to donor country suppliers.[38] The New Zealand chapter notes that while NZODA is technically untied, the vast majority of contractors are New Zealand based individuals or firms. But much the same point can be made about informal tying by most DAC donors.

Untying aid alone will not necessarily enable developing countries to capture the socio-economic benefits of untied resources. Donors must fulfil their agreement at the LDC III Conference to 'enhance the value of their development assistance by increasing the proportion of goods and services sourced in the recipient LDC or from other LDCs or developing countries to help boost pro-poor economic growth'.[39] The implementation and procurement for donor programmes is currently monopolised by a northern development industry. Liberalising the aid procurement regime so that these firms may bid on contracts throughout the North may improve *cost* effectiveness of aid without materially affecting developing country resources and capacities for tackling poverty.

The Reality of Aid recommends that the donors initiate discussions with developing countries towards untying aid to all developing countries without restriction, inclusive of food aid and technical cooperation. As a matter of priority, donors must support procurement policies that give priority to developing country small and medium-scale enterprises.

c) Unconditional cancellation of remaining bilateral debt of the poorest countries

Aid allocations and an increasing debt burden for the poorest countries have been inexorably linked for the past 30 years. IMF and World Bank loans have been extended merely to keep the pretence of 'sustainable' loan portfolios, while dabbling in rescheduling, partial write-offs and conditionalities that perpetuate indebtedness. An OXFAM analysis of the latest 'improved' HIPC Initiative to reduce multilateral debt burdens for the poorest countries demonstrates irrefutably that this approach is no answer to unpayable debt and its impact on poverty. Tanzania, for example, even on revised HIPC criteria, will remain with unsustainable debt after the latest debt reduction, even on exaggerated economic projections by the World Bank's and IMF's own economists. Two thirds of countries now receiving debt relief still spend more on debt servicing payments than on health and half spend more on debt than primary education and health combined![40]

Debt cancellation is affordable. The entire debt of the 52 poorest countries could be wiped out at a total cost of US$71 billion.[41] With financial assets of the advanced countries of the OECD estimated at US$53 trillion, it is difficult to avoid the conclusion that it suits industrialised countries to keep developing countries in debt. According to African contributor to *Reality of Aid,* Warren Nyamugasira, 'indebtedness is a political agenda, a tool of manipulation'.

The Reality of Aid recommends the unconditional cancellation of all debts of the world's poorest countries. It is an acid test of the commitment of donor countries to economic justice and the elimination of poverty. Accountability for the use of the resources released is the responsibility of citizens in developing countries, not donor governments. Civil society organisations should be facilitated by donors to hold their governments accountable. New loan agreements must be the result of transparent negotiations, with meaningful parliamentary oversight in the respective developing country.

The Reality of Aid further recommends that the international community launch a process at the 2002 Financing for Development Conference to establish international mechanisms (e.g. debt arbitration panels) for assessing unsustainable debt of middle-income countries, including: criteria for judging 'illegitimate debt'; the achievement of the IDTs; and the environmental impacts of current policies for realising the financial resources to repay debt.

d) Transparency and more flexible programme management

Transformation from within, on the part of northern participants in the aid regime (including northern NGOs), is a critically important precondition for equitable and just aid relationships. Donor *governments* must exercise the political will to give priority to the necessary changes within their aid ministries and domestic systems. In the *Reality of Aid* 1994, Debapriya Bhattacharya, from the Bangladesh Institute of Development Studies argued that local policy processes were disempowered by the better prepared, well-informed, globally articulate donors who could not resist stepping into the policy vacuum.[42] Donors need to 'back off' and leave space for developing country ownership.

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Aside from technical cooperation, donors operate a wide array of policies and procedures, covering everything from gender equality, to primary health, to procurement, approval and reporting regulations, that shape thousands of development projects and programmes. Despite investment by donors in their own learning, there is none the less strong resistance to change in day-to-day practice.

This edition of *Reality of Aid* points to several areas where change is urgently needed:

(i) Sector Wide Approaches

Positively, donors are giving less priority to a myriad of individual donor-managed projects and more attention to programme funding for government ministries in sector-wide approaches (SWAps) for basic education, agriculture or primary health. SWAps, at least in theory, place greater reliance on donor coordination with government-led strategies and comprehensive programmes. SWAps rightly recognise the prime responsibility of government in delivering universally accessible social programmes.

But it seems not accidental that SWAps have been attempted with donor programmes in the poorest countries, primarily in Sub-Saharan Africa. Donor practices, highly resistant to change, often continue to impose strict pre-conditions or 'critical success factors' and extend donor oversight and intervention into a ministry's total programme and operational budget. Progress on relatively simple and technical changes in donor procedures has been arthritically slow. For at least 15 years the DAC has been calling for coordinated procedures and for developing country governments to be at the heart of the decision-making process.[43]

While recognising that SWAps are a more coherent means to enhance government capacity and increasing developing country ownership, the *Reality of Aid* encourages donors to assure significant and timely participation of people living in poverty, through their representative organisations, local governments and NGOs, to address specific context and needs so that sector programmes will contribute to poverty reduction. Broad civic political engagement (and often political conflict) is essential. Too often SWAps have depoliticised development by isolating policy debate between largely unaccountable external bilateral and multilateral civil servants and like-minded counterparts in national governments. Moreover, the guise of improved donor coordination may mask reduced bargaining room for aid-dependent poor countries with limited capacity to respond to joint donor management of an unequal aid relationship.

(ii) Where do projects fit?

Many donors and aid commentators have become highly critical of the project approach. The most salient criticisms focus on how developing country governments are forced to respond to different donor priorities and requirements. Pooling resources and harmonising donor procedures is an appropriate and urgently needed response. But projects should not be abandoned entirely; they can be a very appropriate tool for particular development interventions.

Projects, often developed and carried out by NGOs and other civil society actors in North/South partnerships, allow for significant risk-taking and innovation, with low political fall-out for domestic governments or official aid agencies. Projects allow donors and partners to 'hedge their bets' as to development outcomes. Projects can intervene directly in social processes, strengthen excluded social actors, and thereby have both intended and often unpredictable impacts.

NGO projects, funded most often in line with the priorities of northern NGOs in sometimes less than ideal relationships with southern counterparts, have not escaped criticism. Mariano Valderrama, from ALOP, in this volume addresses the implications of a 'policy of conditions' that has 'become a frequent practice between public and private international cooperation and southern NGOs', whereby 'the margin left to southern NGOs to contribute strategies and formulate projects is …greatly reduced'. Southern civil society analysts raise concern that northern counterparts have adopted a project-based rationale for cooperation, replacing opportunities for solidarity and sharing of common concerns for social change.[44] Based on regional research in Peru that demonstrated a lack of northern NGO transparency and basic coordination, Valderrama urges more systematic coordination at a regional level based on collectively

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owned regional development strategies. Kumi Naidoo, Executive Director of CIVICUS, has challenged NGOs to give priority to horizontal and downward accountability, to the people in whose name we harness resources.[45]

(iii) Transparency and Accountability
Ownership is dependent on transparency. How can developing country partners own and coordinate their development efforts if donors are unwilling to share information on their programme and aid financing?

There is an accountability deficit both to taxpayers in the North and citizens in the South. Donors increasingly stress the power of knowledge in effecting change but pay little attention to the importance of people affected by change knowing about the services to which they are entitled and the funding that has been allocated in their name. The Ugandan government, for example, has recently demonstrated the importance of advertising the transfer of allocations for basic education to the district level, to ensure that these resources are devoted to meeting these needs. *But even at a macro level, with the exception of circumstances that might put a project partner in jeopardy, donors could do much more to make their aid transactions transparent, providing predictable and reliable public finance.* Currently in many countries ministries of finance are not even informed of aid transfers after they have happened

(iv) Aid Contracting
Aid contracting has tended to transform complex development processes that require long-term commitment and local knowledge into 'biddable' projects and consultancies. Compliance-oriented accountability becomes a form of conditionality as aid recipients report almost exclusively to respective donor agencies. For instance, as NGOs in Nepal point out, the opposition of the Nepali government to the Arun Dam was met with intransigence by the Bank, but the project was scrapped after a negative report from their own inspection panel.[46] *The Reality of Aid* NGOs call upon the donor community to systematically review their procedural practices, with the full participation of developing country partners, against the donor-endorsed principles in the DAC's Shaping the 21st Century.

Donor practices, consistent with Shaping the 21st Century principles, must take account of the need for transparent long-term collaboration, based on dialogue and the humility that comes from listening. Donor timetables and development programmes must rely much more on local knowledge, participation, and local level decision-making. Flexible modalities for contracts are essential to strike a balance in aid relationships between the need for parliamentary accountability in the North and new forms of accountability to those living in poverty in the South.

e) Public and political commitment to increasing resources

Changing donor attitudes and approaches that strengthen developing country ownership for poverty reduction will be empty rhetoric for the poorest countries, in the absence of long-term stable and predictable resource commitments. *Efforts by aid donors to focus on goals intended to halve poverty by 2015 are welcome. But even if successful, these approaches will leave more than a billion people in poverty by 2015. A major additional financial and political commitment must be made now, to reverse the decline in aid seen in the 1990s, and ensure that not only are the 2015 targets exceeded, but that poverty is eliminated.*

In analysing aid volatility for highly aid-dependent LDCs over several decades, UNCTAD reports that *aid receipts have varied much more than government revenue and even more than export revenue for the majority of the LDCs examined*. After 1994, official flows to the LDCs fell steadily; by the end of the 1990s they were 25% below their peak earlier in the decade and 10% below levels in 1988-89.[47] The macro trend is even more revealing – between 1960 and 2000, incomes in the OECD have increased by US$16,500 per person in real terms, while aid has gone down by US$5 per person.[48]

Not only has aid for long-term development diminished in the 1990s, donors have agreed to expand the definition of aid – to include expenditures on refugees in the donor country, imputed costs of students studying in the donor country and debt relief . Kunibert Raffer suggests this has artificially increased 'aid' by more than 40% from 1992 to 1994.[49] The graph on **page YY** gives some idea of how little aid is really available –

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a mere 31% of bilateral aid in 1998 – to pursue local priorities for poverty reduction.

The Experts Panel for the UN Financing for Development aggregates the real resource needs to meet existing OECD donor commitments at an additional US$68 billion: [50]

- US$50 billion to achieve the IDGs:
- an additional US$US3 billion for a sustaining fund for humanitarian assistance (totalling US$9 billion); and
- an additional US$US15 billion for global public goods (totalling US$20 billion).

These are affordable. The Experts Panel pointed out that achieving the 0.7% of GNP target for ODA would provide an additional US$100 billion. The declining trends of the 1990s must be reversed. Aid efforts by countries that can most afford to do so have been declining – the G7 country average has dropped to 0.19% of their GNP in 2000, while those outside the G7 contribute 0.46%! A global economic recession, at the time of writing, portends even more reduced aid allocations as donor governments balance their budgets, often after significant tax cuts for the richest, on the backs of the poorest countries.

For the past 20 years, donors have pressed developing countries to undertake cuts in already inadequate public services and other policy changes with extraordinary political cost. At the same time, northern donor governments have proved unwilling to take even tiny amounts of political pain or risk at home to enhance their contribution to development cooperation globally.[51] *The Reality of Aid* calls on donor governments to invest in vigorous public engagement to build political will and citizen pressure to meet the UN target of 0.7%.

Aid alone, in the absence of leadership to restructure global financial, trade and environmental relations, will never achieve the goal of poverty eradication. Yet resources that reach people living in poverty will be a crucial backdrop for enhancing the poorest countries' capacity to participate in a more equitable global order. Turning the rhetoric of aid – ownership, empowerment, participation, gender equality, basic human needs – into action is a litmus test for the global community. *Unless there is major reform in international governance, and a delinking of aid from vested interest and conditionality, aid will be seen as increasingly irrelevant – just part of an established order that tolerates poverty rather than a key element which can contribute to prosperity and security for all.*

Notes

1 Participant, OECD Development Partnership Forum 2000, Paris, December 2000

2 African Poverty at the Millennium, World Bank, Washington DC, 2001.

3 Data from Forbes, GNP of Sub-Saharan Africa was US$315 billion in 1999.

4 Clare Short, UK International Development Secretary, Speech to Labour Party Conference, Brighton UK, October 2001.

5 Overcoming Human Poverty, UNDP, New York, 2000.

6 See for example Goh Chien Yen's chapter on conditionalities and financial liberalisation in the Asia section of this volume.

7 Informal World Bank estimates quoted in UK Africa Partnership Initiative report, October 2000.

8 World Development Report 2000/2001, World Bank, Washington, September 2000.

9 Already many experts think that the goal of reducing by half the proportion of people living in absolute poverty by 2015 – a goal that would still leave close to a billion people in absolute poverty – has slipped out of reach.

10 See for example in this report, Sugeng Bahagijo on Japanese ODA and the section on Aid Motivation from NGOs in Africa.

11 This is the report which first suggested linking donor foreign aid to GNP (the 0.7% target).

12 See Williamson, J. 1993, 'Democracy and the Washington Consensus', World Development 21, 1329 – 36. Quoted in World Bank, World Development Report 2000/2001, 'Attacking Poverty', p 63

13 Prof. Jeffrey D. Sachs, A New Global Consensus on Helping the Poorest of the Poor. Keynote Address to the Annual Bank Conference on Development Economics, World Bank, Washington, D.C., April 19, 2000.

14 World Development Indicators quoted in Table 2, African Poverty at the Millennium.

15 The State of the World's Children 2000, UNICEF, New York.

16 World Development Report 2000/2001, 'Attacking Poverty', p66

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17 African Poverty at the Millennium, p. xix.

18 See Reality of Aid *Reality Check 2001* at www.realityofaid.org

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24 African Poverty at the Millennium, World Bank, Washington DC, 2001.

25 Gertrudes A Ranjo-Libang on ODA and Gender Conditionality – see page 76.

26 See Brian Tomlinson, page 115 in this volume

27 See Angela Wood, "Briefing Note, Carrots and Sticks: a quick fix for IMF conditionality", Bretton Woods Project, April 2001, and Angela Wood, "Comments on the IMF Staff's Review of Conditionality", Bretton Woods Project, April 2001, available at www.brettonwoodsproject.org

28 See Amartya Sen, Development as Freedom, New York: Alfred Knopf, 1999 for an elaboration of a rights perspective for aid and governance issues. A. Sen, Development as Freedom,…

29 See the Africa section of this report, page 23.

30 See Oxfam International, Making PRSPs Work: The Role of Poverty Assessments, April 2001; Jubilee 2000 Forum in Bolivia, The Role of the Bolivian Church, CRS, and the US Church in Supporting Civil Society's Shaping of the Bolivian Poverty Reduction Strategy, October 2000; Globalization Challenge Initiative, The IMF and World Bank Backed Poverty Reduction Papers – Comments from Southern Civil Society, May 2000.

31 Professor J Stiglitz, 'Mapping the New Global Landscape', International Cooperation Days Panel Discussion, CIDA, Ottawa, 18 June 2001.

32 'Recommendations of the High Level Panel on Financing for Development', 22 June 2001, pp 9-10 http://www.un.org/esa/ffd/a55-1000.pdf

33 See Culpeper, R. and Serieux, J., Journeys Just Begun: From Debt Relief to Poverty Reduction, Ottawa: The North South Institute, 2001, page 38.

34 'Recommendations of the High Level Panel on Financing for Development', 22 June 2001, page 20 http://www.un.org/esa/ffd/a55-1000.pdf Experts Panel, Technical Report.

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36 Can Africa Claim the 21st Century? World Bank, Washington. 2000.

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43 See for instance the DAC Report 1987

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48 See the World Aid Trends section of this report, page 145 in World Aid at a Glance in this volume

49 R Raffer, "More Conditions and Less Money: Shift of Aid Policies during the 1990s", contact Kunibert.raffer@univie.ac.at

50 High Level Panel on Financing for Development', 22 June 2001, pp 9-10 http://www.un.org/esa/ffd/a55-1000.pdf Experts Panel, Appendix,Annex, Table 2, page 73.

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