

## FOCUS

## Global Poverty and the New Aid Philosophy

by Wahiduddin Mahmud

*The global social development goals may become discredited if the progress is too slow and the target dates continue to be shifted. In spite of much optimism, there are already signs of severe shortfalls in resource mobilization from both domestic and international sources. Not only total aid is shrinking, but also aid to social priority sectors is falling short of target in spite of the increasing diversion of aid to these sectors.*

THE prevailing global economic scene is one of poverty amidst plenty. Widespread poverty and social deprivation have persisted in spite of continued growth in average incomes and consumption in the global economy during the last few decades. The international response to poverty has been mainly in terms of official aid programmes. The ideas of foreign aid have, however, greatly changed over the years, mostly in response to the changes in development thinking regarding what domestic and international actions are conducive to achieving accelerated growth and poverty alleviation in developing countries. Political imperatives faced by the donor countries both at home and internationally have also been an important factor.

Up to the end of the 1970s, development thinking emphasized the developmental role of the government, and foreign aid was thought of as a mechanism to transfer investment funds to the governments of the developing countries so as to enable them to perform this role. The concerns for poverty were expressed in such ideas as 'redistribution with growth' and the 'basic needs approach'. However, the disillusionment with the aid-financed government-led strategies of development led to the neoliberal development agenda of the 1980s which sought to minimize the role of the government and promote development through private initiatives and market forces. But the experience of stabilization and structural adjustment in the 1980s raised concerns about the marginalization of the poor and led to a reassessment of the role of public actions, at least for adding a 'human face' to adjustment. There has also been a growing recognition of the fact that poverty is a multi-faceted phenomenon and that poverty alleviation depends not only on higher incomes but also on advances in literacy, health and

other areas of social development.

A broad global consensus on goals for poverty alleviation and social development has emerged from the succession of major UN-sponsored conferences of the 1990s. The most notable among these are the 1990 World Summit for Children held in New York, the 1992 Conference on Environment and Development in Rio, the 1995 World Summit on Social Development in Copenhagen and the 1994 International Conference on Population and Development (ICPD) in Cairo. While some of the targets previously set for the year 2000 will not definitely be met, there are now a set of commonly-agreed goals including (a) reducing by one half the proportion of people in extreme poverty by 2015, (b) achieving universal primary education by 2015, (c) eliminating gender disparities in primary and secondary schools by 2005, (d) reducing by two-thirds the mortality rates for infants and children under age 5 and by three-quarters maternal mortality - both by 2015 and (d) providing access to reproductive health services for all women by 2015. These goals have also been endorsed and adopted, at least on paper, in the strategies of multilateral and bilateral donors.

Besides the emphasis on social development, there are other underlying factors shaping the emerging ideas on aid. There is a widely held belief, supported by ample evidence, that a large part of development assistance in the past was wasted rather than contributing to economic growth and poverty alleviation in recipient countries. This has resulted in an 'aid fatigue' and a consequent shift of emphasis from quantity to quality of such assistance. There is a recognition of the need for institutional developments and policy reforms in the recipient countries for better utilisation of aid. (This fits well with the new emphasis on institution-building and

good governance in a 'modified' Washington Consensus). Partly because of the poor record of aid, public opinion in donor countries is increasingly in favour of targeting aid directly to the poor people within developing countries. This view of aid is largely in conformity with reorienting aid toward social development, since public spending in social sectors can be easily targeted to benefit the poor.

The endorsement of global goals for social development in the new aid agenda may give an impression, though perhaps inadvertently, that there is now available a generally agreed blue-print for global poverty eradication. In recent years, there seems to have been a shift in mainstream development

thinking in favour of a poor growth strategy that extends far beyond the neoliberal agenda of structural adjustment to reconcile with some of the earlier concerns regarding the developmental role of the state. There are however many unresolved issues and it remains to be seen whether these new directions in development thinking can lead to a new consensus. For example, while it may be agreed that the choice of an appropriate state-market mix should be based not on ideology but on evidence regarding market-failures vis-à-vis government failures, there will be much less agreement on what that evidence is. Again, it is agreed that economic liberalization alone is not sufficient for achieving sustained growth and accelerated poverty reduction; but there are controversies regarding whether a broader strategy will be entirely compatible with the tenets of ortho-

dox structural adjustment or will involve some compromise. Also, while the importance of good governance and institution-building is rightly emphasized, it is not clear how external assistance can effectively help in this direction.

While the new aid strategy proposes to help in creating an appropriate institutional and policy environment in the recipient countries, these unresolved issues are likely to create problems. For example, the idea of incorporating concepts like 'participation' and 'empowerment' in the design of aid-funded projects is undoubtedly a sound one, but experience has shown that institutional innovations are difficult to be imported from abroad, less through the leverage of aid conditionality. Ground-level realities are even more important in this kind of reforms than in the case of macroeconomic reforms. The Bank-Fund officials, who have traditionally provided the intellectual and operational leadership in setting aid conditionality are likely to be particularly ill-equipped in this respect, given their professional orientation and their lack of familiarity with local conditions.

It is well recognized that the targeting of aid to priority areas may not produce the intended results, since local funds may be diverted to less-priority areas in response to the availability of foreign funds. One common donor reaction to this problem is to impose additional conditions beyond individual projects to ensure the additionality of resources at the sector level. An example is the design of health sector programmes in some countries as a follow-up of

the ICPD Programme of Action. These programmes stipulate for a medium-term period the amounts of both local and foreign funding as well as the minimum levels of allocations to the priority areas like primary health care. Experience so far suggests that such an arrangement may prove unworkable because of its lack of flexibility and unreliable projections of resource availability.

There seems to be little alternative but to encourage governments, through concerted donor efforts, to devise their own national plans for efficient public spending. In fact, one major weakness in pursuing global goals is that too little attention has been given to national-level follow-up actions and to adapting global goals to the situations of different countries.

Perhaps the weakest link in the setting of global social goals (and their incorporation in the new aid agenda) is the fact that these goals do not relate to any envisaged economic growth performance of developing countries. The aid strategy does emphasize the need for 'safety net' programmes for those people who are left out of the mainstream growth process, but it is not clear how the global economic system will help in achieving that growth. There seems to be an implicit assumption that market-oriented liberalizing policy reforms will not only enable developing countries to benefit from globalization but also will ensure improved effectiveness of aid.

The empirical evidence in support of this, based on cross-country econometric exercises, is cited in a recent influential World Bank publication titled *Assessing Aid*. However, in these often-cited econometric

results, lack of economic liberalization can hardly explain growth failure in the case of some of the worst performing economies such as those in Sub-Saharan Africa.

Although economic growth does not always lead to social development and poverty reduction, it is a necessary precondition for the economies with very low average living standards. To be credible, global actions for poverty alleviation, including aid policies, must therefore address the problem of economic growth in these economies. First, how can aid help poor countries to achieve equitable growth as well as better enable them to take advantage of globalization (or reduce the risks thereof) and second, how can aid policies be made complementary to necessary reforms of the global economic system for alleviating the disadvantage of the poor countries? The latter will mean that the issue of poverty reduction has to be brought into the mainstream of international economic policy-making and action. This is the kind of consideration that has led some experts to propose the setting up of a so-called Economic Security Council under the UN.

The new aid strategy emphasizes the role of aid in promoting good economic policies rather than in merely providing additional investment resources (see the World Bank's report cited above). Yet, for those economies which fail to attract enough foreign private investments (or who do not find it desirable to do so beyond certain limit), the resource constraint remains a formidable problem for achieving accelerated economic growth. Empirical evidence suggests that

growth failure is clearly related to failure in increasing the investment rate, although other factors like human capital development and productivity growth are also important. Apart from the desire-to-invest type of factors affecting private investment, the difficulty in raising domestic saving in the face of declining foreign aid has been a major factor inhibiting growth in many developing countries. Besides pointing to the role of foreign aid in augmenting domestic saving, this also raises the question of a potential role of the World Bank.

According to its original mandate, the Bank was supposed to stand in between the global markets and the developing countries and recycle resources to poor nations both by using its creditworthiness and by generally building up the creditworthiness of its clients. That role has been greatly eroded in recent years.

One main obstacle for the poorer countries in benefiting from globalization is their great relative disadvantage in respect of R & D activities. The capacity to adapt new technologies for agricultural growth has a direct implication for poverty and food security. There is a potentially important role of aid, and technical assistance in particular, in this respect. The inappropriate use of technical assistance in the past is widely acknowledged. The need is to reform the system of technical assistance to be more responsive to actual needs rather than being supply-driven. There is, for example, a potentially useful role of technical assistance in helping the developing countries to respond to the challenges stemming from the Uruguay Round. In this respect, UNCTAD is now playing a limited role.

While targeted poverty-alleviation and human development programmes accord with popular thinking, a narrow application of this approach may lead to a kind of 'aid populism'.

In a pro-poor growth strategy, there are many legitimate areas of public investment besides directly poverty-alleviating activities. The need for investment in R&D activities has been mentioned above. Another key area is physical infrastructure, which is often a major constraint explaining lack of response of private investment to policy reforms. Public investments in infrastructure provision have often been most severely squeezed as part of fiscal adjustment under macroeconomic stabilization.

The global social development goals may become discredited if the progress is too slow and the target dates continue to be shifted. In spite of much optimism, there are already signs of severe shortfalls in resource mobilization from both domestic and international sources. Not only total aid is shrinking, but also aid to social priority sectors is falling short of target in spite of the increasing diversion of aid to these sectors. In the area of basic reproductive health care, for example, the ICPD Programme of Action estimated expenditure requirements up to the year 2015. The analysis of current trends in aid commitments suggest that there is little likelihood that global funding of the magnitude projected by the Programme of Action will be available over the next twenty years. There is uncertainty about the levels of donor financing even in the near term, because of decreasing or low levels of assistance from a handful of countries committed to the Programme and a lack of commitment on the part of other potential donors. It thus seems that the new aid philosophy not only suffers from many analytical lacunae but also is lacking in commitment.

Based on a paper presented by the author at an experts' meeting on 'New Roles and Functions of the United Nations and the Bretton Woods Institutions', Helsinki, 28-30 May 1999.

## No Room for Optimism

by Edward Said

*Barak is a cautious man who seems actively to be seeking an unambitious Israeli consensus which, almost by definition, has a very low tolerance for real Palestinian independence and real self-determination. What he is being promised for his basically cost-free cooperation in return by the Arabs is full normalization, full peace, full opening of markets. He'd have to be a fool not to accept and go along with Wye and even a defanged little Palestinian statelet.*

YOUNG King Abdullah of Jordan was in the United States earlier last month in effect selling Jordan very effectively as a point of stability and investment in the Middle East. He has little pomposity and he can handle himself well before a crowd of fawning Americans who love to keep prefacing every question or comment with "Your Majesty."

This somewhat puzzles me since as citizens of a republic established in defiance of royalty they should be anti-monarchical, as I certainly am; but they just love the idea of kingship somehow and saying "Your Majesty" seems for them to be the ultimate in snobbish appeal! Be that as it may, one of Abdullah's themes was the importance of getting the Palestinian-Israeli peace process going "in the right direction," even before anything much happens between Israel and Syria.

To this end he flew straight from the US to Gaza in order apparently to assure Yasser Arafat that he would work with the Palestinian Authority in furthering that not very attractive aim. Clearly he was also proposing that Jordan would be the key intermediary between the two sides, as well as between Israel, the United States, and Syria, a role aspired to by his late father. There was of course no mistaking the implication in all this: that what the US wants the Arabs are prepared to give. More explicitly as concerns the Oslo-Wye agreements it is absolutely clear that whether or not these agreements have actually helped or hindered Palestinian self-determination no leader at all is prepared in any way to forgo, modify, or renege on them. Netanyahu tried but was voted out for his pains. Ehud Barak, everyone's new hero of the hour, has been passing himself off as the peace candidate, an almost meaningless phrase, but given his background and what he has so far said, I am certain that his ideas are hardly different from Netanyahu's when it comes to substance.

For Barak, Jerusalem remains basically unnegotiable (except for giving Palestinians authority over a few sacred places in the old city and allowing Abu Dis to become their new Jerusalem); the settlements for the most part will stay, as will the by-pass roads that now criss-cross the territories; sovereignty, borders, over-all security, water and air rights will be Israel's: refugees will have to look elsewhere for help. Other than that there can be a Palestinian state and the Authority can continue its, at best, flawed rule.

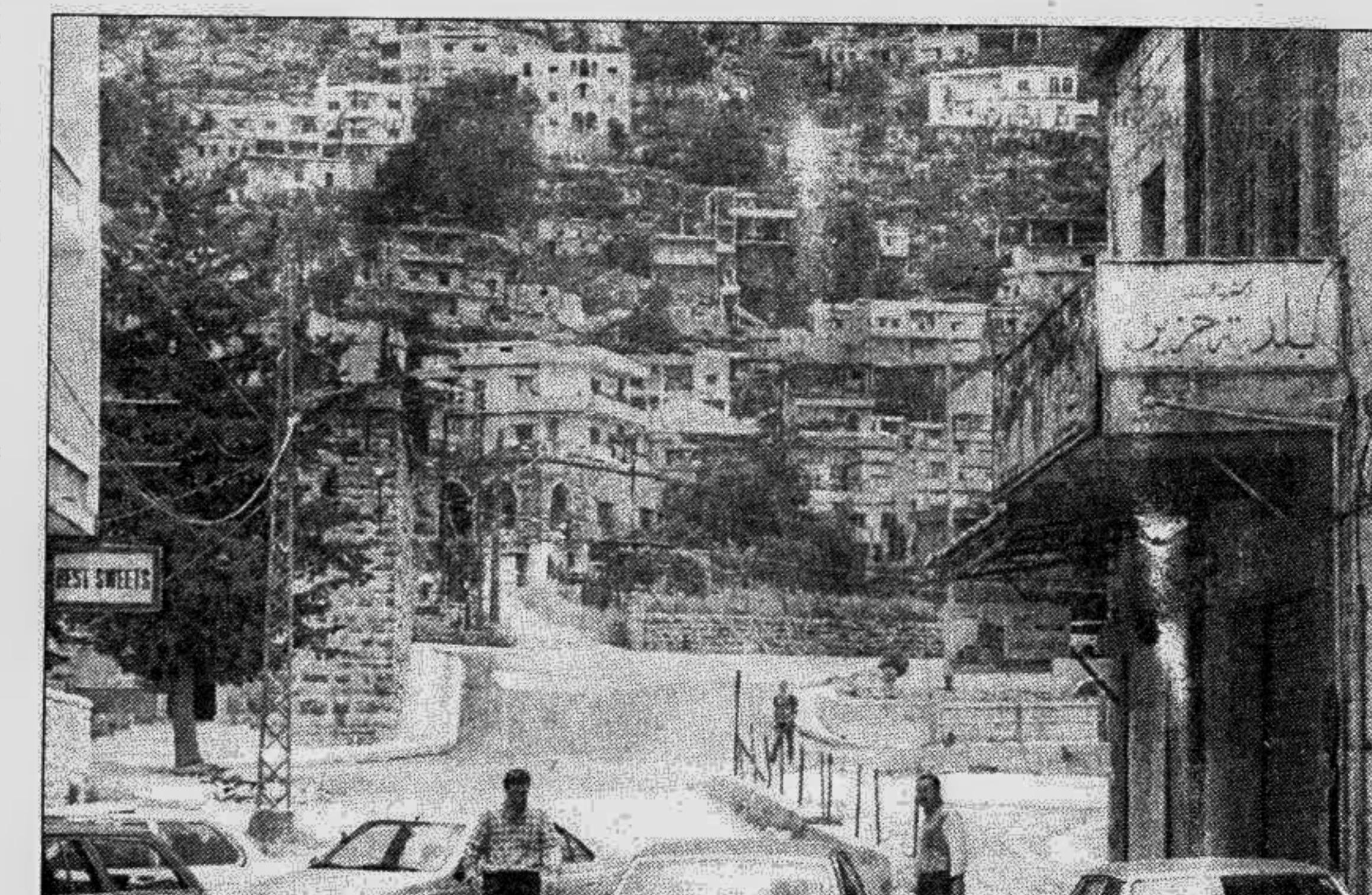
I suppose it is churlish to mention that Barak is likely to retain Ariel Sharon as his foreign minister and that the two men are scarcely distinguishable when it comes to what is euphemistically called their

military and security background. Both are confirmed Arab-killers, both are clearly contemptuous of Arabs except as second or perhaps even third rate aliens tolerated in what both consider to be the land of Israel, and both Barak and Sharon are not much given to visions of coexistence or of equality between Palestinians and Israeli Jews. Perhaps Barak is in fact different and is capable of some tremendous about-face, but very little points that way except official Palestinian euphoria and the hopefulness of a few left-liberal Zionists, Israeli and non-Israeli alike. The disparity in power between Israel and the Arabs is so great that there is no room for optimistic speculation of the kind that will suddenly make everyone happy. Barak is a cautious man who seems actively to be seeking an unambitious Israeli consensus which, almost by definition, has a very low tolerance for real Palestinian independence and real self-determination. What he is being promised for his basically cost-free cooperation in return by the Arabs is full normalization, full peace, full opening of markets. He'd have to be a fool not to accept and go along with Wye and even a defanged little Palestinian statelet.

There is of course the strong possibility that Palestinians will be Red Indianized forever, but demography and the sheer counter-productiveness and stupidity of Israel's official arrogance are likely (though not certain) to prevent that. People tend to resist efforts to marginalize and dehumanize them the more these efforts are made. Palestinians are no different, especially given the fact that by the year 2010 Palestinian Arabs and Israeli Jews will be equal in number on the land of historical Palestine. Yet caution enjoins adding that we cannot absolutely guarantee success: history, alas, is a cruel arbiter of the fate of small, disproportionately weak peoples, so the role of will and purpose assume greater significance for us.

A certain number of things do not require repetition, e.g., the centrality of civil institutions like universities, trade unions, economic development, and the crucial emergence of democracy. No one who has written or spoken about Palestinian or Arab society in the last century has ever failed to talk about those matters, so I don't want to do so here. I agree with all of it. What is less obvious is what I'd like to concentrate on at this time, namely, the specific political goal towards which Palestinian and Arab societies in general must try to move, and second, the relationship between the Arabs, Palestinians included, and the rest of the modern, globalized world. Let me take these up in order.

One of the calculations made by proponents of the Oslo peace process is that sheer persistence and the longevity of the process itself will wear down resistance to it. This is true, even though for the most part a majority of Palestinians in the working class and rural sectors have actually seen their conditions worsen since Oslo. It is their land that is being taken, their jobs lost, their standard of living reduced dramatically. They are the dissatisfied ones. They are the majority. A small number of businessmen and speculators who have prospered, however, are written about in the international press, and are organizers of conferences with the Israelis and the Americans to further business and investment opportunities in the area. All that is well known, as is the massive corruption that still bedevils the Authority, its stooges and hangers-on. What is less well



Pedestrians pass through the main square (R) in the mainly-Christian enclave of Jezzine, in the Israeli-occupied "security zone", 31 May 1999, one day ahead of the withdrawal from the southern Lebanese town of the Israeli-backed South Lebanon Army (SLA). The SLA announced its withdrawal from Jezzine after 13 years of occupation.

AFP PHOTO

known is that professional members of the better-off middle class, and many in positions of leadership have if not prospered than made an accommodation with the status quo.

Let me say at the outset that it's easy to be critical if one doesn't have to worry about the future of one's family, job, over-livelihood. So I can perfectly well understand the need felt by Palestinian doctors, engineers, academics and economists living through the tribulations, punishments and anxieties of years and years of occupation and uncertainty and desperation to make the best of a bad situation. And it really is a bad situation, with Israel on one side and the coarse rule of the Authority on the other. Very little reporting has been done on the day-to-day problems of Palestinians so one has the impression that everyone manages. The question is how, and what context.

Without at all wishing to underestimate the difficulties

I'd like to suggest that the professional class in particular — the class, that is, which supplies the Palestinian élite with its officers, teachers, physicians, architects, lawyers, engineers, journalists, and economists — has in effect made its peace with the present situation. The readiness of funders like members of the European Union, the Ford Foundation and countless others like them have made ample money available to establish a large number of research institutes, study centres, women's and professional groups all of whom are extremely productive and do important work as (mostly) NGOs (Non Governmental Organizations).

The sad fact is that the Palestine Authority and its various spokespersons have made no secret of their animosity toward these NGOs which they see correctly as rivals both in patronage and influence; over the past four years various attempts have been made by the Authority to try to close them

down, acquire or at least siphon off their budgets, and generally make their life difficult. Still, the NGOs go on so long as the funding and the will and determination of their members do not waver. That is a positive development.

Yet the question I raise here concerns the long-range strategy of these groups and the kind of things they do. At very simple, they are a substitute for a political movement, and can they ever become one? No, most certainly not since each operates in a bilateral relationship with the funders, each of whom makes it clear that money for work on democracy, health care, education — all of them important things — is forthcoming only within the overall framework of the current peace process. At least that is the implicit assumption. And these NGOs, necessary though they are to keep Palestinian life going, themselves become the goal instead of, for instance, liberation and ending the occupation or changing Palestinian society.

The leadership vacuum, the absence of a political vision of the future, the general quiescence of Palestinian life with every one more or less fending for his/herself has placed such secondary tasks as assuring oneself of funding, keeping the office staff at work, setting up meetings in Europe and elsewhere, ahead of the main task facing us as a people, which can be nothing less than liberating ourselves from our legacy of occupation, dispossession and undemocratic rule.

This substitution of a short range nationalism for a longer range social movement is one of the intended effects of Oslo, in effect, to depoliticize Palestinian society and set it squarely within the main current of American-style globalization, where the market is king, everything else irrelevant or marginal. Just to have a Palestinian Institute of Democracy or a Palestinian university or a Palestinian medical association is therefore not enough, any more than nationalism is not enough.

Fanon was right when he said to Algerians in 1960 that just to subdue an Algerian policeman is a French one is not the *liberation*; a change in consciousness is. And the likelihood that change is slowly being eroded in the current vogue for seminars, funding missions, and project reports. We need to concentrate on the collective destiny of the Palestinian people, however utopian and irrelevant it may now seem. Unless the collective spirit remains fixed on the attainment of real liberation and real self-determination — which themselves need to be clarified — we can quite easily drown in the global market with our flag proudly flying over us.

The second problem of the present impasse is consequent on the first. Being or remaining Palestinian is scarcely an end in itself. We have lost that sense of confidence and worldliness, partly because we have had incapable, small leaders, and partly because we have become content with mere survival and the symbolic achievements I mentioned above.

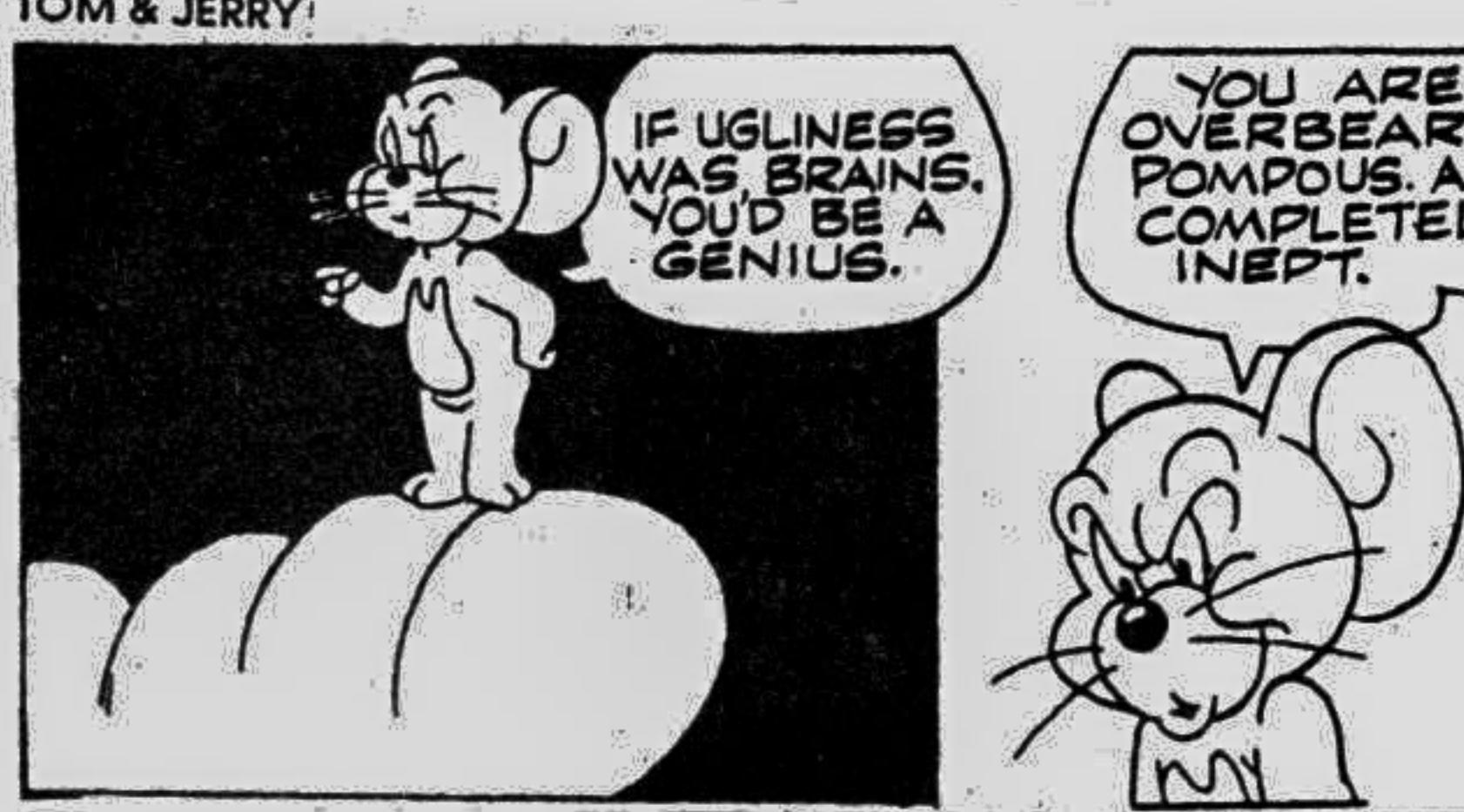
Our only hope is to be found among some of my children's generation, young people lucky enough to be crippled neither by the limitations imposed by the *nakba* nor by the dreadful lack of freedom and enlightenment prevailing in the Arab world today. Otherwise we might as well say that we already have a Palestinian state (declared, you will remember, in 1988) and so why bother.

Thus the next phase with Ehud Barak and the others negotiating away happily will go forward as planned. There's no point in being too enthusiastic about its narrowly ungenerous results, which are already clearly mapped out. Beyond that the process is considerably slower and longer range. As I have tried to characterize it, it is where emphasis needs to be placed as much in terms of awareness as in terms of concrete steps.

What needs more reflecting on is the relationship between this process in its Palestinian form and similar currents in the Arab context, where once again the longer term view is far more important and hopeful than anything the next political phase might succeed in fulfilling. But that is a subject for another article.

Courtesy: The Dawn of Pakistan

TOM &amp; JERRY



By Hanna-Barbera

