

The Changing Face of Aid and Development

The concept of aid in support of development, and the institutional structures needed to support that, really emerged towards the end of the Second World War. The key international financial institutions, the International Monetary Fund and the International Bank for Reconstruction and Development, or World Bank, were set up at the Bretton Woods Conference on the East Coast of the US. On the other side of the Continent, the United Nations, essentially a political construct but which would increasingly become involved in development issues, was established.

The main purpose of these new institutions was to support the political and economic reconstruction of war-torn Europe. Unsurprisingly, they reflected the political and economic realities of the day. Seventy years on, those structures remain in place, its decision-making processes still largely reflecting the world of 1945.

The US was keen to help its Allies in Europe rebuild its infrastructure, and in 1947 the so-called 'Marshall Plan' was put in place. In addition to its economic purpose, the US wanted to ensure that Soviet influence did not spread westwards, and was particularly keen that Greece and Turkey should not become Communist countries. They became major recipients of US aid, and for the next four or five decades political considerations loomed large in decisions about allocations of aid.

Another key element in the mid-20th Century was the decolonisation process. This began soon after the Second World War with the independence of India, and the late 1950s and early 1960s saw many countries in Africa becoming independent, with Ghana leading the way in 1958 and the countries of East Africa, including Tanganyika, following in the early 1960s.

Of course many of the administrative structures in those countries – legal systems, health services, schools and universities – were based on the English model, or the French model, or the Portuguese model etc. etc, and those structures and systems continued to have support from the former colonial powers, in the form of financial assistance or the provision of personnel.

So by the 1960s we already have the key elements of aid, or official development assistance. It can be multilateral, through the international financial institutions like the World Bank, or bilateral through country to country programmes. These bilateral programmes could take the form of financial or capital aid, usually to support specific projects, or the provision of technical assistance or expertise. New institutions burgeoned – new regional development Banks, new 'windows' linked to those Banks to provide grants and soft loans to countries which were not creditworthy, new bilateral aid agencies.

So far, so good. But politics got in the way. In the early 1960s, the general expectation was that Africa would flourish and that Asia would flounder. It proved to be the other way round. This was partly because of the Green Revolution in Asia, but also because what was a Cold War in Europe and the North became an increasingly hot war in Africa. The 1970 and '80s in particular saw a significant increase in dictatorial regimes in Africa, supported either by the West or the East, and a significant increase too in revolutionary movements, supported by the other ideology. Some individuals and elites benefited hugely; most of Africa and Africans lost out monumentally.

It is hard to over-estimate the significance of the fall of the Berlin Wall in late 1989. The countries of eastern and central Europe were keen to move towards a closer relationship with the west, and many of them aspired to become members of the European Union. The conditions for doing that were economic and political liberalisation, democratisation, free and fair elections, improved governance, respect for human rights etc – all things which those countries wanted anyway. Significant technical assistance programmes were put in place to help with this transition.

It was not long before aid donors saw the logic of applying those same principles to their development programmes. With the Cold War over, the pressures to use aid for largely political purposes had receded, and with it the practice of supporting some pretty unsavoury regimes simply because they professed to have the right ideology. So those same principles – respect for rights, better governance, free and fair elections – increasingly came to inform development programmes, and programmes became increasingly conditional on those reforms being implemented.

There was at the same time a recognition that the so-called ‘developing countries’ should take on increasing responsibility for, and ‘ownership’ of, their development programmes, and decide on their priorities rather than having them decided by the World Bank or the major bilateral donors. This did not happen overnight, but the 1990s saw a major shift in this direction, for example with ‘developing countries’ producing ‘Poverty Reduction Strategy Papers’ (PRSPs) as a focus for development support and Ministers of Finance rather than senior World Bank officials chairing so-called ‘Consultative Group’ meetings.

In the mid/late 1990s too increasing thought was being given to whether it might be possible to develop general, broad targets for poverty reduction which could inform efforts across the board rather than just in individual countries. A set of so-called ‘International Development Targets’ was developed, and subsequently modified to take into account the conclusions of some of the UN Conferences which had taken place in previous years and some of the language agreed in the ‘Millennium Declaration’ of September 2000. This new set of development objectives became known as the ‘Millennium Development Goals’.

The over-arching Goal was to reduce by half the proportion of people living in absolute poverty by 2015, with a number of more specific Goals largely around basic health and primary education. The implicit but essential compact was that ‘developing countries’ would put in place the necessary policy measures to make progress towards the Goals, and the donor countries would provide some of the financing required.

Goal 8 of the MDGs committed donor Governments to be more coordinated in their programmes, and to lift some of the huge burden put on the developing countries to provide individual reports and meet many different types of reporting requirements by the international community – a huge problem, as I remember discussing in the mid-1990s with the then Permanent Secretary in the Tanzanian Ministry of Finance, Peter Ngumbulluh. Whilst some support for specific projects continued, increasingly donors worked collaboratively with the recipient country to support particular sectors or programmes and in some cases, where they had a good deal of confidence in the transparency and accountability of the recipient Government, official development assistance might be in the form of direct budgetary support.

As the early years of implementation of the MDGs unfolded, it became increasingly evident that progress in basic health and primary education could not be achieved simply by making interventions in those areas. Progress was not possible unless there was basic peace and security and unless there were reasonable standards of governance. With those things in place, it was possible to begin to build the health and education systems needed to deliver on the MDGs. But those systems could not be developed and sustained without significant economic growth, and that would not happen without a significant role given to the private sector. The private sector would only thrive if there was a functioning physical infrastructure. Foreign Direct Investment would only flow if there was a functioning legal and judicial system to provide redress in the case of disputes.

Even looking at the education system alone, it became evident as time went on that children going to primary school needed good teachers to thrive, and that would only happen if there was also a functioning secondary and tertiary education system. And they also needed the education infrastructure if it was all to work – the buildings and the books.

This might all seem rather obvious, but it was in fact the Commission for Africa in 2004/2005 which set out these arguments for an integrated and holistic approach very clearly in its 2005 Report 'Our Common Interest'. I was very privileged to be the Head of Secretariat to the Commission, which was chaired by then British Prime Minister Tony Blair and included two Tanzanian members, President Benjamin Mkapa and Anna Tibaijuka, then Head of UN Habitat.

We did a follow-up Report – 'Still Our Common Interest' in 2010 – and launched the consultation process in Dar es Salaam at the Africa World Economic Forum meetings which took place in Dar that year. The world had changed quite dramatically over those five years. It was very evident that the progress which we had noted in the 2005 Report had accelerated in Africa, and growth rates of 7% or more, the rate at which the size of the economy would double in a decade, were not uncommon.

This contrasted very markedly with growth rates in the so-called 'developed countries', which had practically stalled in the wake of the global financial crisis (or as the Chinese prefer the 'north atlantic financial crisis') and were now struggling along at one or two percent a year. China, whose economy was at this stage bounding ahead at more than 10% growth a year, was becoming an increasingly significant player in Africa. The G8, which still continued to call the shots in 2005, had after 2008 become far less important and was leaking power almost by the day to the G20.

We are now another five years down the road. Contrary to the expectations of many, the world has made remarkable progress towards the achievement of the MDGs. The overall objective of halving the proportion of people living in absolute poverty has been met. Far fewer mothers are dying in child-birth; far more of their children are living past their fifth birthday and going on to a full and decent education. Aid can take some of the credit for this; but the crucial factors have been strong economic growth (which in China and India has helped pull hundreds of millions of people out of poverty) and better policies. And Africa has chalked up its share of success.

Where next? The second half of 2015 will be rather crucial in setting the pattern for the next 15 years. In mid-July Addis Ababa will host the Financing for Development (FfD) Conference, a

precursor to the Sustainable Development Goal Conference in New York in late September –of which more shortly. In Paris in December will be a major Conference on the Environment and Climate Change, perhaps the biggest meeting of Heads of Government and Heads of State ever. And in Nairobi, also in December, will be the WTO Ministerial meeting.

A bit more on the Sustainable Development Conference. The MDGs conclude at the end of this year. A consultation process has been going on for the past two or three years on what should succeed them – because whilst there has been significant progress, the job remains unfinished. Halving the proportion of people living in absolute poverty still leaves significant numbers of people living in poverty. Too many mothers still die in childbirth; too many children die of preventable diseases. And whole groups of people have been largely left out, for example people with disabilities and from ethnic minorities.

In order to get the process under way, the UN Secretary-General put together a High Level Panel with three co-chairs, the Presidents of Liberia and Indonesia and the Prime Minister of the UK. They reported at the end of May 2013, and proposed a number of what they described as ‘transformative shifts’. One of these was to ‘leave no-one behind’, so ending absolute poverty and hunger for all by 2030’. A second crucial recommendation was to bring together development and environmental issues, noting the overwhelming significance for development of environmental and climate change, which were largely dealt with in separate fora from traditional development discussions.

Those recommendations were accepted by the Secretary-General, whose own Report later that year was entitled ‘A Life of Dignity for All’, in which he noted that: ‘Ours is the first generation with the resources and know-how to end extreme poverty and put our planet on a sustainable course before it is too late’. Importantly, he also said that this should lead to a ‘single, balanced and comprehensive set of goals, universal to all nations’. That word ‘universal’ matters; the so-called ‘developed countries’ needed to take policy action as well as provide resources.

These issues were then picked up by the so-called ‘Open Working Group on Sustainable Development Goals’ established after the Rio + 20 Summit, which produced its ‘Outcome Document’ in July 2014. It achieved a remarkable degree of consensus, largely by accommodating a very wide range of views and opinions in its proposed 17 Goals and 169 Targets – views and opinions which reflected not only discussions in the Group but a very broad, global consultation process. This contrasts with the MDGs, which were put together by a relatively small group of officials from the UN, OECD, and World Bank.

In December of last year the UN Secretary-General issued his own assessment of the post-2015 agenda in his so-called Synthesis Report, called: ‘The Road to Dignity by 2030: Ending Poverty, Transforming All Lives and protecting the Planet’. Remarkably, the 17 Goals and 169 Targets still survive in spite of six months of detailed negotiation and discussion, and it looks very much as if they or something which looks very like them will be agreed in New York at the end of September. It may be a bit difficult to remember all of them – but the key thing is that they bring together the three key pillars of growth, equity and sustainability.

This is going to require a bit of a re-think of aid and development. In the overall scheme of things, aid will become of diminishing importance. It will remain a significant resource for countries like Tanzania for the next few years, perhaps until 2030 – but remittances and investment will assume greater importance as time goes on. Creating the right environment for the private sector to flourish will be crucial. Stable – if poor- countries like Tanzania can realistically aspire to middle-income status, and bilateral aid will focus increasingly on fragile states and countries emerging from conflict, largely in Africa.

As the importance of country to country bilateral aid generally diminishes, however, aid will have a continuing significant role to play in supporting ‘global public goods’. Deadly diseases that have no respect for national boundaries; the pollution of the oceans; the reduction in global biodiversity; climate change – these are all issues which affect everyone and which cannot be addressed on a country by country basis. So it is very important that the world works together to address them, on the basis of ‘common but differentiated responsibilities’ – the principle that those countries which can afford more, and which have made a disproportionately high contribution to some of the global public ‘bads’, should do more, and aid will continue to be an important channel of support for GPGs.

There are many developed country policies which can impact on the developing countries. Aid quality and quantity is clearly one of them. But so – and often more importantly – can agricultural subsidies, trade preferences, rules of origin, intellectual property rights, incentives to invest (or not) in developing countries, tax rules etc. Support for development is not just about aid, but about having a ‘whole of Government approach’, sometimes called ‘policy coherence for development’. It is very welcome that the draft SDGs include measures which would – for example – address trade restrictions and distortions in world agricultural markets, and end fisheries subsidies which contribute to overfishing and destructive practices.

There will be many challenges to face over the next decade and a half. The risks of global nuclear conflict, so real in the 1960s, have diminished (though not gone away entirely). Terrorism, often driven by religious fundamentalism, is an increasing threat, and like other global public bads does not recognise national boundaries. The power structures of 1945 are still largely reflected in the world’s key political and financial institutions, and they must change to reflect the new world of 2015 if they are not to be sidelined – the BRICS in particular have become impatient with the status quo, and the creation of the new ‘BRICS Bank’ and the Asia Infrastructure Investment Bank mean that the IMF and World Bank will diminish significantly in importance. And the same is true on the political front in the UN. There will be challenges too associated with the role of the nation-state, with the shift in one direction as regional blocs develop and in the other as local organisations demand an increasing say in their governance.

Is it possible that the aspirations of the SDGs can be achieved, and that by 2030 we could really see a world in which absolute poverty is reduced to zero? It is certainly increasingly clear that international development is not (if it ever was) about ‘us’ and ‘them’, but about mutual interest. A healthy, inclusive and sustainable global economy is good for everyone. So is a world in which everyone has access to health and education and decent employment. And so is a world in which capacity can be developed, information shared and action taken to combat threats, whether natural (pandemics) or man-made (terrorism).

Notions of North/South are giving way perhaps to the notion of 'solidarity' – a curiously old-fashioned word but one which accurately and precisely identifies a recognition of the need to find shared solutions to shared problems in a shared world. An important part of that is moving away from some rather tired images. The progress made in many African countries against the MDGs has been hugely impressive; but in the eyes of many outside, Africa remains the Continent of failure and incompetence, of corruption and inequality – images which may have had some justification in the Cold War years, but which with few exceptions are now outdated and inaccurate.

Yes, we can move to world in which absolute poverty is largely a thing of the past by 2030. Aid will have a continuing role to play in bringing us to that point, but in the last resort development is about societies making progress in their own way and through their own efforts. We need increasingly to think about society in global terms, having to address common and mutual challenges, whether around growth, equity or sustainability. These are significant challenges, for countries like the UK as much as for countries like Tanzania. How we address them over the next decade and a half will be crucial for the well-being not just for the people of those countries but for the well-being of the Planet itself.

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