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Aid and Development in the 1990s

Introduction

Momentous political and economic events shook the established world order during the early 1990s and shaped the future course of aid and development. In 1990, the world rejoiced for the freeing of Nelson Mandela and the end of apartheid soon thereafter. In 1991, the peaceful demise of the Soviet Union and the abandonment of central planning ushered a period of international cooperation on global issues and a somewhat exaggerated emphasis on the role of the private sector in development. The parallel rise of China and the spread of globalization created new challenges and opportunities for the developing world which had just started to recover from the 'lost decade' of the 1980s. While developing country experience with growth and poverty reduction was overall significantly better than during the debt-ridden 1980s, performance was extremely varied: China and East Asia were moving rapidly ahead leaving sub-Saharan Africa far behind.

Reducing global poverty became the clarion call of aid institutions all over the world. In 1990, the United Nations Development Programme (UNDP) launched its first annual Human Development Report highlighting different dimensions of poverty and human deprivation. The World Bank's 1990 World Development Report (WDR) on poverty with its striking black cover was symbolic of the growing emphasis placed on poverty reduction by both multilateral and bilateral aid agencies. A new theme was emerging from these declarations: developing countries had to take charge of their own destiny. They should be in the driver's seat in shaping plans and programmes to reduce poverty. Aid should be used to address partner country objectives, not to promote developed country political and economic interests.

But by the middle of the decade, on the ground reality still differed greatly from these lofty pronouncements. The burden of debt had not been fully lifted from poor countries—aid allocation had not adapted significantly to reflect changing developing country needs, and old-style aid continued to suffocate developing country governments and impede progress. It was in this generally benign and supportive international political context when international goodwill was forthcoming, but implementation was lagging, that four development ministers coincidentally came to office in the UK, Norway, the Netherlands, and Germany, all important donors, and instigated major improvements in aid effectiveness and development policy globally.

This chapter will first summarize the development progress and the varying needs for external assistance of different groups of developing countries in the 1990s. Next, the emerging consensus on how to best utilize economic assistance to reduce poverty will be discussed including the various pronouncements coming out of the global UN conferences and their links to the establishment of the International Development Goals (IDGs) in the OECD. The last section will review the main shortcomings of development cooperation implementation, requiring policy reforms to increase aid effectiveness in reducing poverty.

Progress in Reducing Poverty

Riding a wave of globalization with expanding international trade and investment, global incomes rose substantially in both developed and developing countries in the 1990s.[1] Developing country growth and poverty reduction improved significantly relative to the debt-ridden 1980s. But it was extremely varied. And globalization raised the spectre that poor people in poor countries would be left behind unable to cope with external forces beyond their control.

The East Asian countries used export-led growth to move rapidly ahead and were able to halve the number of poor living in absolute poverty between 1990 and 1999. The results in terms of both growth and poverty reduction were so spectacular in both China and the rest of the region that by the mid-1990s the whole world was talking about the 'East Asian Miracle'. Although expectations were tempered by the financial crisis that gripped several of these countries late in the decade, the region achieved roughly double the growth rates of those in the rest of the developing world. And it was labour intensive growth with widespread benefits.

Sub-Saharan Africa was at the other extreme and appeared to be left behind. Gross domestic product (GDP) growth in the 1990s recovered from the low 1980s level and the percentage of people living in absolute poverty decreased slightly. Yet, because of high rates of population growth, the number of very poor (those earning less than $1 a day) grew by 25 per cent. The absolute number of poor people grew five times more than the figure for Latin America and twice that for South Asia in the period 1980–97. Social indicators improved but much more slowly than in other regions.

Economic stagnation in many countries caused much poverty. A handful of small countries such as Botswana and Cape Verde achieved growth rates close to 5 per cent per annum. In Ghana and Uganda, earlier reforms also started to yield results. But overall per capita growth was negative. At the same time, the continent had high levels of inequality which worsened in the 1990s. Gender inequality was especially grave with limited access for women to physical, social, and human capital.

Next to East Asia, South Asia was the region that showed the greatest progress in reducing poverty. In the 1990s, this region, which had traditionally been plagued with massive poverty, achieved substantial GDP growth, and was able to reduce the absolute number of very poor people. But at the end of the twentieth century the region was still home to half a billion very poor. A great number of them were in rural areas, largely illiterate and depending on low wage employment or subsistence farming for their livelihood.

In Latin America, the reforms undertaken in the 1980s also yielded results in the 1990s. Strong economic performance in countries like Chile and Peru contributed to robust growth throughout the region with positive results on poverty. Although the absolute number of the very poor did not change very much over the decade, their share in the population fell to 15 per cent. The poverty problem was exacerbated by income inequality. Latin America had and, despite recent progress, still has the worse income distribution among all the developing regions.

Finally, the 1990s witnessed the emergence of a new group of countries whose development drew the attention of aid donors: the countries in transition from central planning to market. Except for the developed countries, this region had the smallest amount of poverty in the world in 1990. But the sharp and protracted declines in incomes following the transition from plan to market combined with increases in income inequality resulted in the incidence of poverty more than doubling in the decade. In most countries in the region poverty was shallow with many households around the poverty line. However, there were some deep pockets of poverty in countries like the Kyrgyz Republic and Tajikistan. The new poor were largely working families with children, typically with low education levels which reduced their ability to find jobs.

Capital Flows and Assistance Needs

Over the years, external finance, both from the private sector and foreign aid, have made important contributions to development. On the other hand, a variety of ill-advised policies in both developed and developing countries resulted in unsupportable debt burdens that constrained development in the 1980s.

In the 1990s, strong growth performance in East Asia as well as the Latin American rebound were supported by a massive increase in private capital flows. Initially, these flows went to a small group of countries primarily in these two regions. In the following decade they were to spread also to other Asian countries and sub-Saharan Africa. The increased private capital flows in the 1990s were of two kinds: foreign direct investment (FDI) and portfolio and bank lending.

FDI flows grew for three reasons. First, there was a general improvement in the global attitude towards the role of private capital in growth and development deriving in part from the demise of the system of central planning and

the dissolution of the former Soviet Union, which carried over to attitudes in developing countries. Second, there was a genuine belief that FDI could be beneficial to developing countries by combining their cheap but productive labour with the superior technology brought in by multinationals to produce both for the domestic and export markets as part of the emerging global value chains. Third, multinationals started to exploit significant advantages in offshore production resulting from differential taxation of corporate profits in both the developed and developing world.

The increased flow of loans and portfolio investment resulted from two major developments: first, starting in 1989, the international community helped address the debt problems of the middle income developing countries and restore their creditworthiness through the so-called 'Brady' schemes that reduced their debt burden to private creditors in exchange for increasing the security of being repaid.[2] Through the 1990s, seventeen developing countries, many from Latin America, managed to reduce their debt burden by 30–50 per cent through these schemes and return to borrowing from the international capital markets. Second, developing countries liberalized their own controls of capital flows and the financial sector. This was not without dangers as the 1998 East Asian financial crisis demonstrated. But overall, the net effect was to increase the capacity of middle income developing countries (with per capita income more than $825 in 2004) to rely on external finance from private sources as well as borrowing from the World Bank and Regional Development Banks and reduce their needs for aid in the form of grants and loans on soft terms which are formally classified as Official Development Assistance (ODA, see Box 1.1).

At the same time there were increased needs for assistance to a number of poor transition economies. However, the bulk of the latter's financing needs could be addressed through financing from the World Bank, bilateral export credit agencies, and the newly established European Bank for Reconstruction and Development (EBRD), all of which provide assistance through loans on harder terms.

This meant that by the middle of the decade, the main needs for concessional resources (ODA) were in sub-Saharan Africa and to a lesser extent South Asia, which continued to have many poor but where substantial GDP growth was moving countries like India to lower middle income class status. These changing needs should have been reflected in ODA becoming more focused on poor countries, particularly in sub-Saharan Africa. They were not. In fact, ODA to sub-Saharan Africa declined between 1990 and 2000 both in absolute terms and as a proportion of total ODA.

Total ODA flows also declined over the decade and bilateral ODA declined even further. In particular, US aid fell by 30 per cent from $18.5 billion in 1990 to $13.2 billion in 2000. Bilateral aid from other donors increased somewhat, but not enough to make up for the US decline. The changes in aid levels did not appear to be the result of changing developing country needs but rather the result of other

Box 1.1. A primer on foreign aid and other official finance for development

Developed countries provide economic assistance for different reasons, in different forms and on different terms. Official Development Assistance (ODA) includes assistance given as grants or loans from the donor's public sector for developmental purposes, net of repayments of previous aid. Only concessional loans, on soft terms with a grant element of at least 45 per cent for low income countries and Least Developed Countries (LDCs) are included (10 per cent for other countries). The grant 'element', i.e. the extent to which a loan is like a grant, is calculated by reference to how different the interest rate and maturity of the 'aid' loan is relative to a benchmark interest rate (5 per cent) and maturity for loans given by commercial banks. It includes flows from the World Bank's International Development Association (IDA—the World Bank's 'soft' loan window) and other Multilateral Development Banks (MDBs) 'soft' windows which are provided on ODA terms. Other official flows (OOF) from these institutions which are on harder terms than ODA but softer than what can be obtained in the private capital markets from banks or through the issuance of bonds, as well as other official flows from bilateral donors, which do not qualify as ODA, are measured separately. Most International Monetary Fund (IMF) financing is excluded because it is too short-term to qualify, as is all military assistance. ODA is extended in the form of expert services (technical assistance) which for bilateral donors are usually provided as grants, direct shipments of goods, financing for the purchase of goods and services, or as cash for budget support.

factors: the easing of the cold war tensions reduced the amounts of aid channelled to countries primarily for geopolitical 'security' objectives. At the same time there was increasing donor aid fatigue and decreasing public support for aid, for example to sub-Saharan Africa, as it did not appear to yield results. Therefore, increased attention started to be directed to aid effectiveness and especially on its impact in reducing poverty.

Poverty Focus

In the early 1990s, World Bank management under pressure from its board, in particular the executive directors of the Nordic countries and the Netherlands, started to operationalize the WDR findings on poverty by developing a Poverty Handbook and initiating a series of country poverty assessments. That same year

it introduced a programme of targeted interventions which included projects that either had a specific mechanism for targeting the poor or involved a higher proportion of poor people among the beneficiaries than in the whole population. Over the next several years these projects were to rise to about a third of total World Bank lending, but around 50 per cent of its soft IDA loans to poor countries and even more in sub-Saharan Africa.

The assistance programmes also had a different slant: recipient government ownership was being emphasized. The World Bank was encouraged to persuade governments to undertake reforms rather than prescribe conditions. There was the beginning of understanding the fundamental fact that if policymakers in developing countries themselves want the reforms or are persuaded of their usefulness, conditionality is not needed; and if they are not, it will not work. Therefore, there was a shift of emphasis in giving assistance on the basis of *reforms already completed*.

All too often in the past the World Bank and the IMF would persuade Ministries of Finance, who needed the external financing, to commit to reforms which did not have the support of the sector Ministries that were supposed to implement them (Box 1.2). In order to ensure that reforms were based on full government ownership, the World Bank started to develop so-called policy framework papers (PFPs), supposedly with the country's government, which attempted to provide a comprehensive perspective on needed reforms.

In the 1980's the IMF was the main target of people concerned about poverty as demonstrated by the publication of the volume *Adjustment with a Human Face*.[3] The main concern was that IMF stabilization programmes ignored their effects on poverty. And as the World Bank was perceived, sometimes unfairly, to be in step with its sister organization, it also became the target of widespread criticism. It was hoped that things would change with the elaboration of the PFPs in which the IMF would have an input. Things did start to change, at least in principle on paper, as some of the IMF documents in the early 1990s demonstrate.

The increased poverty focus was also reflected in pronouncements of bilateral donors articulated in the Development Assistance Committee (DAC) of the OECD, which since the early 1960s had been the main forum for articulating aid policies of developed country members of the OECD. Bilateral donors, concerned about weakening constituencies for aid, needed ways to improve its effectiveness, explain its purpose, and showcase its results. In 1991 the DAC launched its first Development Assistance Manual and in 1992 it produced Principles of Aid Effectiveness aimed at disseminating 'best practices' for aid effectiveness. In 1995 the DAC High Level Meeting Communique stressed that the principal responsibility for development rests with each developing country and emphasized the importance of integrated strategies for development addressing economic, social, and environmental objectives.

Box 1.2. Global governance and coordination on aid

Bilateral economic assistance policy and programmes are frequently housed in sub-cabinet-level agencies under the general supervision of Foreign or Finance Ministries. A few countries (Germany, the Netherlands, and the Nordics) traditionally had Development Ministers at cabinet level, as had the UK since 1997. Bilateral assistance programmes of members of the OECD are coordinated by its Development Assistance Committee (DAC). Policy in the IMF and the Multilateral Development Banks (MDBs: World Bank and the Regional Development Banks) is made by their boards of Executive Directors, which represent constituencies of one or more members. Government representatives at the IMF are appointed by Ministries of Finance and/or Central Banks and meet twice a year in the so-called 'International Monetary and Finance Committee' (previously called 'Interim Committee'). Representation at the MDBs is mostly by the Ministry of Finance, and in a few cases by cabinet-level Ministries for Development Cooperation. Coordination between the IMF and the World Bank is done at ministerial level in the 'Development Committee' where representation is either by Ministries of Finance or cabinet-level Ministers of Development Cooperation. UN representation is either by Ministries of Foreign Affairs or in the case of specialized agencies by the appropriate sector ministry, for example health in the World Health Organization (WHO), agriculture in the Food and Agriculture Organization (FAO).

Finally, the World Summit for Social Development held in Copenhagen in 1995 reached a new consensus on the need to put people at the centre of development: it pledged to make the conquest of poverty, the goal of full employment and the fostering of social integration the overriding development objectives.

Global Initiatives 1990–1996

The early 1990s witnessed a significant increase in global initiatives with major implications for development. Two of these initiatives on debt and trade reflected the culmination of a long process of negotiations started in the 1980s.

On debt, while the 'Brady' schemes had helped middle income countries, many poor countries were still facing an unsustainable debt burden. Most of the forty so-called Highly Indebted Poor Countries (HIPCs) were in sub-Saharan Africa. Their debt burden had been reduced somewhat by unilateral initiatives by a number of bilateral donors, such as the UK, who cancelled debt owed by low

income developing countries, especially LDCs. But HIPCs were also saddled by large debts to multilateral donors such as the World Bank and the IMF.

After considerable pressure from NGOs, especially Oxfam and the Jubilee Coalition, the international community finally established the HIPC programme to reduce the debt burden of poor developing countries in 1996. Eligibility was limited to low income countries which met the per capita income criteria for soft loans from the World Bank's IDA and the IMF's Enhanced Structural Adjustment Facility (ESAF) that provide grants and interest free or heavily subsidized loans. The countries also had to meet several requirements besides an unsustainable debt burden: a good track record of reforms under IMF/World Bank programmes and a PFP, the World Bank's new vehicle for defining the strategy of collaboration and lending with its developing country members. The most important breakthrough of this initiative was the opportunity for eligible countries to reduce debt not only for commercial creditors—of which they had little, but also official creditors as well as multilateral institutions such as the World Bank, the IMF, and the African Development Bank.

On trade, the 1994 Marrakesh conference resulted in the conclusion of the Uruguay Round of multilateral trade negotiations, which had started a decade earlier, and the establishment of the new World Trade Organization (WTO). The latter introduced many global rules that were designed to provide special and more favourable treatment for developing countries' trade and even greater benefits for the LDCs. It also created new challenges in requiring developing country commitments to safeguard intellectual property as well as establish sanitary and phytosanitary standards which, for lack of institutional capacity, these countries were ill-equipped to implement. To address these weaknesses the WTO charter contains many developed countries' promises to provide developing countries with additional technical and financial assistance.

The reduction in global political tensions following the break-up of the Soviet Union contributed to the convening of several UN-sponsored conferences that resulted in recommendations on specific targets for improving various dimensions of poverty as well as what the international community should be doing to help developing countries achieve them. In addition to the Copenhagen Summit of Social Development mentioned earlier, there were conferences on children (New York, 1990), Education for All (Jomtien, 1990), the environment (Rio, 1992), population (Cairo, 1994), and the status of women (Beijing, 1995).

In 1996, the DAC picked up and consolidated the conclusions and recommendations from the various conferences and prepared a report whose first part presented a set of International Development Goals (IDGs) that were intended to guide bilateral donors in the provision of economic assistance, which by that time all had agreed—at least in principle—should be focusing on poverty reduction (see Box 1.3). The second part recommended a partnership approach to development cooperation that was to form the basis of future donor–recipient relations.

Box 1.3. The original OECD International Development Goals

- a reduction by one half in the proportion of people living in extreme poverty by 2015
- universal primary education in all countries by 2015
- demonstrated progress towards gender equality and empowerment of women by eliminating gender disparity in primary and secondary education by 2005
- a reduction by two thirds in the mortality rates for infants and children under age 5 between 1990 and 2015
- a reduction by three quarters in maternal mortality rates between 1990 and 2015
- access through the primary care system to reproductive health services to all individual of appropriate ages as soon as possible and no later than 2015
- implementation of national strategies for sustainable development in all countries by 2005 so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global national levels by 2015

We commit ourselves to do the utmost to help:

- by a willingness to make mutual commitments with our development partners supported by adequate resources
- by improving the coordination of assistance in support of locally owned development strategies
- by a determined effort to achieve coherence between aid policies and other policies which impact on developing countries[4]

A key objective of the initiative was to generate support for reversing the downward trend in bilateral ODA: the idea was that aid fatigue could be battled by effective communication of its purposes to the public and ensuring that aid could contribute to achieving the IDGs. It could be argued that 'there is no such thing as aid fatigue. There is, however, fatigue among northern taxpayers and parliaments when it comes to bailing out local elites who fail to deal with poverty in their own country, and who prefer to continue rent seeking instead of pushing for reform in order to achieve real and sustainable poverty reduction.'[5]

While the IDGs were essentially agreed by the global community in UN conferences which were dominated by the very large number of developing country members—as UN conferences typically are—the adoption of the IDGs

by the DAC gave them an unwelcome imprimatur. It appeared that they were being pushed by the donor community at a time when there was a strong consensus that development priorities should be determined by the recipients—not the donors.

Initiatives and Realities

As the second half of the 1990s began to unfold, it became apparent that on the ground realities in developing countries had not materially changed to reflect the lofty objectives of the global initiatives. This was not unexpected: ministers are often content with signing an uplifting resolution in New York or Geneva and then returning home without an intention to translate these into national policies. Similarly, it takes time for sclerotic bureaucracies to implement the dictates of their far away leadership in Washington or London.

First, there was a long-standing commitment of developed countries to provide ODA amounting to 0.7 per cent of their GDP. This commitment was made back in the 1970s. It had been reiterated in a very large number of UN and other international conferences for more than two decades and had been supported in principle by all developed countries except the USA. In 1993, it had been modified conceptually to relate ODA to gross national income (GNI). But in practice by the mid-1990s only four countries met or surpassed it: Denmark, the Netherlands, Norway, and Sweden, all of whom had done so for two decades. And the averages were declining for the OECD as a group.

On trade, it became obvious very quickly that the aid commitments made by developed country trade ministers had not been made in consultation with their colleagues who actually decided aid policy and budget. As a result, there was little increase of aid for trade for more than a decade. This lack of policy coherence was to bedevil international cooperation efforts for many years to come.

It turned out that the HIPC initiative also suffered from significant shortcomings: in country after country the savings obtained from debt relief did not result in more resources being invested in health, education, and other social needs critical to addressing poverty issues. Moreover, the criteria used for providing debt relief were too stringent—thus few countries were able to qualify, and the relief obtained early on was quite limited.

Old-style aid continued to dominate practices. Project-oriented World Bank staff tended to view ‘poverty projects’ as a separate sector, rather than try help to develop coherent poverty reduction programmes. Recipient governments did not have the institutional capacity to draft the new World Bank PFPs and had to rely on the staff of the Bretton Woods institutions for their preparation. PFPs written in Washington did little to improve developing country government ownership.

> In Tanzania, the original draft of the 1994 PFP was done in Washington. Although it appeared that significant give and take between the government and the staff of the World Bank and the IMF, the government found itself negotiating amendments to a document prepared by others, thus producing an outcome which doubtless differed substantially from that which would have resulted from a more genuinely consensus building document. Moreover, the World Bank then effectively reneged . . . by introducing additional conditionalities during the negotiation of a new structural adjustment loan.[6]

According to a local bilateral aid official, 'there is no way the World Bank can be influenced in what it has made up its mind to do'.[7] Such arrogance, reported in contacts between World Bank officials and African policymakers in early 1980s, was thought to have stopped.[8]

Despite lip service to the principles of aid effectiveness as articulated by the OECD, bilateral donors were also guilty. An evaluation of the Dutch aid programme stated that country policy documents are prepared by the Dutch aid bureaucracy without recipient government involvement in their preparation:

> Each donor has its own aid policies and 'agenda' and is anxious to pursue its own objectives even when these are not shared by the government. Constitutional, parliamentary and accounting requirements aimed at ensuring proper accountability for the use of taxpayer's money may also increase donor intrusiveness, a tendency that can only be enhanced by the perception already noted that corruption is a large and growing problem in Tanzania.[9]

The situation in Tanzania was reflected in the technical assistance programmes elsewhere in sub-Saharan Africa:

> In almost all African countries . . . aid donors orchestrate the technical cooperation show. They conceive most project ideas, arrange their design, hire most of the experts, and oversee implementation . . . The most significant (cost and inconvenience) is that African authorities have little ownership of activities with which they have been so little involved, making commitment problematic . . .[10]

Traditional technical assistance tended to supplant local capacity, undermine local knowledge and institutions and render recipient countries more vulnerable and dependent on aid. There were many reasons for these shortcomings.

In general, donor-driven projects were not derived from aid recipients' development priorities and reflected donor attitudes that 'they know better', 'they lecture, and recipients listen', 'they give, and poor countries receive', 'they take care of things, because poor countries cannot'. Such attitudes perpetuated aid dependence and destroyed people's motivation to take charge of their own futures.

Donors continued to demand ways to make their projects visible: ministers wanted to have a photo opportunity and hoist their national flag in front of the little school that their taxpayers' money had built—without considering how recurrent costs such as teacher salaries would be paid. 'Cooperation is about giving serious priority to the interests of developing countries, instead of using aid money to serve the interests of some sub-group or for marketing the donor's own products.'[11] The problem was exacerbated in the mid-1990s as the number of small bilateral donors grew (e.g. the new EU member states, for whom this was one of the conditions for EU membership).

There was also uncoordinated proliferation of projects. There were apparently 2,000 ongoing projects by forty donors in Tanzania in the early 1990s. This reflected both weaknesses on the part of the government to define and insist on priorities as well as donor commitment to their vested interests for identifiable 'monuments'.[12]

EU aid programmes during this period were characterized by fragmentation and incoherence: there were programs for the ACP countries (former colonies in Africa, Caribbean and the Pacific); and there were also programmes for Latin America. There were others for the countries of the former Soviet Union and more still for the Mediterranean area. All these without a consistent policy focus or approaches to address poverty problems in recipients.

The UN also contributed greatly to project proliferation and fragmentation:

> At the country level, operational incoherence between UN funds, program and agencies is most evident. More than one-third of UN country teams include 10 or more UN agencies on the ground at any one time. Several teams include 20 or more. The cost of doing business with the UN is thus too high for both recipient countries and donors.[13]

Project fragmentation and proliferation burden the capacity of developing countries to deal with multiple agencies. At one point it led the Tanzanian government to call a 'holiday' during which no aid agency would be permitted to visit their government counterparts, so they could focus on defining and governing their own priorities.

Partner institutions continued to suffer from serious weaknesses, including corruption—sometimes abetted by multinationals, especially in extractive industries. Until the mid-1990s this was the 'elephant in the room' that nobody wanted to talk about or face up to, despite its huge economic and social costs (see Box 1.4). Instead, several donors, including the World Bank, introduced their own management teams to implement projects in so-called project implementation units (PIU) to ensure 'their' dollars and deutschmarks would be well spent. Such practices naturally did nothing to strengthen institutional capacity development in partner countries: on the contrary, as most often the most capable civil servants

Box 1.4. Corruption: the elephant in the room

Corruption is a serious problem which afflicts all societies in varying degrees. For a long time, it was not talked about either in developed or in developing countries. The following is a summary of a very complex and important issue which started to receive attention in the mid-1990s, but on which detailed information has been developed only recently.

'Corruption impacts societies in a multitude of ways. In the worst cases, it ***costs lives****. Short of this, it undermines moral standards and can cost people their freedom and their wealth. The cost of corruption can be divided into three main categories: political, social and economic.*

Corruption is ***a major obstacle to democracy and the rule of law****. In a democratic system, offices and institutions lose their legitimacy when they are misused for private advantage. This is harmful in established democracies, but even more so in newly emerging ones. It is extremely challenging to develop accountable political leadership in a corrupt climate.*

Corruption ***corrodes the social fabric****. It undermines people's trust in the political system, in its institutions and its leadership. A distrustful or apathetic public can become yet another hurdle to challenging corruption.*

Corruption ***depletes national wealth****. Corrupt politicians invest scarce public resources in projects that will line their pockets rather than benefit communities, and prioritize high-profile projects such as dams, power plants, pipelines and refineries over less spectacular but more urgent infrastructure such as schools, hospitals and roads. Corruption also hinders the development of fair market structures and distorts competition, thus reducing efficiency.*

Corruption ***increases inequality****. The poor lack access to decision makers, which is necessary in corrupt societies to obtain certain goods and services. Resources and benefits are thus exchanged among the rich and well connected, excluding the less privileged. They might also be completely excluded from basic services like health care or education, if they cannot afford to pay bribes requested illegally. Recent estimates show that the cost of corruption amounts to anywhere between $1.5 and $3.6 trillion or up to 5 per cent of global GDP.'*[14]

were poached for this purpose. Neither did it help to deal with the problem of corruption.

In donor countries corruption was downplayed by pro-aid actors as it had been used by aid opponents to advocate reductions in ODA. In 1992 the topic was mentioned for the first time in the DAC High Level Meeting Communique, and in 1993 two former World Bank staff, Peter Eigen and Michael Wiehen,

founded Transparency International, an international NGO to take action to combat global corruption.

The basic remedy for these problems is to transfer much greater responsibility for management of cooperation to local hands. In addition, efforts were obviously needed to strengthen local institutions, improve public expenditure management, particularly its transparency, and fight corruption.

Moreover, development assistance has traditionally involved tied procurement to the donor. This means that assistance funds had to be spent to purchase goods and services in the donor country. The practice resulted both in reducing the real value of aid by supporting higher cost, uncompetitive firms or organizations in the donor country, as well as tilting the products or services to those produced by the donor rather than those needed by the recipient. The practice had created vested interests in donor countries which were very difficult to overcome. Frequently, these interests are vocal supporters of aid programmes, provided these programmes continue to offer employment opportunities or export financing to their members. In agriculture, for example, US programmes of food assistance for a long period consisted of high-cost rice, produced in the state of Louisiana. High-cost rice consumption was thereby introduced to sub-Saharan Africa, undermining the incentives for local cereal production. In the health sector simple supplies for basic health centres are often not produced in donor countries. Tied aid thus reinforced the already existing bias for shiny hospitals with the latest equipment, dominantly accessible to the elites, at the expense of investment in basic health in rural areas.

The cost of tying aid procurement by source has been variously estimated at upwards of 30 per cent. Moreover, by radically limiting the number of potential suppliers it is also very prone to corruption. Despite several efforts within the DAC to untie bilateral assistance on a multilateral basis, tied aid still accounted for about 30 per cent of all bilateral aid in the mid-1990s, while the rest was mostly 'partially untied', that is, developing countries' suppliers could participate in tenders—but as they were not informed of these opportunities, it was very much a dead letter.

Finally, aid practices in 1990s were bedeviled by an old problem: there was an obvious lack of coherence between what governments were attempting to do through economic assistance and their policies on trade. Despite a lot of lip service, developing countries faced significant problems in accessing developed country markets in such sectors as agriculture. What was the point of development ministers offering assistance to raise agricultural production, if the resulting product increase could not be exported, or could not compete against subsidized produce exported to their markets? Similarly, while development agencies insisted that developing countries reduced public expenditure on armaments or other 'white elephants', many such projects were being promoted by their colleagues in defence or export agencies.

Again, on paper, the lack of coherence was acknowledged. For example, the European 1992 Maastricht Treaty (Article 130v) states that 'The Community shall take account of the objectives referred to in Article 130u [containing the many lofty objectives of the Community's Development Policies] in the policies that it implements which are likely to affect developing countries.' This, however, rarely resulted in concrete action.

Conclusion: Narrow the Gap between Rhetoric and Reality

Development prospects improved significantly in the early 1990s. The global economy rebounded from the lost decade of the 1980s based on increased trade and investment. The end of the Cold War ushered in a period of international cooperation that resulted in lofty pronouncements, the conclusion of new agreements alleviating debt problems in middle income countries and the launch of a new international trade organization; and foreign aid programmes started to focus on the main problem: alleviating poverty.

But the recovery was uneven, with sub-Saharan Africa falling behind; globalization was raising concerns about its impact, not on industrial countries, but on the poor in developing countries. Most importantly, the reality on the ground regarding the provision of coherent economic assistance did not reflect the high rhetoric contained in the international agreements. Action was needed to bridge the gap between rhetoric and reality. Steps had to be taken to implement the policy pronouncements. This was the international stage onto which four actors appeared almost simultaneously and started to engage the development establishment in order to design a more effective war on poverty.

Notes

1. This section is based on Chapter 7 of C. Michalopoulos, *Aid, Trade and Development* (Basingstoke: Palgrave Macmillan, 2017).
2. After US Treasury Secretary Nicholas Brady. The basic elements of the scheme involved asking creditors in the private sector to take a loss either by reducing the outstanding value of the debt or the cost of servicing it in exchange for increasing the security of being repaid.
3. See G. A. Cornia, R. Jolly, and F. Stewart, *Adjustment with a Human Face*, 2 vols (Oxford: Clarendon Press, 1987).
4. OECD, *Shaping the 21st Century* (Paris: OECD, 1996).
5. E. Herfkens, Speech at Finance for Development Conference, Monterrey, 22 March 2002.
6. Gerry K. Helleiner et al., *Development Co-operation Issues Between Tanzania and Its Aid Donors*, Report of the Group of Independent Advisors, 1995, available at http://www.tzdpg.or.tz, pp. 9–10.

7. Ibid., p. 11.
8. See K. Y. Amoako, *Know the Beginning Well* (Trenton, NJ: Africa World Press, 2020 forthcoming); C. Lancaster, 'The World Bank in Africa', in D. Kapur et al., *The World Bank: Its First Half Century*, vol. II (Washington, DC: Brookings Institution Press, 1997).
9. Helleiner et al., *Development Co-operation Issues*, p. 11.
10. Elliot J. Berg (coordinator), *Rethinking Technical Cooperation*, New York: UNDP and Development Alternatives Inc., 1993), pp. 249–50, cited in Helleiner et al., *Development Co-operation Issues*, p. 9.
11. Hilde F. Johnson in J. A. Nekkers and P. A. M. Malcontent (eds), *Fifty Years of Dutch Development Co-operation, 1949–1999* (The Hague: Jdu Publishers, 1999), p. 14.
12. Helleiner et al., *Development Co-operation Issues*, p. 13.
13. UN, 'Delivering as One', Report of the Secretary General's High Level Panel, 9 November (UN: New York, 2006).
14. See IMF, 'Corruption: Costs and Mitigation Strategies', Staff Discussion Note (Washington, DC: IMF, 2016); 'Corruption is costing the global economy $3.6 trillion every year', available at http://www.weform.org.

Development aid is aid given by governments and other agencies to support the economic, environmental, social, and political development of developing countries. Closely-related concepts include: foreign aid, international aid, overseas aid, developmental aid, development assistance, official development assistance (ODA), development cooperation and technical assistance. It is distinguished from humanitarian aid by aiming at a sustained improvement in the conditions in a developing country, rather Cultural response. Recent drug development for HIV prevention. Today, HIV (human immunodeficiency virus) remains one of the largest pandemics in the world. HIV is the same virus that can lead to AIDS (acquired immunodeficiency syndrome).Â This suggests that HIV and AIDS may have been present in the United States before 1966. But before AIDS was identified, the disease presented with other immunodeficiency conditions like Pneumocystic jirovecii pneumonia (PCP) and Kaposi sarcoma (KS). A year after scientists identified AIDS, they discovered the cause: HIV. Share on Pinterest. (The Guardian, 27 September, 1990) The Egyptian director was talking about development, and it is fairly well established that true development (as opposed to maldevelopment) is a people-centred, bottom-up process. Many development agencies would today echo the words of a Swedish report (Serageldin, 1993: 143) which demands development that is people-centred and genderconscious , that is environmentally and economically sound, and that promotes empowerment of the weak and marginalized. (. . The Importance of Activating Indigenous Languages in the Drive for Development. Article. Dec 200 Â· Third, I emphasize the role of exchange rate policies in the foreign aid and development controversies of the 1970s, 1980s and 1990s. I show that the unwillingness to adjust currency values in poor countries was at the center of most disputes between those nationsâ€™ authorities and the donor community. In dealing with these issues I focus on the role of incentives and on the poor performance of the agricultural sector in many developing countries, especially in Africa. I show that in the early 1980s, and after most of that continent had been in crisis mode for almost two decades, there were m In the 1990s, donors are giving urgent attention to the future of aid.1 The US Congress has cut foreign assistance by almost half since 1990, and has considered ending aid altogether, or folding its aid agency into the State Department. To differing degrees, many other OECD donors have also trimmed their budgets and aligned aid more closely to foreign policy.Â A further refinement of Rostow was developed in 1966 by Chenery and Strout, outlining the role for aid more comprehensively.8 It was another stages-of-development approach, also known as the two-gap model: during the first two stages of economic development, aid was required to bridge the difference between capital investment needs and domestic savings (the internal gap), and.