

Foreign Voices



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Self-determined development vs. externally controlled aid efficiency – what kind of development strategy leads to success?

Yash Tandon in a controversy with Eckhard Deutscher

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**„A seven steps strategy
out of aid dependence“**



There is a misconception in the North that development of the South is in its responsibility. There is a corresponding misconception in the South, especially among its political leaders, that the North is obliged to provide the means for their development. Some of these misconceptions go back to the colonial days. Others have their origin in the dogma nurtured during the last 25-30 years of neoliberal ideology of the World Bank, the International Monetary Fund and the “donors” that is falsely and fraudulently presented as a “consensus” – the so-called “Washington Consensus” – when in fact no such consensus ever existed. These misconceptions reinforce each other and of course the result is that people in the South are disempowered and their governments have become dependent on external aid and capital. This is the underlying reason for the persistent poverty and underdevelopment in the South.

The truth of the matter is that the theories and models behind these ideologies – camouflaged as “development” wisdom – are self-serving interests of a tiny portion of the world’s population. Out of the global population of 6.75 billion 5.7 billions build up the lower classes of whom 90 per cent live in the so-called “developing countries” of the South, and of whom about 2 billion live on less than US-\$ 2 a day.

These lower and poor classes are marginalised and made “objects” of development rather than its authors, “takers” of decisions rather than “makers”. These billions are wantonly exploited by global political and business leaders who “think” (erroneously) that they are the “providers of development” when in fact they are only enriching themselves.

In my own publication, *Ending Aid Dependence* (2008), I show that “aid” or Official Development Assistance (ODA) has been an instrument for the North to collectively exploit the South in asymmetrical power and economic relations that have seriously undermined the development of the South. I classify aid into different categories, and I conclude that the only form of aid that is useful is, what I call, Solidarity (or “Purple”) aid. Another form of aid that I call “Green/Blue” aid cannot properly be called “aid” because they are part of the legally binding commitments for the provision of global public goods, for example for climate change. The most damaging form of “aid” is ideological (or “Red”) aid, based on donor imposed macroeconomic policies and governance conditionalities.

Against this overall global picture there is a North-South divide that continues to remain a stubborn fact of the current geo-political reality. The North consists mainly of former imperial and colonizing countries of Europe, Northern America, Japan and Israel. The South consists of the former colonies and semi-colonies in Africa, Asia, Latin America and the Caribbean. Though most of these have acquired political independence they are still deeply embedded in the colonial and exploitative structures of the imperial/colonial period. They have structurally deformed economies, producing for the export market when most of them cannot even meet the basic requirements of their own domestic populations in terms of adequate food, clothing, shelter, health care, housing, education, and access to water, and energy.

The “development theorists” of the North have somehow got into their heads that the South cannot develop without capital, aid and technology of the North. The general aspect of this argument that development is impossible without capital and technology is, of course, true. Its specific aspect that these have to come from the North is false. Left out of this equation are the values added to wealth creation by labour and natural resources of the South. The last 500 years have shown that the capital and technology from the North are the main instruments of extraction of the added values created by labour and natural resources of the South for the enrichment of the North and the impoverishment of the South. In an aptly titled book *How Rich Countries Got Rich ... and Why Poor Countries Stay Poor*, (2007) the Norwegian economic historian, Erik Reinert, draws evidence from history and contemporary development practice to show that the North-South relations are severely prejudiced in favour of the North and against the South.

Borrowing from Julius Nyerere, and against the background of the struggle for emancipation from colonial/imperial economic exploitation and national oppression, development from a southern perspective may be defined by means of the following formula:

Development = SF + DF - IF, where

- a) SF is the Social Factor -- the essential well-being of the people free from want and exploitation;
- b) DF is the Democratic Factor -- the right of the people to participate in decision-making that affects their lives and livelihoods; and
- c) IF is the Imperial Factor -- the right of a nation to liberation from colonial and imperial domination.

The book *Ending Aid Dependence* suggests a seven steps strategy to get out of aid dependence and on the road to self-development. These are:

- Step 1: Adjusting the mindset** to change the psychology of dependence which years of relationship with the donors have fostered, fed, and exploited.
- Step 2: Budgeting for the poor not for the donors**, meaning that citizens should begin to work on the essential task of "budgeting for the poor" as opposed to "budgeting for the donors".
- Step 3: Putting in front employment and decent wages**, as opposed to an export-led growth.
- Step 4: Creating a domestic market and ownership of domestic resources**, as an essential prerequisite to generate employment.
- Step 5: Questioning the "resource gap"**, as the much discussed "savings" or "resource gap" is a misrepresentation of reality. Actually, there is net outflow of funds from the South to the North.
- Step 6: Creating institutions for investing national savings**, harnessing people's savings and returning these to them is the only way people can develop from their own resources.
- Step 7: Limiting "aid" to national democratic priorities**, as set by the democratic processes of the countries.

Much current thinking is embedded in false development paradigms that serve the interests of ruling oligarchies in the North but also in the South. There is much resistance in mainstream academic and policy circles against thinking outside the box. But it is necessary to do so, for otherwise the poor of the South will be consigned to poverty for generations to come.

Eckhard Deutschert

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OECD Development Assistance Committee (DAC)

**„It's about the strategic relevance
of development policy“**

The first decade of the twenty-first century could go down in the history of development policy as the decade in which a crucial paradigm shift took place, conceptually as well as politically. Following the Paris Declaration (2005) and the Accra Agenda for Action (2008), the member states of the OECD's Development Assistance Committee (DAC) can no longer be perceived as wanting to "develop the South". National interests openly used to govern development policy, however international donor countries have learnt that it is in their strategic interest to ensure that development investments yield lasting results. The effectiveness of development policy, so called "aid effectiveness", has become the cornerstone of global efforts, not least due to the high expectations associated with the United Nation's Millennium Development Goals (MDGs).

The MDGs continue to shape the agenda of international development policy. In particular with the goal of halving the proportion of people suffering from hunger by 2015, the MDGs have received widespread recognition. In this context, the effectiveness of international development cooperation was primarily placed at the core of the international agenda for three reasons: 1) the complex system of structures, organisations and the management of aid which is to be rationalised and transaction costs minimised, 2) the general public in donor countries demands to know why their governments continue to provide "so much money" to developing nations despite corruption, human rights violations and only minor advancements in terms of poverty alleviation, and 3) the current aid architecture is dominated by the rich OECD member states, impaired by democratic shortfalls and a lack of political legitimacy.

In March 2005, at a transnational High-Level- Forum convened by the OECD, the Paris Declaration was endorsed. At its heart was the commitment to "wide-ranging" and "through monitoring" verifiable measures to reform the modalities of development cooperation and management of aid. For three reasons the Paris Declaration signifies an important change: First, it went further than previous agreements and provides a practical, action orientated roadmap – not only for donors but also for recipients – to improve the quality and impact of development cooperation. Secondly, it lays out twelve indicators that provide a measurable and evidence-based way to track progress, and intentionally incorporates time pressure through the commitment to specific time-

bounds, in order to ensure adherence to the agreed upon goals. Thirdly, it promotes a partnership model that is to improve the transparency and accountability of donor and recipient nations at different levels.

The ensuing conference in September 2008 in Accra/Ghana made evident that the previous shortfalls of development cooperation had been identified and its instruments improved. After a long period of stagnancy, reciprocal obligations on the part of donor and recipient governments as well as time-bounds for their fulfillment were implemented. The Accra Agenda for Action (AAA) provides points of departure for a qualitative improvement of development cooperation. The financial management is to be improved by providing more long-term funding and by making planning processes more predictable and transparent. In addition, the flow of funds is to be increasingly aligned with the administrative structures and processes of recipient countries.

This is an important step forward; as to date too many funds have been wasted through the vast number of different administrative guidelines on the part of donor countries, which has also concurrently undermined the development of institutions and administrative processes in developing countries. An equally qualitative step forward is the emphasis that the AAA attributes to the role of civil society and parliaments in development processes. The democratic participation in political decision-making, as well as in implementation and monitoring processes, constitutes a prerequisite for effective poverty alleviation.

The results achieved at Accra form the basis for additional reforms, which will need to be pushed forward urgently. Extensive efforts are being undertaken towards improving development cooperation, nevertheless comprehensive achievements will be required to secure the political credibility among the public. In addition, in order to alleviate poverty effectively and to come closer to achieving the MDGs, these advancements need to bear political implications beyond the field of development policy.

In the last few years, development policy has stood up to the challenges posed by global change. Accra, and the improvement of bilateral and multilateral instruments of cooperation only constitute an initial step. In the future, focus will need to move beyond improved donor coordination or the harmonisation of allocation practices to incorporate far more. The decisive factor will be the upcoming strategic relevance of development policy and its contributions to the challenges of the twenty-first century. These challenges, which an un-peaceful world, threatened by environmental crisis and resource allocation conflicts, is confronted with, cannot be overcome through official development assistance alone. Future development policy cannot successfully be limited to the financing and implementation of projects and programmes, or be restricted to the achievement of the MDGs, but rather needs to be aimed at the transformation of international structures. In principle, it is about the political response to the challenges of globalisation as the nation-states ability to act alone is increasingly constrained. New forms of global governance are necessary, in order to be able to shape globalisation politically.

The answer lies in transnational cooperation within a multi-polar world, without the presence of a dominant nation state or geographical region. Rather, in a coming trend, numerous centers of power will emerge. Economic globalisation will continue to advance. Concurrently, other elements will gain relevance: international ecological crises in the form of scarcities (water, land, food, etc), as well a global systemic risks with the potential of being mutually reinforcing: financial crises, food crisis, new forms of national protectionist spirals. Globalisation is also characterised through cross border conflicts involving non-state actors, the emergence of transnational terror movements, the destabilisation of nation states and societies. Even among the “ruling oligarchies of the North”, it has been accepted that regional or international security cannot be ensured without international development.

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