

Aid – an evolution in search of a theory

Preparatory paper for the Amsterdam Aid Narrative workshop¹

19 June 2017

Jonathan Glennie

Contents

Abstract.....	2
1. Introduction	3
2. Shifting geographies	6
The geography of wealth	6
The geography of poverty	7
The geography of power and knowledge	10
The consequences for cooperation	12
3. The SDGs – shining a light on two inequalities	15
4. Theory vs reality.....	18
Bibliography	23
Annex: Recent trends in ODA	24

¹ This paper was commissioned by Equal International on behalf of International Civil Society Support to support thought leadership on the future of aid.

Abstract

Great changes have taken place in global wealth, poverty, and power/knowledge in recent years, and these “shifting geographies” have had significant consequences for the world of international cooperation. But while the reality on the ground may have changed, the theories behind aid and cooperation, and the language used to communicate it, have remained stubbornly resistant to change. In this paper, we suggest that two key inequalities should now dominate discussions in the world of aid and international development as it moves on from a narrow focus on extreme poverty: first, a focus on the inequality *between* countries (i.e. convergence to decent living standards for all) and, second, the increasing inequality *within* countries. The failure to respond to these twin challenges is unsustainable and is likely to have implications for ongoing support for the aid budget.

Note: Unless otherwise stated, data in this document is OECD data available on the OECD website: <http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/>.

1. Introduction

This paper is intended to accompany the paper prepared for the meeting of the GFAN in Amsterdam on 23 February 2017, *International Public Investment and the Future of the Global Fund*. That paper reflected on a concrete (and impressive) attempt by a major aid institution (the Global Fund to Fight AIDS, Tuberculosis and Malaria) to update its norms and ways of working to reflect changing realities, and drew lessons from that attempt. It identified eight conceptual constraints that need to be overcome if the Global Fund is to continue to lead thinking on aid for health and aid more generally. The first four conceptual constraints (CCs) related to misunderstandings about the nature of development and progress:

CC1: Countries can be plotted on a “development continuum”

CC2: Inequality can be overcome fairly quickly

CC3: Things can only get better

CC4: Poorer countries should not expect decent modern health services

The next four demonstrated limitations in understanding possibilities for public development finance:

CC5: Income remains the primary allocation criterion

CC6: International public investment is charity

CC7: International public money is just like any other money criteria

CC8: International public investment is temporary

The paper proposed replacing the language of aid and charity with the language of investment.

The current paper seeks to set this critique in a broader context. It argues that while the reality of aid has evolved significantly in the last decade or so, that evolution has been matched neither by a realistic and inspiring narrative to reflect a new reality, nor a strong

and convincing theory to explain how aid works in the modern world. Any attempts at communicating new narratives (and there have been a few) will remain half-baked while our actual understanding of the role of aid in the 21st century remains so confused. Rather than just seeking a narrative that “works” in terms of persuading key audiences of aid’s importance, we also need to be building a narrative that matches the reality of an aid evolution.

The modern era of development cooperation began in the 1940s following a devastating world war. The UN was born in 1945, UNICEF in 1946. The new vision was perhaps best articulated by the US president Harry Truman in his famous Point Four address in 1949 which called for “a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas”.

Aid to Africa began in the late 1950s as African countries began to win their independence. The World Bank, a development bank set up by the major world powers, quickly grew into its role as the world’s main aid giver, while its sister organization, the International Monetary Fund (IMF), took longer to take on its decisive role in lending and influencing its political direction. In the 1960s, the OECD launched its Development Assistance Committee (DAC) whose membership comprises the world’s twenty or so richest countries, while the UN launched the UNDP.

It is perhaps surprising, given the vastly different context in which the great international development institutions were born that, from one perspective, very little has changed. It implies, and many have reflected on this, that the “aid architecture” we have is outdated, and that while new institutions sometimes do arise, few ever disappear. The DAC today is still responsible for around 90% of global aid flows.² (See the Annex for some more detailed trends in aid, including for health and HIV/AIDS.)

² OECD data available at www.oecd.org – most of this paper relies on these numbers

But while they have survived intact for some decades, the changes occurring in the globe since the turn of the millennium call into question how much longer the same way of thinking and acting on aid can last. Major shifts in power and wealth are recasting international relationships and with them the way the world looks at international development, aid and cooperation.

2. Shifting geographies

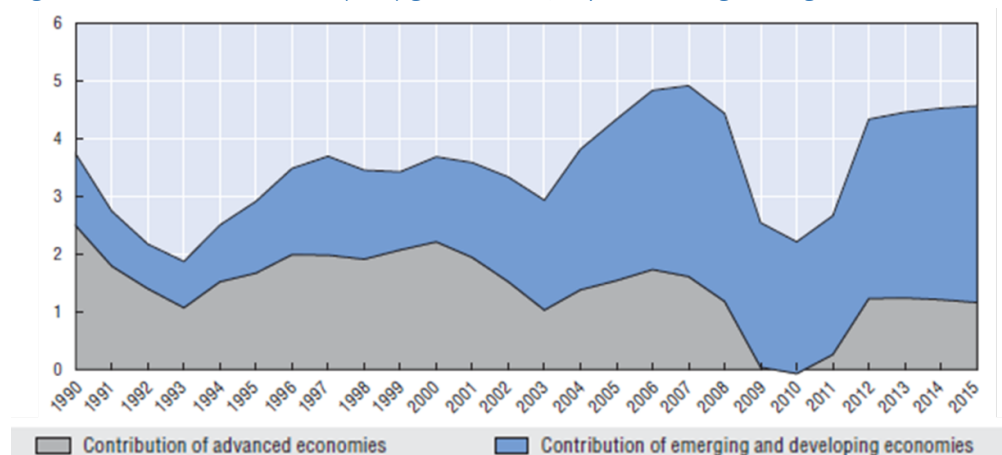
For periods since the Second World War, it has been questionable whether the basic development economics theory of convergence would hold (i.e. that poorer countries would grow faster than more “developed” countries and would therefore gradually converge with them). The 1980s and 1990s saw recession in many countries of the Global South, particularly sub-Saharan Africa and Latin America. But since the turn of the millennium we have seen convergence becoming ever clearer, even if the gap is still huge between the wealthy countries of the world and the less fortunate. In this section we look at different shifting “geographies” as we assess the changing context within which development cooperation and aid now operates.

The geography of wealth

Wealth has been shifting East and South since the 1980s and this shift is to a large extent responsible for the more ambitious rhetoric and scope of international cooperation in the SDG era. Growth in developing countries and emerging economies was already dominating the global growth story long before the financial collapse in the western economies in 2007 with its ongoing repercussions on western economies in particular, but that crash has certainly cemented this long term shift of wealth. Even with the slowdown in the BRICS, non-OECD countries have led global growth since the turn of the century, as Figure 1 shows.³

³ See <http://www.oecd.org/dev/pgd/45451514.pdf> for a detailed analysis of these changes.

Figure 1: Annual world GDP (PPP) growth rate, 3-year moving average



The BRICs, which already have a combined output matching that of the Euro Area and hold a cumulative \$850 billion in foreign direct investment abroad, are being joined by less well-known countries as the new motors of the global economy; Peru and the Philippines are among those predicted to be among the world’s richest countries in the coming decades. While this picture is dominated by the big beasts, including the BRICS and a second-tier of upper middle income countries, many of the world’s poorest countries are also expanding their domestic tax bases, implying that development can increasingly be funded through domestic resources, while accessing money from the private markets in record numbers.

The geography of poverty

As relationships between the traditional givers and receivers of aid have changed significantly in the last two decades, so has the reality of global poverty which has declined sharply since 1990 due to economic growth and demographic change in poor countries.⁴ Only around 30 of the world’s 196 countries are now classified as “low income”, down from 61 in 2000. The ambition of the international community has shifted from reducing extreme poverty (cutting it by half according to MDG1) to ending it for good over the next 15 years.

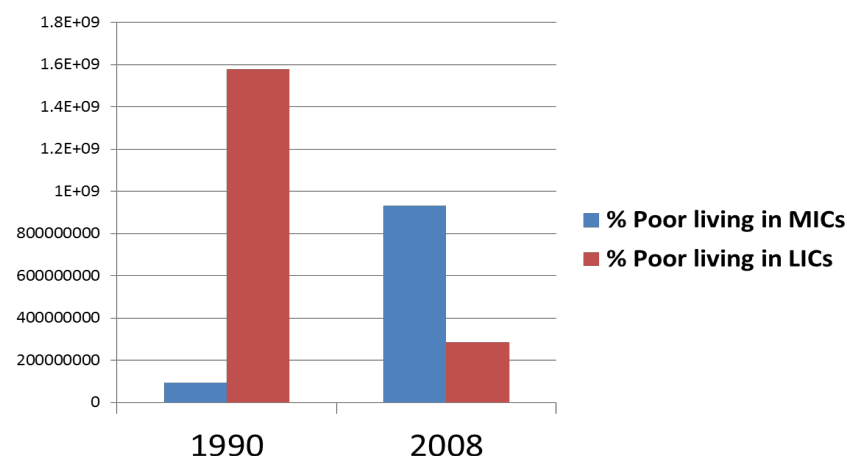
⁴ Defined as the number of people living on less than USD1.25 per day in purchasing power parity terms – PPP

Figure 2: Countries graduating to MIC status in the first decade of the 2000s⁵

2000	Turkmenistan
2001	-
2002	Armenia; Ukraine
2003	Azerbaijan; Georgia; Indonesia
2004	Angola
2005	Cameroon; Congo, Rep.; Lesotho; Moldova; Nicaragua
2006	Bhutan
2007	India; Sudan; Mongolia; Timor-Leste
2008	Côte d'Ivoire ; Nigeria; Pakistan; Sao Tomé and Príncipe; Solomon Islands*
2009	Senegal; Uzbekistan; Vietnam; Yemen
2010	Ghana, Zambia
2011	South Sudan

In absolute terms more people today live in extreme poverty in middle-income countries (as Sumner and others have argued) mostly as a consequence of five or so very large countries crossing an arbitrary income boundary in the last decade or so, but also as a consequence of general economic growth. Thus while fewer than 100m extremely poor people lived in middle-income countries in 1990, by 2008 that figure was almost 1 billion. Extremely poor people living in LICs, however, had decreased from 1.6bn to under 300m in the same time period (see Figure 3).

Figure 3: Countries that are home to the extremely poor are now designated Middle Income⁶



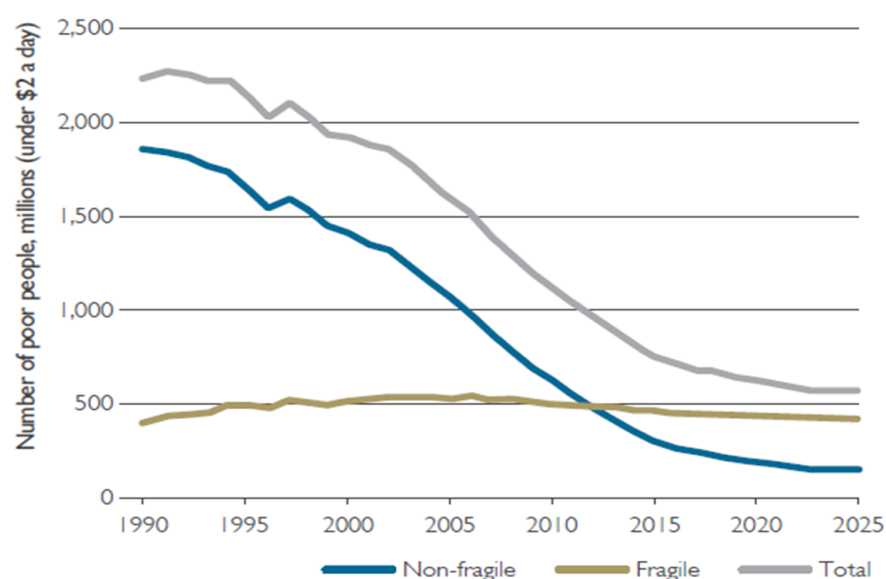
⁵ Author's table based on World Bank data available at:

<https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>

⁶ See Sumner (2010) <https://www.ids.ac.uk/index.cfm?objectid=D840B908-E38D-82BD-A66A89123C11311F>

But if economic growth continues in these countries, the global poor will become increasingly concentrated in fragile and conflict-affected states, where the poverty trap seems to be fairly intractable (see Figure 4 below, from Kharas and Rogerson 2012). However, the geographical picture turns out, it is certain that eradicating extreme poverty will be harder than just reducing it (by half, according to the MDG target) because it will mean tackling the very hardest problems that may until now have been left off the priority list. Whether it is fragile states or marginalised communities in MICs, different methods, with significant political implications, will be needed.

Figure 4: Extreme income poverty set to fall globally, but remain in fragile states



Source: Authors' estimates

Furthermore, current definitions of “poverty” are ungenerous. When families pull themselves up above the \$1.25 or \$2/day lines, they still face terrible hardship and insecurity. Poverty “just above the line” of \$1.25 is set to remain in most countries, from fragile states to low income and middle income countries, for the foreseeable future. Without losing a focus on the very poorest, the international community should live up to its obligations to the billions of people living marginally above the somewhat arbitrarily defined global poverty line.

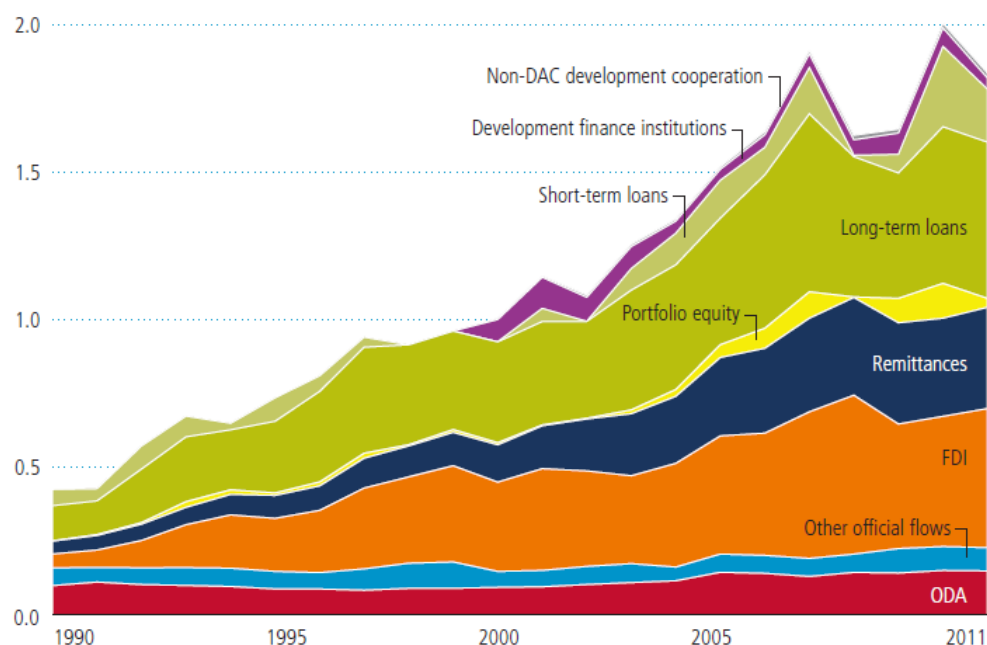
The geography of power and knowledge

With economic resurgence comes power in a variety of forms. It is hard to exaggerate the importance of the shifts currently underway in geopolitical power and influence, which can be compared to the end of colonialism in magnitude. For example, newly powerful actors are increasingly insisting on their right to contribute to the rules that have come to dominate global trade, security and decision-making in general. For smaller and poorer countries, it may simply be a case of them being slightly more proactive in discussions of trade and investment terms with the private sector and other countries. For countries used to getting their own way, this shift in power may prove quite hard to deal with and may lead to tensions. Rapid growth in the range of financing options available for public interest purposes (some intended for development, the vast majority private and intended primarily to make a financial return) has also led to significantly more power for recipients, previously more dependent on following stipulations laid out by larger countries, but now freer to follow other sources of money – see Figure 5.

Figure 5⁷

International resource flows to developing countries have grown rapidly

2011 US\$ trillions, 1990–2011



One aspect of power worth emphasizing specifically is the power of knowledge and example. Development theory in the major international financial institutions was until recently dominated by Western thinking, and it continues to be somewhat skewed in that direction. But increasingly senior positions in such organisations are being occupied by representatives of the newly emerging economies, accompanied by a general shift away from Washington Consensus style policies and towards the more heterogeneous approach preferred by much of the rest of the world. Anecdotally, many leaders in poorer countries look to the example of those countries that have recently emerged from poverty, as much as to the OECD countries, in part because the experiences of the former often mirror their own more closely. The financial crash in many of the traditionally powerful western economies in recent years, while temporary, has only served to underline this long term shift, and has engendered a crisis of confidence in western medicines for global illnesses. There is little doubt that many of the solutions to the problems currently facing the world

⁷ See Development Initiatives, 2013. <http://devinit.org/wp-content/uploads/2013/09/Investments-to-End-Poverty-full-report.pdf>

will emerge not from the historically wealthy countries but from the expanding centres of knowledge and expertise in the global south.

The consequences for cooperation

Over the last decade, international public finance from ‘emerging’ markets (so-called South-South Cooperation) has increased in prominence. Official finance from these donors also involves a heterogeneous mix of aid-like and non-aid like interventions. Many of these donors offer partnerships that bundle investment, trade, technology, concessional finance and technical assistance. Thus, not all countries are in retreat when it comes to international spending and collaboration. UNDP’s 2013 Human Development Report was aptly titled, ‘The Rise of the South’ and chronicled the recent expansion of so-called ‘South-South Cooperation’ (understood as financial and non-financial assistance by middle-income economies such as Brazil, China, India, Russia and Venezuela to other developing nations).⁸ South-South Cooperation has existed for over sixty years in various forms but has increased in prominence over the last decade. The largest developing country donors and lenders today are Brazil, China, India, Saudi Arabia, Turkey and Venezuela (UNCTAD, 2015).⁹ The mix of financial assistance varies from country to country, but loans (concessional and non-concessional) are the predominant form.

China is the most talked about of the ‘emerging’ investors and donors. Chinese investment in Africa increased from an estimated USD 210 million in 2000 to over USD 3.17 billion in 2011, though numbers are difficult to substantiate. China has also pledged provide Africa with over USD 1 trillion in financing by 2025 through direct investment, concessional and commercial loans (Yun, 2014).¹⁰ India’s foreign aid spending is now more than double the aid it receives back (USD 1.3 billion in foreign aid expenditures versus USD 655 million in aid receipts in 2014-2015).¹¹ Until recently, Venezuela has been an important partner to many Latin American and Caribbean nations over recent years. Several other middle-income nations meanwhile have opened or expanded formal development cooperation

⁸ UNDP, Human Development Report 2013, The Rise of the South: Human Progress in a Diverse World: <http://hdr.undp.org/en/2013-report>

⁹ UNCTAD, Trade and Development Report 2015: http://unctad.org/en/PublicationsLibrary/tdr2015_en.pdf

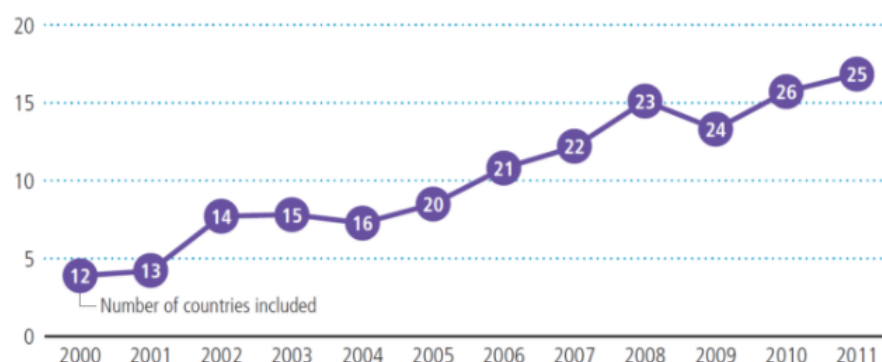
¹⁰ Sun Yun, China’s Aid to Africa: Monster or Messiah? 2014: <http://www.brookings.edu/research/opinions/2014/02/07-china-aid-to-africa-sun>

¹¹ <https://www.devex.com/news/in-latest-indian-budget-aid-spending-dwarfs-aid-receipts-82915>

agencies. Mexico founded AMEXCID, the Mexican Agency for International Development Cooperation in 2011 for example.¹² In 2014, even Kazakhstan announced its intention to do the same with KazAid.¹³ Having an aid programme increasingly looks like a symbol of having emerged as a strong nation in the 21st century. Figure 6 shows how the number of donors and the quantity of their aid has increased since 2000. Several emerging economies have also founded or proposed new institutions for financial and technical collaboration amongst themselves, such as the Asian Infrastructure Investment Bank (AIIB) which will support infrastructure construction in Asia and the Pacific.¹⁴

Figure 6: Non-DAC aid since 2000¹⁵

Gross disbursements, US\$ billions



Interestingly, there is some evidence that non-DAC sources of aid balance out the DAC's preference for social sector spending, as Figure 7 demonstrates, comparing Chinese aid in the first decade of the century with DAC aid.

Figure 7: DAC aid vs Chinese aid to Africa up to 2009

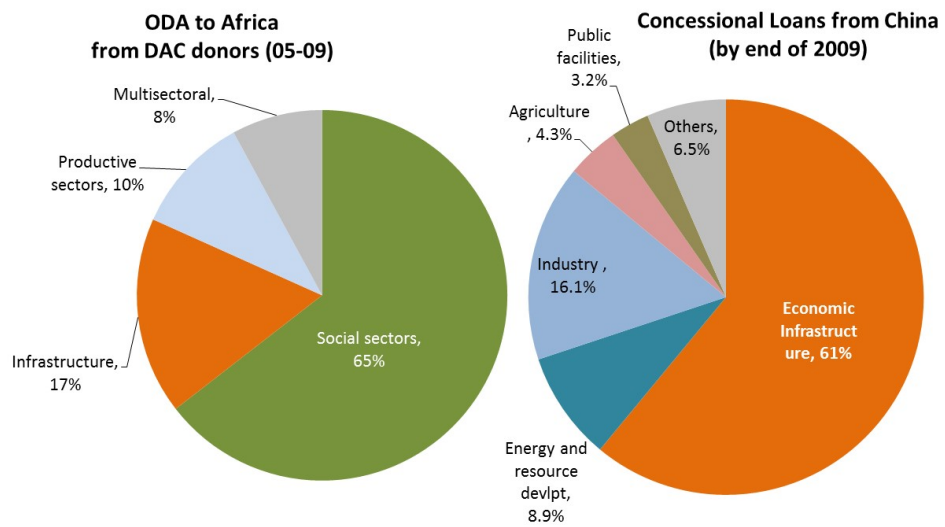
¹² See: AMEXCID: <http://amexcid.gob.mx/>

¹³ UNDP, Start of KazAID marks significant transition in Kazakhstan from aid-recipient to donor, 2014:

<http://www.eurasia.undp.org/content/rbec/en/home/presscenter/articles/2014/11/3/start-kazaid-significant-transition-kazakhstan.html>

¹⁴ <http://www.aiib.org/>

¹⁵ Development Initiatives, 2013



3. The SDGs – shining a light on two inequalities

It was in this context of shifting geographies and changes in the context of cooperation that the international goals to replace the MDGs were debated and eventually agreed. The SDGs represent a profound paradigm shift which most in the Global North are some way from properly comprehending. The most obvious change, and the one which Northerners feel most comfortable with, is the focus on environmental sustainability. The concept of sustainable development emerged in the 1970s but has taken four decades to become the overarching theme directing development plans and cooperation. Central to this analysis is the realisation that there are natural limits within which the global economy operates and that our development model is jeopardising the well-being of future generations without even meeting the needs of the present. Oceans, forests, land use, energy, food production and, of course, climate change, are among the most urgent issues we face. The greatest challenge to the international community is (almost) universally recognized as the need to live within the natural boundaries of the planet, in particular resource limits and climate change.

The most important implication of this is that the challenge being discussed (unsustainable development) will no longer be located in poor countries, but in all countries. The problem to which sustainable development is the answer is affluence and excess, not just poverty. It is the high income countries that most need to alter their resource use to promote sustainable development, with a gradually increasing burden of responsibility on the middle income countries (MICs), especially the very large ones, and little responsibility on Least Developed and Low Income Countries (LDCs and LICs). This is one of the reasons the Sustainable Development Goals cover all countries, not just poor countries. We are all developing now. Profound structural changes are required, not just aid, and not just in poor countries, if we are to live fairly and within planetary limits. The concept of international public goods is once again coming to the fore e.g. a renewed focus on the importance of

collective international action in the control of communicable and non-communicable diseases.¹⁶

After bubbling under the surface at conferences for decades, the concept of “Sustainable Development” has emerged as the major framework for development thinking and practice, replacing or rebalancing the tight poverty eradication focus of recent years under the MDG framework.

But in developmental terms the more profound paradigm shift is the universality of the goals. While the MDGs applied only to “developing” countries, with “developed” countries asked to assist, the SDGs apply to all countries. The anachronistic (and patronising) separation of the world in two is coming to an end. With this shift the exclusive focus on extreme, absolute, poverty has also come to an end, and relative poverty, unfairness and inequality has come under the spotlight, in two ways.

First, inequality *between* countries. One of the consequences of the attention the MDGs managed to focus on extreme poverty, was the implication that when the worst forms of deprivation are dealt with, the job of the international community is largely done. The SDGs reject that limited ambition and widen the scope of international cooperation almost exponentially. Where the MDGs focused on basic healthcare and primary education, the SDGs include all levels of healthcare and secondary, tertiary and lifelong education. Rather than just halve income poverty, the SDGs want to end all forms of poverty. While the MDGs made no mention of economic productivity and the physical infrastructure required to deliver it, the SDGs certainly do so. This is treating all countries as if they can expect the same social and economic outcomes that richer nations have long taken for granted. It implies an aspiration of convergence that is miles beyond what the MDGs had in mind. It is worth remembering that the major northern donors fought hard against this expanded scope, preferring an “MDG-plus” framework still focused overwhelmingly on extreme poverty. It is in itself an indication of shifting power that not only were they defeated in

¹⁶ The term “international public good” is preferred to “global public good” because some such goods are regional or otherwise non-global.

this, they also ended up having to sign up to international development goals for the first time. The international development narrative is now being written by the South as much as the North.

Second, inequality within countries. One of the most important lessons of the MDGs was that while progress had generally been made at a global level, and in most countries, it was uneven and unequal. Particular groups were being left behind, be it for reasons of gender, race, geography or socio-economic class. This time, it was agreed, progress needed to be even, with the worst off targeted first. This relates to the movement of many countries into the Middle Income bracket, reflecting a GDP/capita average, but not necessarily an improvement in the lot of the poorest. As we have seen, most poor people now live in countries designated Middle Income.

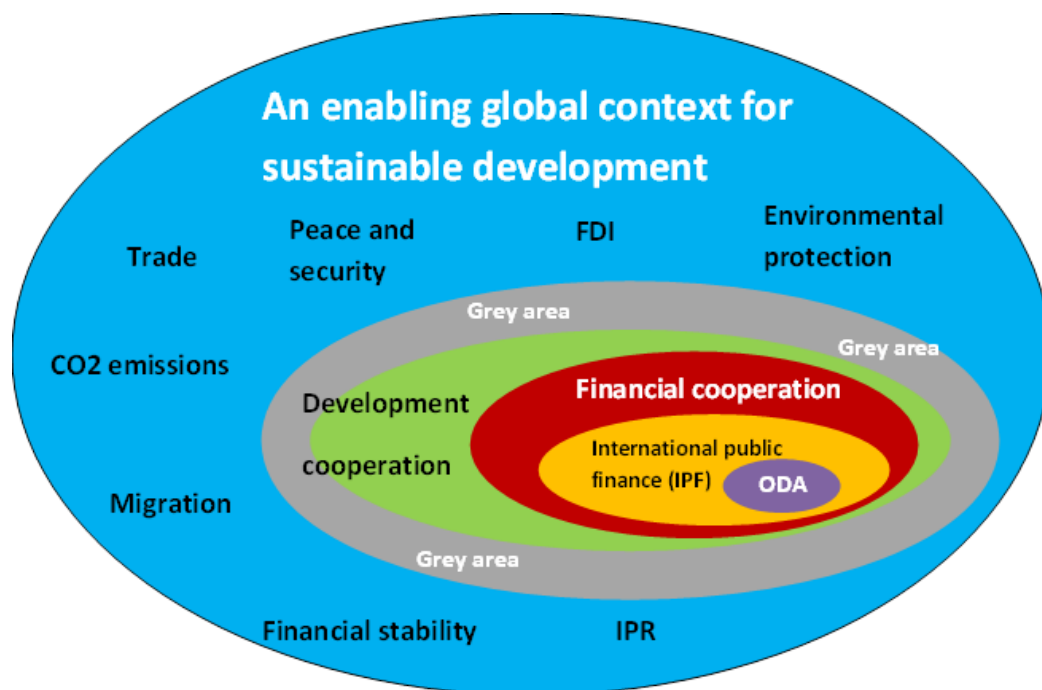
Inequality is not only rising in the Global South (except Latin America, where it has reduced in the first decade of this century), but also in the North – the drivers of this inequality are similar across the world, namely the channelling and coalescing of wealth in the hands of the few because of the nature of modern capitalist wealth creation, and the inadequacy of policy to redirect it in any meaningful way.

The challenge for aid in the 21st century, then, is to respond in theory and practice to this changing reality, one in which all countries now expect not just to deal with extreme poverty but to converge on decent living standards for all, and in which inequality is rising rather than falling in most countries, leaving a classic conundrum (moral hazard) in which international assistance may be required to support “pockets of poverty” in countries which on paper should be far more redistributive.

4. Theory vs reality¹⁷

It would be a mistake to believe that aid is the most important response to these emerging challenges, or even a very significant one. It is now clearer than ever that aid is just one of many components required to further sustainable development. In Figure 9 I stylize the need for a so-called “enabling environment” for sustainable development, in which development cooperation is only a relatively small part. On the non-financial side attempts will be needed to create a fairer trading system and to ensure that the global average temperature remains within 2°C of pre-industrial levels. And as regards international finance, a more stable global financial system to encourage developmentally-useful private foreign investments will be needed, along with efforts to reduce illicit capital flows and tax evasion and to increase stolen-asset recovery.

Figure 9: Situating “development cooperation” in an enabling environment¹⁸



¹⁷ Analysis in this section draws on unpublished work by Gail Hurley

¹⁸ From Glennie and Rogerson, 2011

Nevertheless, aid, or international public finance more broadly, does have an important role to play. The great question is whether it can shift its role to be as appropriate as possible in this new context. Aid has been through many changes over the years, from the “big push” rhetoric of the 1960s (rekindled in the early 2000s), the setting of the 0.7% target in 1970, structural adjustment in the 1980s and 1990s, and the era of the MDGs, now coming to an end. There are very few academic attempts to build a new theory of aid more appropriate to our times, the two most comprehensive accounts being set out in Mendez (1992) and Kaul and Conceição (2006).¹⁹ Severino and Ray (2009) also contributed a shorter but influential paper.²⁰

In *‘International Public Finance: New Perspectives on Global Relations,’* Mendez shows there is much more to international public finance than ‘aid’. He contends that the world’s challenges are so immense and interconnected that they require concerted action and concerted public resources. The flow of public resources for international challenges is however voluntary, politically motivated and patchwork in nature. What is needed therefore is a new institutional framework, resourced through mandatory contributions, which can more effectively mobilise and allocate resources to international problems. In *‘The New Public Finance,’* Kaul and Conceição explore how governments individually and collectively channel public and private financing to global policy challenges (such as development, communicable disease control and climate change) and ask how this could be improved to ensure that globalisation is made more inclusive and efficient.

Today, most countries play an active role in international affairs. Globalisation means the world’s countries are more closely connected and interdependent than ever before, and there are clear expectations on states that they will fund international concerns and participate actively in international policymaking processes. It is also expected that international issues and concerns will, in many cases, influence domestic policy choices. Private actors (especially civil society actors) will also intervene to hold states to account

¹⁹ Mendez, Ruben, *International Public Finance. A New Perspective on Global Relations* (1992) and Kaul, Inge and Conceição Pedro (2006), *The New Public Finance, Responding to Global Challenges*

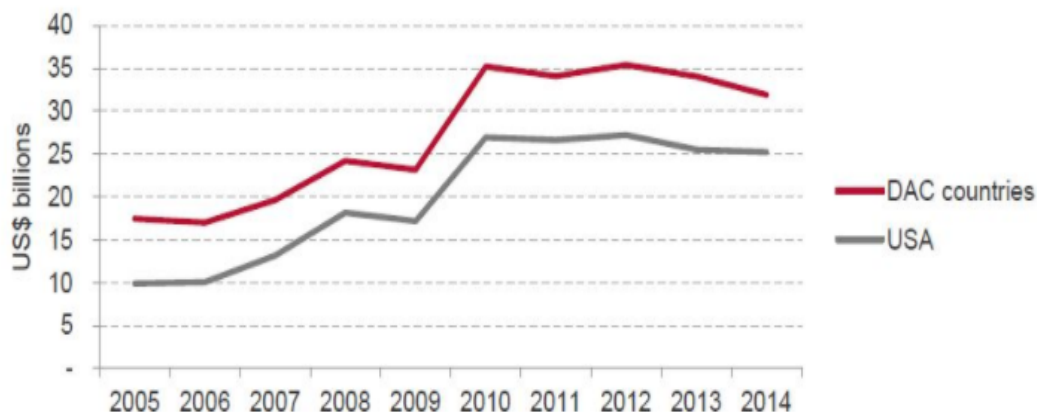
²⁰ Severino Jean-Michel and Ray Olivier: *The End of ODA: Death and Rebirth of a Global Public Policy* (2009), Center for Global Development: http://www.cgdev.org/sites/default/files/1421419_file_End_of_ODA_FINAL.pdf

(and to correct) national policy decisions in the global interest (Kaul and Conceição, 2006). Globalisation has thus expanded opportunities for states to collaborate – but also compete – on issues of shared concern, such as poverty reduction, peace and security, the control of communicable diseases, science and research, environmental conservation, international tax matters and international terrorism and crime control. As Kaul and Conceição (2006) and Severino and Ray (2009) observe, the list of international policy issues that states are asked to fund, collaborate and follow-up on is large and is becoming longer and more diverse all the time.

BOX 1: Private aid is often larger than official flows

Non-official aid has also risen greatly in recent years, although data to build reliable estimates is limited. Figure 10, from Development Initiatives, suggests that aid from NGOs and Foundations has doubled in the last ten years, with the vast majority coming from the US. It is noticeable that significant increases were made leading up to the financial crash, with a small decrease since.

Figure 10: Private aid on the rise



The ways in which states engage – both individually and collectively – on these issues has also changed over time and has become more complex and sophisticated. Whereas states and intergovernmental entities once dominated the institutional landscape for international cooperation, businesses, civil society organisations and philanthropic

foundations now cooperate and compete with them. Today, international cooperation is no longer exclusively a state-led process, but a multi-actor process (Kaul and Conceição, 2006; Severino and Ray, 2009). Combined with the advent of new technologies and innovations in financial markets, there are more opportunities than ever before for new approaches and partnerships between public and private actors to address international public policy concerns. A dizzying array of initiatives and collaborations now exists in areas such as public health and the environment: from ‘vaccine’ bonds (bonds that raise funds on international capital markets for immunisation programmes in poor countries repaid by donors’ future aid budgets),²¹ to ‘cash on delivery’ schemes (where payments are tied to results)²² to highly specialised mixed public and private ‘vertical’ funds (such as the Global Alliance for Vaccines and Immunisation – GAVI – which combines public and private finance and expertise to expand access to vaccines in some of the world’s poorest countries, as does the Global Fund and Global Financing Facility).²³ The number of entities that mobilise and channel public (or mixed public and private) resources to international concerns has mushroomed over recent years.

This implies a dynamic, important and expanded role for the state beyond its borders. Many countries, especially high-income donor nations, are also keen to emphasise that *public* resources for international concerns are scarce and that *private* finance – which is much larger in volume terms – must play a much more prominent role in supporting international public policy objectives, such as poverty reduction and sustainable development. As external pressures on states to cooperate increases, support for some multilateral entities established for international cooperation, such as the United Nations, the European Union, the World Bank and the International Monetary Fund (IMF) has recently waned. Very few high-income countries meet the UN’s target of allocating 0.7% of Gross National Income to development aid, and some have even reduced it over recent years (such as Netherlands, Ireland, Australia, Finland, Spain – the US looks set to be

²¹ See: International Finance Facility for Immunisation: <http://www.iffim.org/bonds/>

²² See: Barder, Owen and Birdsall, Nancy (2006), Payments for Progress: A Hands-Off Approach to Foreign Aid, Center for Global Development: http://www.cgdev.org/files/11550_file_12_1_06_Payments_for_Progress.pdf

²³ See: GAVI, the Vaccine Alliance: <http://www.gavi.org/>

next).²⁴ Finally, while the number of schemes to finance international concerns may be on the rise, many of the partnerships described earlier struggle for cash. Despite a plethora of intergovernmental (and mixed public-private) bodies, however, most international public finance continues to be channeled via bilateral rather than multilateral channels.

What all of these changes have in common, is that they fail to respond to the twin inequality challenges set out in the previous section. A perfect chance to do so would have been the Addis Ababa meeting in 2015 to renew commitments in to global development finance – most accounts agree the meeting was a failure in both narrative and practical terms. As I argued in “International Public Investment and the Future of the Global Fund”, the Global Fund also fails to respond to the scale of the rethink required, although it does better than most. Any new theory and narrative must now take seriously these contextual and paradigmatic shifts if they are to capture the public’s imagination again in the same way as Truman’s great speech seven decades ago.

²⁴ OECD, Development aid stable in 2014 but flows to poorest countries still falling, 2015: <http://www.oecd.org/development/development-aid-stable-in-2014-but-flows-to-poorest-countries-still-falling.htm>

Bibliography

Barder, Owen and Birdsall, Nancy (2006), Payments for Progress: A Hands-Off Approach to Foreign Aid, Center for Global Development:

http://www.cgdev.org/files/11550_file_12_1_06_Payments_for_Progress.pdf

Development Initiatives (2013) Investments to end poverty. <http://devinit.org/wp-content/uploads/2013/09/Investments-to-End-Poverty-full-report.pdf>

Glennie and Rogerson (2011) Global reach is the prize at Busan.

<https://www.odi.org/comment/5950-global-reach-prize-busan>

Kaul, Inge and Conceição Pedro (2006), The New Public Finance, Responding to Global Challenges

Kharas and Rogerson (2012) Horizon 2025: creative destruction in the aid industry.

<https://www.odi.org/publications/6687-creative-destruction-aid-industry-development-kharas-rogeron>

Mendez, Ruben, International Public Finance. A New Perspective on Global Relations (1992)

Severino Jean-Michel and Ray Olivier: The End of ODA: Death and Rebirth of a Global Public Policy (2009), Center for Global Development:

http://www.cgdev.org/sites/default/files/1421419_file_End_of_ODA_FINAL.pdf

Sumner (2010) Global poverty and the new bottom billion: $\frac{3}{4}$ of the world's poor live in middle income countries. <https://www.ids.ac.uk/index.cfm?objectid=D840B908-E38D-82BD-A66A89123C11311F>

Sun Yun, China's Aid to Africa: Monster or Messiah? 2014:

<http://www.brookings.edu/research/opinions/2014/02/07-china-aid-to-africa-sun>

UNDP, Human Development Report 2013, The Rise of the South: Human Progress in a Diverse World: <http://hdr.undp.org/en/2013-report>

UNCTAD, Trade and Development Report 2015:

http://unctad.org/en/PublicationsLibrary/tdr2015_en.pdf

Annex: Recent trends in ODA

DAC aid is at an historic high

Official development assistance (ODA) reached a peak in 1990 following a decade of intense structural adjustment lending (during which aid was intended to lead to ‘structural’ changes in recipient economies). Then, in the 1990s, aid began to fall both in real terms and as a percentage of rich country GDP. By 1997 it was back to 1983 levels. Most analysts regard the declining need to make payments to Cold War allies as a major reason for this decline, but the failure of 1980s policies to halt growing poverty, especially in Africa, and the increasing number of analyses sceptical of the poverty-reducing impact of aid, were all important factors in the downward pressure on aid budgets. This downturn is unique in the history of aid which has otherwise risen gradually, if unevenly, over the last fifty years (see Figure A1). and ended at the turn of the millennium. In 1999 aid increased for the first time since the 1980s and donors have continued steadily to increase their aid. The UN Millennium Summit in 2000, which set out bold new Millennium Development Goals, was a manifestation of the renewed belief in aid as a vehicle for development.

Figure A1: ODA in USD bn (2015 prices and exchange rates) (Source: OECD)

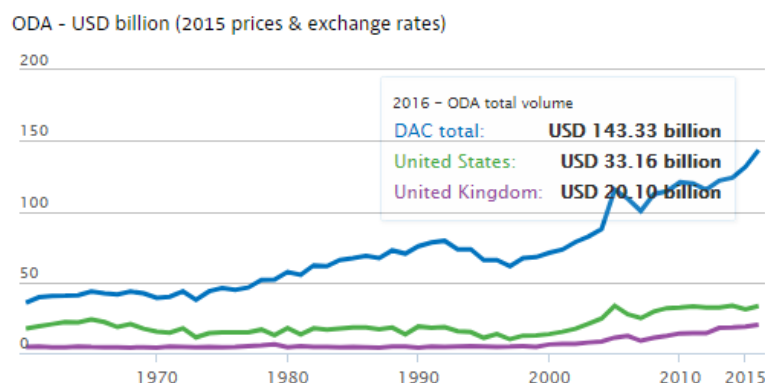
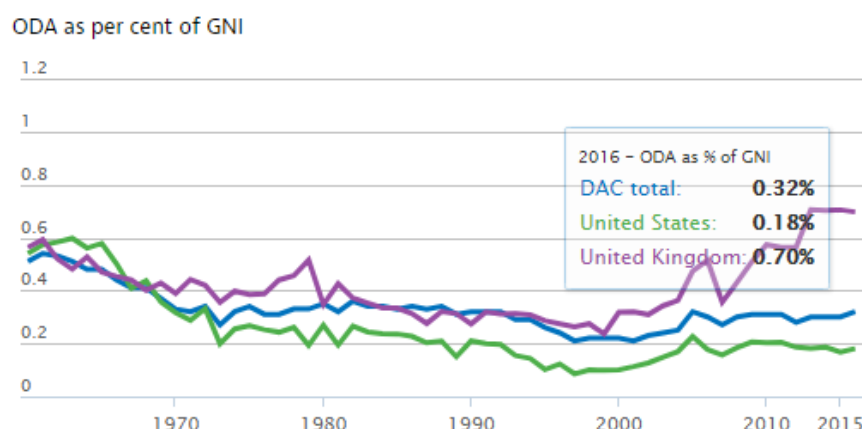


Figure A1 shows how aid has grown hugely in real terms – a growing group of donors, with growing economies, has meant more aid, even as they have, mostly, become less generous - Figure A2, below, shows how ODA has declined as proportion of GNI since the founding of the DAC in 1960. But reductions in aid/GNI are not inevitable. The UK has bucked the trend, reaching the 0.7% commitment for the first time in 2014, under a Conservative government. The reasons for this success must form one of the clues to any attempt to

defend aid spending in the West, while the problems now associated with it are also important to debate. Also joining the Nordic countries in reaching the 0.7% target is now Germany, given that ODA includes in-country spending on refugees.

Figure A2: ODA as a % of GNI since 1960 (Source: OECD)



Although often derided as stingy (it gives the smallest percentage of its income in aid of any OECD country), the United States is the world's biggest donor, accounting for around 20% of aid in recent years. Until recently, it has led the way on aid increases in the new millennium. The Financing for Development conference in Monterrey in 2002 was the first major pledging round of the new aid era and President George W. Bush promised a 50% increase in US development assistance by 2006.²⁵ He achieved that level three years early. Bush quadrupled aid to Africa between 2001 and 2006 from \$1.4 billion to \$5.6 billion a year.²⁶

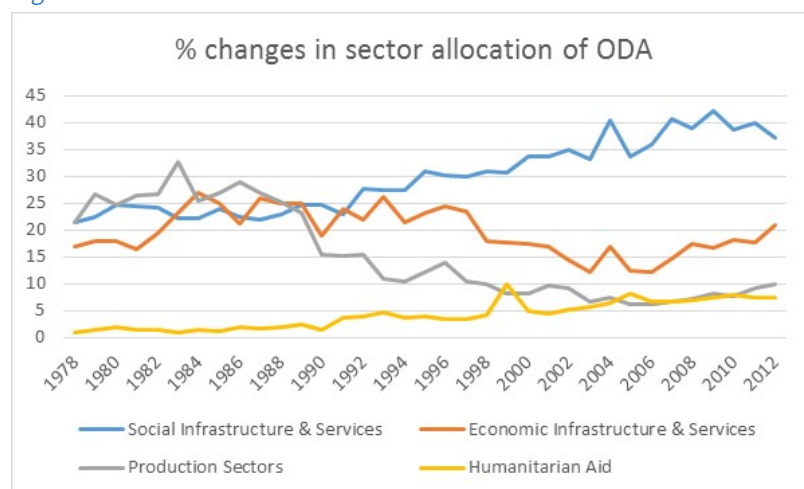
Focus on social sectors

It is worth looking as well at shifts in sector allocation of aid (see Figure A3). Since the late 1970s, the proportion of ODA spent on social sectors has almost doubled, while that spent on productive sectors has halved. Aid to support the economic infrastructure rose greatly in the 1980s, declined in the 1990s and is now again on the rise. Humanitarian aid has grown steadily from a low base to now make up about 8%, still quite low considering the media coverage the sector receives.

²⁵ Bush 2002, OECD data available at www.oecd.org

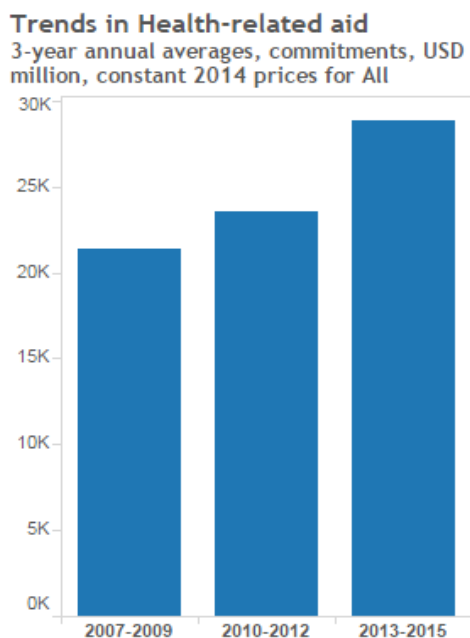
²⁶ betteraid.org, 18 February 2008, [Bush in Africa: insights on US aid, http://betteraid.org/blog/?p=71](http://betteraid.org/blog/?p=71)

Figure A3: Sector allocations of ODA since 1978



Looking particularly at health we can see that it continues to receive very considerable attention. While in the period 2007-2009 it averaged just over \$20bn per year, in the most recent period for which we have figures, 2013-2015, it averaged almost \$30bn – see figure A4.

Figure A4:



But when we look at HIV/AIDS spending in particular, we can see a decrease on a high of a few years ago. Overall DAC spending on STD control, including HIV/AIDS, and the social mitigation of HIV/AIDS, rose from just over \$4bn in 2005 to over \$8bn in 2009. But it has

never again reached that peak and in 2014 was back to nearer 2006 levels, under \$6bn – see figure A5.

Figure A5:

