

WHY IS AID COUNTER PRODUCTIVE TO DEVELOPMENT

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A CONCEPTUAL CHALLENGE

The conceptual starting point is not aid but development. Growth, admittedly, is an important aspect of development. But growth is not the same as development. Growth is essentially an economic concept, reduced in the literature to a few economic indices such as Gross Domestic Product (GDP), or in the language of the Millennium Development Goals (MDGs) to certain statistical measurements. What is lacking in these definitions are two important concepts, namely, self empowerment, and freedom from imperial control. Development essentially is “a long democratic process that starts *from within*, where people participate in the decisions that affect their lives, without imperial interference from outside, and aimed at improving the lives of the people and realisation of the potential for self support, free from fear of want and political, economic and social exploitation”.

This may be presented as a 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, which follows from the right to self-determination.

This definition is a far cry from the neo-liberal donor formula for development, to wit:

Development = Growth + Wealth Accumulation, where

- a) Growth = Open Markets + Foreign Investments + Good Governance (as defined by developed country donors and the multilateral agencies that they control), and

- b) Wealth Accumulation = Ensuring that the rich continue to get richer and are able to amass fortunes, with trickle down effect of some of the benefits to the poor.

It is fair to add, however, that the donor countries that follow the Social Democratic model have a variation of the growth model in their own countries, expressed, in simple terms, as the following:

- a) Growth = Open Markets + Investments + Good Governance
- b) Redistribution = Taxing the Rich to give to the Poor.

As donors, the Social Democratic countries hope or expect that their model is replicable in the recipient countries. But where this formula is “exported” to the developing recipient countries, it often becomes a grotesque caricature of the “pure” model. The following is a simple expression of this:

- a) Growth = Open Markets + Foreign Investments + Good Governance (as defined by the donors and the multilateral agencies that they control),
- b) Wealth Accumulation = Ensuring that the rich continue to get richer and are able to amass fortunes, and
- c) Redistribution = Taxing the Rich to give to the Poor (usually taxing the less poor and the middle classes, for the rich employ lawyers and accountants to hide their wealth and outwit the tax collector).

The formula from the southern perspective (development = SF + DF – IF) is not only national, but also regional and even continental. It is also the basis for expanding it to South-South cooperation. Julius Nyerere, who in the 1980s chaired the South Commission set up by the developing countries, succinctly summarized the essential tasks of the South Centre in the following five headings:

- 1) Development shall be people-centered;
- 2) Pursue a policy of maximum National Self-Reliance;
- 3) Supplement that with a policy of maximum collective South-South self-reliance;

- 4) Build maximum South-South Solidarity in your relations with the North;
- 5) Develop Science and Technology.

WHAT IS THE LINK BETWEEN AID AND POVERTY?

Poverty is not a natural but a man-made phenomenon. Wealth and poverty are created by the same process of over-accumulation of capital on one side and underconsumption by the masses of people on the other, which is the fundamental characteristic capitalism. At the national level there are, in some countries such as in Scandinavia, mechanisms to reduce the gap between the rich and the poor and to provide for the weak and the vulnerable. There are no such mechanisms at the global level, although increasingly concerned citizens at the global level are discussing global taxing and the provision of global public goods (GPGs).

The over-accumulation of capital in the North and in the hands of a very tiny section of people in the South, and under-consumption on the part of the masses, especially in the South, is a product of the colonial history. It is now firmly embedded in the structure of global production, trade and access to knowledge and innovation.

We in the South Centre have found that negotiations between the rich and the poor are structurally prejudiced against the interests and concerns of the South. In a short presentation, a few examples may suffice.

Take trade negotiations in the World Trade Organisation and why the latest round of talks on the Doha Round collapsed in July 2008. One issue related to cotton. The US subsidises its cotton farmers thus lowering down the price of cotton in the global market, depriving African (among other) peasant farmers from getting proper prices for their export of cotton. In order that a few hundred cotton farmers in the US may continue with their subsidised affluence, a million peasants in Africa must be impoverished. The second related to what is called “special products” -- products that are sensitive to the survival of millions of peasant farmers in the developing countries. In the Doha Round of trade negotiations the rich countries have demanded that in order that their producers may have access to the markets of the poor in agricultural and industrial products, the poor countries must put a limit to how many products they might classify as special products, and therefore lower down their tariffs on all other products. If the rich countries have their

way, it would intensify poverty in the poorest countries of the world. The Doha negotiations collapsed in July this year precisely on these issues. For the rich it was a question of markets, and for the poor a question of survival.

Take intellectual property negotiations in the various fora such as the WTO, WIPO, WCO, etc. Here is what Ambassador Sun Zhenyu the Chinese Ambassador in Geneva has to say about this subject.

“... According to a UNDP report, developed countries hold about 97% of all patents worldwide. There is no doubt that the developed countries are the biggest beneficiaries of the TRIPS Agreement. For example, in 2004, the United States received US\$52.6 billion in royalties and license fees from their patents, which accounts for 45% of the world’s total. At the same time the developing countries paid heavily for their patents. For instance, China pays more than \$4 billion each year for the patents alone. In some cases, for example DVD machines, the Chinese companies have to pay more than \$30 as royalty fees for each machine. As a result, the profit margin for each one is no more than 2 dollars for the manufacturers. Royalty fees payment has been the 3rd biggest contributor to China's long-standing service trade deficits.” (*South Bulletin*, 1 October, 2008, Issue 24)

Aid is an instrument of creating poverty not mitigating it. Why? Because it is an added arsenal in the armoury of the industrialised countries to get the developing countries to conform to their policies, and these policies have not been development friendly.

In my book on “Ending Aid Dependence” I have a short description of how the IMF/World Bank and the donors used aid as a weapon of forcing Zambia and Zimbabwe to structural adjustment programmes and how this, as well as the weaknesses of democratic processes, is the essential background to understanding why Zambia and Zimbabwe are where they are today. There are also other examples in the book from Asia and Latin America that show how the IMF/WB/donor advocated policies have been anti-development.

Time does not allow discussion of the negotiations going on currently between the European Union and the African, Caribbean and Pacific countries on the so-called Economic Partnership Agreements (EPAs), and the role that the carrot of aid and the threat of sanctions play in forcing neo-colonial agreements on the poor, divided and vulnerable ACP countries.

If the people in the North are really as concerned about poverty in Africa, as they claim, then they should honestly answer, for example, the following questions:

- Why does not the US reduce its domestic subsidy on cotton?
- Why does not the European Union stop its aggressive economic partnership agreements with ACP countries that will force ACP in a perpetual neocolonial bondage with Europe?
- Why do the rich countries want Bilateral Investment Treaties (BITs) with poor African countries that privilege the interests of the providers of capital and technology over the needs of development?
- Why do the OECD countries talk about making aid more “effective” rather than creating ways and means of ending aid dependence?
- Why do the OECD countries want to tie aid aimed at enforcing on the recipient countries macroeconomic policies that are detrimental to development?
- Why do the donor countries want to interfere in the internal affairs of the recipient countries in the name of “good governance”, “democracy” and “rule of law”, when such interferences have made a mess in countries such as Afghanistan, Iraq and Somalia?

My short answer to the above questions is that they do all this in order to promote their strategic, political and commercial interests. To call all this “aid” is a serious abuse of language.

An editorial in *the Economist* of September 20, 2008 on the recent developments in Zimbabwe is a good example of the imperialist underpinnings of much of the aid programme of the west.

“Help from the West, especially the European Union and the United States, will be crucial.... First of all, Westerners must save Zimbabweans from starvation ... At the same time Mr. Tsvangirai should rapidly enact a string of changes to engender a new mood of freedom.... He should immediately overhaul the state broadcaster... And he should instantly allow Western reporters back into the country... The faster he can make these changes, the faster foreign aid will come and the faster the country will revive.”

Who gave the *Economist* the God-given right to tell what Mr. Tsvangirai should do? What makes it believe that “foreign aid” is the salvation of the county, when Zimbabwe’s post-independence history shows the opposite?

WHY, THEN, IS AID SEEN AS A GOOD THING?

Aid is perceived not only in the North but also in the South as necessary for development and for alleviating poverty. Why?

There are three basic reasons for this.

- Popular perception in the North that aid is charity and that charity is a good thing (Christian and spiritual values).
- Popular perception in the South that without aid there can be no development (psychology of aid dependence)
- Ideological reason in the North that the North owes it to the world to put things right in the South.

The fundamental reason why the relationship between ‘aid’ and ‘development’ is not fully understood is because of the way both terms are defined in the OECD donor-constructed vocabulary, definitions which have also been adopted by the United Nations. These are self-serving, West-centric, value-loaded and arbitrary definitions. The definition of aid excludes, for example, military or political aid. But the reason for this is quite arbitrary. There is no good reason for excluding what I call Yellow Aid (or military and political aid) from the definition. This kind of arbitrary exclusion ignores the military and political assistance provided by countries in the South to, for example, the liberation of Southern Africa. Worse still, it places military aid under the carpet, outside of a rational discourse within its political and ethical context.

There is also no reason why commercial transactions (what I call “Orange Aid” in my book) are called “aid” at all. If these are “win-win” transactions, i.e. both parties win, then why call them “aid”? Again, there is no reason why financial or technology transfers from North to South that are undertaken in compliance with Art. 4.7 of the U.N Framework Convention on Climate Change (UNFCCC) should be called “aid”. After all, these are treaty obligations undertaken by the North. If, for example, Norway transfers funds or technology to Africa to protect African forests, then it does so in compliance of its obligation. Furthermore, Norway, to put it bluntly, is not doing any favours to Africa. It does so because it is a “win-win” situation. Africa gains, but so does Norway. Forest protection is part of Global Public Goods (GPGs), and therefore financial and technology

transfer to the South, to the extent that Norway can afford it, is part of promoting GPGs. Nobody is doing anybody any favours. So why call it “aid”?

THE 0.7 PER CENT ENIGMA

In this context, the 0.7 per cent of GDP as “aid” to the poor is an enigma. It has acquired a ‘mythical’ status. It carries an ethical-moral dimension, and provokes a lot of passion, particularly among civil society in the North. This is an understandable reaction from NGOs and civil society organisations that have a strong affinity with the South on grounds of solidarity, but they have an imperfect understanding of the structural problems with the aid architecture.

When the World Council of Churches first proposed it in 1958, it did so in the spirit of Christian charity. Since then, it has turned into its opposite. It has become an instrument for imposing “Red conditionalities” on the countries of the South, even by countries such as Norway and Sweden that have reputation as “development friendly”. For the developing countries, the 0.7 per cent is a weapon to hold the North to their promises, even when the last 40 years’ experience should have made them wiser.

An extended and expanded version of the 0.7 per cent model is the ‘booster’ model of aid. This is based on the assumption that the “resource gap” in developing countries (in particular, Africa) should be filled by a massive dose of aid over a number of years until the countries take off, like an aeroplane. The proponents of both the 0.7 per cent and the booster models need to question the resource gap theory. In my book I go into some detail on this issue. The point is that the developing countries do not have a resource gap. It is a gap unwittingly or deliberately created, directly as a result of the activities of global corporations and the misdirected policies of the IMF and World Bank, often forced on the South through the agency of aid.

What should be done with the 0.7 per cent conundrum? Times has come for the civil society movements in the North as well as in the South to put the issue of 0.7 per cent in its proper historical and political-economic context. If there are governments and peoples organisations in the North that wish to give help to the people in the South for, for example, alleviating the effects of drought or tsunami, they should do so provided such help does not come

with “Red conditionalities” or with commercial interests in tow. If there are solidarity organisations in the North that would want to help peoples movements in the South in their struggle against imperialism and racism (such as apartheid in South Africa and Palestine), they may do so, provided, once again, that this help is not a disguised form of imposing “Red” (ideological) or “orange” (commercial) conditionalities. It is necessary to get away from the fixation of 0.7 per cent that comes as “aid” but is, in fact, toxic aid.

CONCLUSION: NEED FOR PARADIGM SHIFT

Aid is perceived as “charity” by well-meaning people and people’s organisations in the North. The promised transfer of 0.7 per cent of rich countries` GDP to the counties of the South has acquired a mythical status, a measuring rod to assess their countries` commitment to development. However, the last thirty years experience has shown that aid has been misused to impose a certain order and discipline by the OECD donor countries on the recipient countries of the South that have, in effect, served the interests of the North and an elite class in the South to the detriment of the development needs of the peoples of the South. Above all, aid has disempowered the people and undermined legitimate democratic processes in the South from their natural evolution. Aid has been counter productive to development as defined at the beginning of this essay.

What is needed now is a fundamental change in the thinking on aid, a paradigm shift – a shift from making aid “effective” as the OECD`s Paris Declaration and the Accra Action Agenda (AAA) seek to do, to thinking about how to end dependence on aid, towards an aid exit strategy. The publication from the South Centre “Ending Aid Dependence” is an attempt to start a discussion on this paradigm shift.