

# ON DEVELOPMENT

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## Strategy and trends in Development Cooperatition



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# On Development



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# New hope is emerging based on the Millennium Development Goals

By Jeffrey D. Sachs



**Jeffrey D. Sachs** is the Director of The Earth Institute, Quetelet Professor of Sustainable Development, and Professor of Health Policy and Management at Columbia University. He is also Special Advisor to United Nations Secretary-General Ban Ki-moon. From 2002 to 2006, he was Director of the UN Millennium Project and Special Advisor to United Nations Secretary-General

Kofi Annan on the Millennium Development Goals, the internationally agreed goals to reduce extreme poverty, disease, and hunger by the year 2015. Sachs is also President and Co-Founder of Millennium Promise Alliance, a nonprofit organization aimed at ending extreme global poverty. He is widely considered to be the leading international economic advisor of his generation. For more than 20 years Professor Sachs has been in the forefront of the challenges of economic development, poverty alleviation, and enlightened globalization, promoting policies to help all parts of the world to benefit from expanding economic opportunities and wellbeing. He is also one of the leading voices for combining economic development with environmental sustainability, and as Director of the Earth Institute leads large-scale efforts to promote the mitigation of human-induced climate change. In 2004 and 2005 he was named among the 100 most influential leaders in the world by Time Magazine, and was awarded the Padma Bhushan, a high civilian honor bestowed by the Indian Government, in 2007. Sachs lectures constantly around the world and was the 2007 BBC Reith Lecturer. He is author of hundreds of scholarly articles and many books, including New York Times bestseller *The End of Poverty* (Penguin, 2005). Sachs is a member of the Institute of Medicine and is a Research Associate of the National Bureau of Economic Research. He has received many honorary degrees, most recently from Whitman College, the Mount Sinai School of Medicine, Ohio Wesleyan University, Trinity College Dublin, the College of the Atlantic, and Southern Methodist University. Prior to joining Columbia, Sachs spent over twenty years at Harvard University, most recently as Director of the Center for International Development. A native of Detroit, Michigan, Sachs received his B.A., M.A., and Ph.D. degrees at Harvard.

For many observers, the Millennium Development Goals are a “bridge too far.” As we stand at the midway point to 2015 it seems simply too daunting and unrealistic, that in the remaining 9 years to 2015 it will be possible to lift hundreds of millions of people out of extreme poverty, hunger, and disease, especially in crisis-ridden Africa. This skepticism is understandable if we simply project the current trends. The MDGs are not on track in many parts of the world. Yet the skepticism is utterly misplaced once we understand that extreme poverty, hunger, and disease can be attacked on a large scale through specific, practical, and proven interventions.

These practical interventions form the core of the recommendations of the UN Millennium Project. Moreover, there is now more than a glimmer of hope that those recommendations are actually being adopted and acted upon. The world is slowly, but perhaps surely, waking up to the fact that the reduction of extreme poverty is not a “black box” for which we lack a strategy. Rather, it requires a set of concrete, definable tasks that can be carried out on a large scale in a relatively short period of time.

The essence of the UN Millennium Project’s recommendations comes down to four major areas.

First, most of the world’s poor are smallholder farmers struggling with subsistence agriculture. Those farmers need a “Green Revolution,” to double or triple their crop yields, and to enable them to diversify their production into horticulture, fruit crops, agro-processing, and other rural activities. The idea of the Green Revolution is to go from subsistence to commercial farming, especially farming linked to global markets.

Second, large numbers of the extreme poor are sick, and in need of urgent investments in im-



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Photo: Gunnar Salvansson



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*Photo above: The extreme poor's access to safe drinking water must be ensured for improved health.*

*Photo below: More than 100 million primary-school-aged children are not attending primary school.*

proved health. Part of this comes down to a safer environment: access to safe drinking water and sanitation, and to safe cookstoves that don't cause lung irritation and life-threatening respiratory infections. Part of this comes down to simple preventative public health measures, such as high rates of immunization coverage for killer diseases, and access to anti-malaria bed nets. And part comes down to access of the poorest of the poor to clinical health services, such as for antibiotics, oral rehydration, anti-malaria medicines, de-worming, and safe childbirth.

Third, the poor tend to be isolated from local and world markets due to the lack of roads, electricity, telecommunications, ports, and other basic infrastructure. Again, we are well aware of the needs in this area, and we know how to scale up investments in key infrastructure. The limiting factor is finance, not lack of a roadmap.

Fourth, more than 100 million primary-school-aged children are not attending primary school. This is partly the result of shortcomings in the first three priority areas: children are often too hungry, too sick, and too distant from classrooms to attend school regularly and to complete even a primary education. Equally problematic, however, is the under-investment in schooling itself. Schools in rural areas lack trained teachers, school materials, hygienic facilities (especially for girls), mid-day meals and access to safe drinking water.

The public investment priorities in agriculture, health, education, and basic infrastructure are all well known and well-understood. National scale plans to address them have been elaborated time and again. The problem is not the failure of vision, or the absence of concrete available solutions, but the challenge of financing and implementation. The poorest countries are simply unable to carry out these investment programs, at scale, on their own. The key above all to achieving the MDGs, therefore, is "scaling up" proven and practical investments.

Let there be no mistake. Public investments in agriculture, health, education, and infrastructure are not the cure-all of economic development and the escape from poverty. True economic development depends on the private sector, and hence on private investment. But public investments and private investments are complementary, not substitutes. Unless the public sector invests in food production, roads, power, clinics, and the like, the private sector certainly will not invest in agro-processing, small and medium enterprises, textiles and apparel, tourism, and the other private-sector investments that can be highly profitable in the poorest countries – if the infrastructure, skills, health, and food security are in place.

Based on this agenda, new hope is emerging. In the past couple of years, the donor countries have come to appreciate several key parts of the MDG agenda. First, at the July 2005 G8 Gleanings Summit and then at the UN World Summit in Septem-

ber 2005, the major donors recommitted to significant increases in aid levels. The G8 agreed to double aid to Africa by the year 2010 (an extra \$25 billion per year over the 2004 levels), and the European Union's 15 pre-enlargement countries all agreed to reach 0.7 percent of their GNP in aid by no later than 2015, with each agreeing to an intermediate minimum target of 0.51 percent of GNP by 2010. These are important, specific, and time-bound commitments.

Second, one by one, the key areas of public investment have received new and practical backing by powerful donor countries, something that the poorest countries have been asking for in recent years. The U.K., for example, has made a special pledge of \$15 billion in 2006 support of universal access to primary education to 2015. There are specific plans underway to scale up AIDS treatments, malaria control, school feeding programs, and other areas identified as "quick impact" initiatives at the UN summit in 2005.

Third, the poorest countries have been encouraged, really for the first time, to prepare bold MDG-based poverty reduction strategies. Instead of trimming their ambitions to the (insufficient) donor assistance available to them, the poor countries have been told to make real "needs assessments" on the scale of public investments needed to achieve the MDGs. The International Monetary Fund has raised its voice in recent months on behalf of this bolder approach as well.

Fourth, after a nearly 20-year gap, agriculture is back on the international agenda. There is a growing understanding that Africa's extreme food and hunger crisis cannot be resolved by continuing with "business as usual," nor by food aid. Only a massive increase in home-grown food production can make a lasting difference. Donors and African countries now understand better than ever that a dramatic increase in food production is within reach. The problem is that smallholder farmers in Africa have not had access to critical inputs of high-yield seeds, chemical fertilizers, small-scale water management systems, agricultural extension, mechanization (where appropriate), and other crucial farm inputs. Now one donor after another is re-thinking and revisiting this neglect of agriculture.

Fifth, private donors are rushing to the fore, marked recently by Warren Buffett's historic, earth-changing donation of \$30

billion to the cause of fighting extreme poverty, with most of the contribution going to the Bill & Melinda Gates Foundation. This remarkable gift is dramatic in its own right, but it also signals a broader trend that is now underway, wherein large private wealth holders, celebrities, and major corporations are joining the fight against extreme poverty, especially in Africa. The fight against extreme poverty is becoming a global social movement, rather than a technical exercise of development specialists.

The possibility of rapid progress is also being demonstrated by the Millennium Village Project, a joint effort of the Earth Institute at Columbia University, the United Nations Development Programme and the NGO Millennium Promise. The Millennium Villages are demonstrating the possibility of breakthroughs in the MDGs, even in the poorest villages in sub-Saharan Africa, through community-led development. Once empowered with the practical means, the Millennium Villages have shown the ability to make rapid progress in just one year in five key areas: improved crop yields, malaria control, provision of clinical health services, access to safe water and sanitation, and increased school enrollment bolstered by school feeding programs using locally produced food. This initiative already covers some 400,000 people in twelve sites across sub-Saharan Africa and more are being added rapidly. The early results are impressive and provide important lessons for scaling up development support more generally.

Iceland can and should step up its own important efforts for the world's poor. As one of the world's most successful economies, with breakthroughs in energy, fishing, finance, and information and communications technologies, Iceland has much to offer to the poorest of the poor. As a Nordic country, Iceland is also a natural member of the so-called "G-0.7," the countries such as Norway, Denmark, the Netherlands, Sweden, and Luxembourg that already abide by the international standard of 0.7 percent of GNP in official development assistance. With increased aid flows, political leadership, and public-private partnerships, Iceland will do what it does best: help to lead the world through breathtaking examples of ingenuity, environmental consciousness, and social commitment.

# Politics and development in Southern Africa

By Henning Melber



**Henning Melber** is the Executive Director of the Dag Hammarskjöld Foundation in Uppsala/Sweden, where he was Research Director at The Nordic Africa Institute and coordinator of the project "Liberation and Democracy in Southern Africa" (2000-2006). Born 1950 in Germany, he came to Namibia in 1967 as a son of immigrants. He joined the anti-colonial movement SWAPO in 1974 and was exiled between 1975 and 1989. He studied Political Science and Sociology in West-Berlin, where he graduated in 1977. At Bremen University he obtained a PhD (1980) and a *venia legendi* (right to teach) in Development Studies (1993). He was Senior Lecturer in International Politics at Kassel University (1982-1992) and Director of The Namibian Economic Policy Research Unit (NEPRU) in Windhoek (1992-2000).

With the gaining of political power by liberation movements in Zimbabwe 1980 and Namibia 1990, the final decolonisation of the African continent took its course. In 1994, a democratic political system under a lawfully elected ANC government was established in South Africa. The change from internationally ostracised minority regimes to sovereign state structures legitimised under international law had finally been completed. During this process, the main goal was to obtain the right to self-determination. The transformation of the societies, however, can at best be characterised as a transition from controlled change to changed control.

## The 'democratic question'

Governments were formed by the anti-colonial liberation movements, which had indeed been far from non-violent. They took over control of the state machinery and reorganised themselves as political parties. Their legitimacy to rule stemmed from their emergence as democratically elected representatives of the majority of the people. Since then, with varying results (and sometimes accepting the use of further physical violence), they have been able to strengthen their political dominance and maintain control over the state. This is true even if in Zimbabwe it can be seen that these governments will not last forever as the only legitimate option to political rule.

The post-colonial perception of politics within the ruling parties, and among large sections of their grass roots supporters, shows often a blatant lack of democratic awareness and forms of neo-patrimonial systems. Tendencies to autocratic rule and politically motivated social and material favours for loyal supporters are obvious. The political rulers' penchant for self-enrichment with the help of a rent- or sinecure-capitalism goes with the



exercise of comprehensive controls to secure the continuance of their rule. Accordingly, the term 'national interest' means what their definition of it is. Based on such dominant (self-)perception, individuals and groups are allowed to participate in, or are excluded from, nation-building. Such selective mechanisms of the exercise and retention of power have at times little or nothing to do with democratic principles.

## Liberation - not democracy

In view of the sobering experiences which followed the initial euphoria over attaining sovereignty under international law, critical voices are mounting. Even among those who followed and supported the liberation struggles with great sympathy or as active supporters. We begin to critically analyse the processes in which victims in the role of liberation fighters became perpetrators. Breaking the taboos in this regard is necessary in a debate, which deals increasingly with the content of liberation. The much-celebrated attainment of formal independence is no longer being equated with full emancipation, including the creation of the foundations for lasting democracy.

Instead, there emerge attempts to investigate the structural legacies, which in most cases set far too narrow limits to realising societal alternatives in the post-colonial countries. The insight is growing that the armed liberation struggles were in no way a suitable breeding ground for establishing democratic systems of government after gaining independence. The forms of resistance against totalitarian regimes were themselves organised on strictly hierarchical and authoritarian lines, otherwise they could hardly have had any prospect of success.

In this sense, the new societies carried within them essential elements of the old system, which they had fought. Thus aspects of the colonial system reproduced themselves in the struggle for its abolition and subsequently in the concepts of governance applied in post-colonial conditions. The result is that the new system has little transparency. Those in power are at best prepared to be accountable only to themselves. There is a lack of critical faculties and extremely limited willingness to accept divergent opinions, particularly if they are expressed publicly. Nonconformist thinking is interpreted as disloyalty, if not equated with treason.

But the marginalisation or elimination of dissent limits drastically the new system's capability for reform and innovation. A culture of fear, intimidation and silence reduces the possibilities of durable renewal at the cost of the public weal. In the long term, this means the rulers are themselves undermining their credibility and legitimacy. The former liberation fighters also have an expiry date (at least biologically). That applies not only to the groups themselves but also to their potential clientele among the people, as the example of Zimbabwe shows. So cultivating the myth of the liberators is not enough for orderly conduct of government business. Thus the rulers' restriction of

their coteries to their own groups of functionaries from the days of the liberation struggles is counterproductive. It is motivated primarily by the wish to reproduce kindred spirits in a cosy and familiar milieu.

## Power corrupts

Similar mechanisms can be seen in many other societies around the world that are regarded as democratic states. That power corrupts is by no means a solely African truism. Nor that giving up power – even in democratically anchored and regulated conditions with a long tradition – is difficult for many once they have had a taste of it. But part of the challenge lies exactly there: The real test of a democracy is also in how peacefully and constitutionally a country carries out a change in its political leadership.

The specific constellation based on the use of force to gain liberation from undemocratic and repressive conditions like those that prevailed in the colonial societies of Southern Africa was hardly favourable for the durable strengthening of humanitarian values and norms. As part of abolishing anachronistic, degrading systems of rule it created new challenges on the difficult path to establishing sound and robust egalitarian structures and institutions, and in particular to promoting democratically-minded people. But independence without democracy, human rights and redistribution of wealth is still far from being liberation.

## Further reading

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- Jeanette Minnie (ed.), *Outside the Ballot Box. Preconditions for Elections in Southern Africa 2005/2006*. Windhoek: Media Institute of Southern Africa 2006.
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# HIV/AIDS in Sub-Saharan Africa

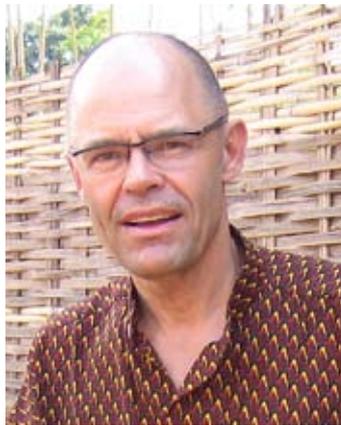
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By Geir Gunnlaugsson

In the two decades that have passed since the AIDS virus was diagnosed in humans, it has managed to spread throughout the globe. In 2005, it is estimated that some 40 million individuals were infected with the virus and about three million have already died from it (1). On the other hand, the spread of the epidemic varies across the world. Roughly two-thirds of all infected individuals live in sub-Saharan Africa and the estimate is that some 7.2% of the adult population of the continent is infected.

## Distribution of Aids in Sub-Saharan Africa

Generally, it might be said that the AIDS epidemic has been less widespread in countries in West Africa (1-10% of the population infected) compared with those in the east of the continent (5-15%) and the south (10-40%) (1). Most seriously, it seems the epidemic shows little sign of abating in the south of the continent, except in Zimbabwe, and in some countries over 20% of pregnant women are infected. The increasing seriousness of the epidemic in the neighbouring country South Africa, the economic centre of sub-Saharan Africa, is of particular concern. There, the spread of the virus has managed to increase from around 1% in 1990, affecting 25% of the population. This fast growth is now being reflected in mortality rates in South Africa. For example, in 1977-2002 deaths among adults (>15 years) increased by about 62%, and among individuals aged between 25-44, there was a 50% increase (1). This is a serious drain on the childbearing part of society, which contributes most to economic life.



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Photo: Gunnar Salvarsson



Photo: Gunnar Salvarsson

## Children and AIDS

Children are the future of every nation. At the end of 2003, it is estimated that worldwide about 15 million children younger than 18 years old have lost one or both of their parents due to the epidemic and of these 12 million live in sub-Saharan Africa (2). The numbers are increasing, opposite to what is occurring in Asia, South America and the Caribbean. The number of children who have lost both parents is also growing in the continent and it is reckoned that by the end of 2010, this will be the case for about two million children.

Although official figures show that comparatively few orphaned children belong to child-headed households, an increasing number of children have the role of nursing AIDS-infected parents and have no income (2). Thus children, in fact, bear the responsibility for the family and its wellbeing. This has various implications for the development of the maturing child. The children need to stand on their own feet before they are fully developed, the possibilities of education are curtailed and the family's prosperity reduced. These individuals are also an easy prey for those who make use of their poverty and helplessness to their own ends, for example in prostitution, crime or other abuse. Despite the fact that family ties are ordinarily strong in sub-Saharan Africa, and children most often are supported by close relatives, the network of family relations is widely pushed to its limits, particularly in those countries where the epidemic is most rife. The result is hindered economic development, leading to social disintegration.

## Implications for the Economy

The AIDS epidemic affects the economies of those countries where it is most serious in various ways (3). The economic output can be reduced where young people are affected with the disease at the age where they would be most productive in economic life, and in some cases these also make up the best-educated part of the workforce (4). In addition, these people bear greater costs in regard to health care and funerals, to name but two instances. Additional costs are also brought about by absence from work and decrease in general savings. It has been estimated that, due to the AIDS epidemic, the GDP will be reduced by 0.5-2.6% which is, however, still within the margin of error in regard to management of the economy (5). Overall, the epidemic has more influence on administrative decisions regarding the use of funds, on the companies and the financial situation of families, rather than the GDP itself. The epidemic leads to increased poverty in these countries and a loss of tax revenue for the state. Businesses suffer considerably on account of reduced production output as well as higher costs due to sick staff and the training of new employees. Prevention measures of various types to hinder the spread of the epidemic and improve the lives of those who are infected are important, not only from a moral standpoint but also in regard to economic considerations.

*At the end of 2003, it is estimated that about 12 million African children in Sub-Saharan Africa have lost one or both of their parents due to AIDS. Photo above from Namibia, below from Malawi.*



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Photo: Skarphéðinn G. Þórisson

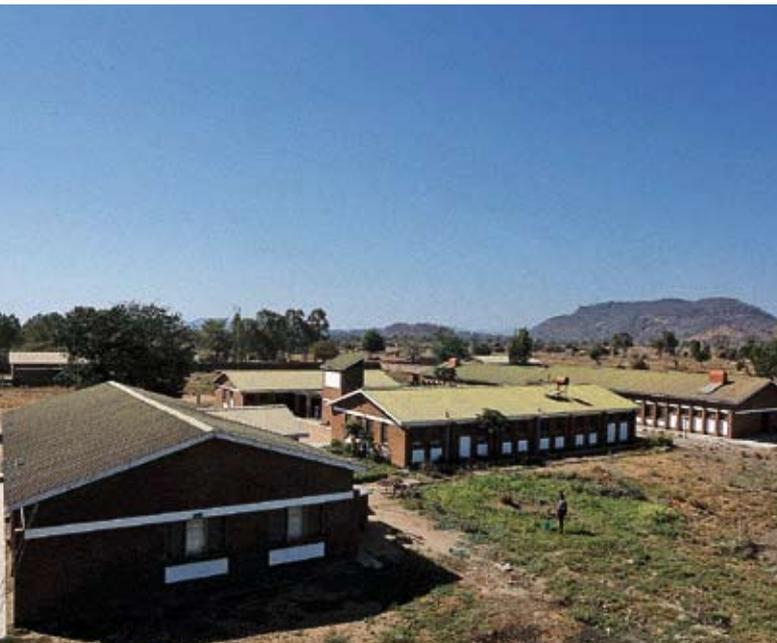


Photo: Guffi



Photo: Theima Tómasson

## Drug Treatment

One key target of the prevention programme is to keep infected individuals alive. For this purpose the international '3 by 5' Initiative was launched in December 2003. The Initiative's title is based on the target of three million infected individuals receiving drug treatment (anti retroviral treatment - ART) by the end of 2005 in order to slow down the development of the disease. Drug treatment is also important in preventing infection between mother and child and is thought to prevent that route of infection of children in about fifty percent of cases. Anti-retroviral drugs are expensive and production capacity limited, amongst others due to existing patents. The Initiative's target was not achieved before the end of 2005. One year later, by December 2006, it was reckoned that some two million infected individuals were receiving treatment, out of an estimated seven million globally in need (6). In sub-Saharan Africa it is reckoned that 1.3 million infected individuals were receiving drug treatment, with coverage of 28% of those in need. Yet, on the positive side, the coverage was only 2% three years earlier, thus showing a dramatic improvement. One reason for the target of the '3 by 5' Initiative not being achieved is the weakness of the health-care services, which do not have the facilities necessary to supply such service.

## ICEIDA's Project in Malawi

In order to curtail the spread of AIDS in sub-Saharan Africa, it is necessary to support the development of the health-care services, both regarding their institutions and human resources. The Icelandic International Development Agency, ICEIDA, has, since 2000, supported the development of the health-care services in the Monkey Bay area in the Mangochi District, southern Malawi, where around 14% of the population are believed to be infected by HIV. The framework of the service has been improved, e.g. by the construction of a new community hospital in Monkey Bay and the improvement of transportation and communications between the medical centres in the area. Furthermore, ICEIDA supports continuous education and re-education of personnel, both professionals and volunteers who live in widespread small villages in the area.

ICEIDA's support of the development of health-care services led to voluntary counselling and testing (VCT) services being offered in the Monkey Bay community hospital since April 2005, and was the first of its kind in the area outside the district hospital in Mangochi. Here opportunities are available to learn about the AIDS virus, how it is transmitted and how to avoid infection. Individuals also have the opportunity to undergo blood tests with regard to infection and take appropriate action on the basis of the results. First results show that about a 20% of those who have had their infection status determined are infected with the virus and 16% of pregnant women. Less than a year later, in June 2006, the community hospital initiated medical treatment

*ICEIDA, has since 2000, supported the development of the health-care services in the Monkey Bay area, e.g. by the construction of a new community hospital.*

for infected individuals, amongst others, mothers and their newborn infants. In mid-year 2007 new facilities for VCT and ART will be inaugurated. This service and new facilities are in line with results of studies that show VCT and ART are effective measures, making such an effort worthwhile and economically sound (7). This new service is therefore an important step towards improved health-care services for poor people in an area with a population of 110.000 in a country where the AIDS epidemic is the most serious in Africa. The strengthening of the health service delivery, which is now taking place with the support of the Icelanders, is therefore one illustration of how important it is that the international community offers its contribution to contain the spread of the virus.

## A Sign of Better Times?

The AIDS epidemic has had a profound effect on individuals and economic life in sub-Saharan Africa and an end to its implications is not yet in sight. On the other hand, it must be kept in mind that despite the difficulties, certain positive achievements have been made. Knowledge of the disease is growing, not only in the cities but also in the rural areas. Preventive measures have been influential, e.g. in regard to the use of condoms in casual relationships and young people now become sexually active at a later age and have fewer sexual partners. In addition, the prevalence of the disease has remained steady and even diminished in some countries. The prevalence of the disease, on the other hand, reflects also the incidence of infection. Because a long time elapses between the individual becoming infected until (s)he shows symptoms of the disease and dies from it, it can in fact take many years from the time the incidence is reduced until data shows the reduction in the prevalence of the disease. It is, therefore, gratifying to note that the incidence of the disease is thought to have peaked in Uganda and Zambia in 1987, in Botswana and Lesotho around 1994 and in South Africa around 1977 (8). The only country where incidence appears to be on the increase is Mozambique. The reduced incidence of the disease on the African continent are hopeful signs that the peak of the epidemic has been reached. It is therefore now important that the international community works even closer together in its aid to the sub-Saharan African countries in order to strengthen their human resources and strengthen the infrastructure in the educational and health-care sectors. Thus, the international community supports the countries' progress while hindering, at the same time, the spread of the epidemic and its serious economic consequences.

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# Development aid: Does it do any good?

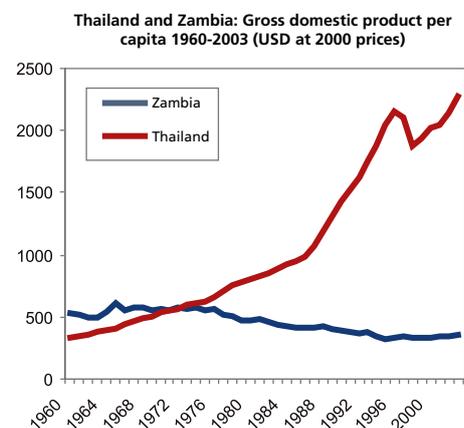
By Porvaldur Gylfason



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What does it take to lift the yoke of centuries-old poverty from poor countries and lead them to prosperity? It is hard to think of social questions that are currently more pressing than this one. Some answers have emerged in recent years, although several issues remain unclear. In this brief article, I shall attempt to relate the story in broad comparative terms by telling a tale of two countries, one in Africa, the other in Asia.

Some thirty years ago, Zambia and Thailand produced the same amount of output per person. Yet now Thailand is six times more prosperous than Zambia. The figure describes the evolution of gross domestic product (GDP) per capita in both countries 1960-2003. Zambia was better off than Thailand until the 1970s, although both countries were poor. Zambia achieved independence from Britain in 1964 and since then has stood on its own as a free and sovereign state. Thailand was never colonized. Notice that within a few years, Thailand managed to recover from the economic and financial crisis that afflicted the country 1997-98 and spread to neighboring countries and beyond.





## What went wrong?

What can explain this large growth differential between the two countries? This is an urgent question for the people of Zambia where, generally speaking, poverty is an even greater concern than it was about forty years ago, at the time of independence. The same can be said about many other countries that have grown less rapidly than expected. What went wrong? How did Thailand, within a generation or so, manage to increase national income per person six times over? – while at the same time, in Zambia, the standard of living declined by a third.

Begin with foreign trade. In 1964, Zambia's economy was much more open to trade than that of Thailand. That year, exports of goods and services from Zambia amounted to 60% of GDP, compared with 17% in Thailand. In 2003, by contrast, exports in Thailand had reached almost 70% of GDP as compared with 20% in Zambia, a striking reversal. Investment in Thailand exceeded investment in Zambia by more than a third relative to GDP during the same period, averaging 29% of GDP in Thailand compared with 21% in Zambia. How about education? Around 80% of teenagers in Thailand attend secondary schools against one in three in Zambia. The difference is even greater at university level: around one in three young Thais attend university compared with one in fifty in Zambia. Official expenditure on education in 2000 amounted to 5% of GDP in Thailand, 2% in Zambia. What can we conclude from this? The Thais have done more than the Zambians to foster foreign trade, investment, and education and have accordingly reaped a higher standard of living through more rapid economic growth.

## Diversity is good for growth

This is not all, however. Zambia was, in essence, a centrally planned economy and exercised stringent state control of economic affairs, like Tanzania, until 1991. The consequences of the resulting inefficiency are still being felt. Thailand, on the other hand, is a market economy. Nearly 40% of the Zambian labor force worked in state enterprises 1978-1991, compared with 1% in Thailand. Another 40% of the labor force work in the official administration in Zambia against 8% in Thailand. Economic management and organization in Thailand have generally been much better than in Zambia. This inference is based, among other things, on the fact that inflation has been considerably less in Thailand than in Zambia, or 5% per annum 1964-2003 in Thailand compared with Zambia's 32%. High inflation can usually be attributed to lax economic management, and both will adversely affect long-term economic growth. Zambia's foreign debt relative to GDP is now about three times that of Thailand. This is important because a heavy debt burden weakens the growth potential of the economy. Thailand has industrialized, not Zambia. The proportion of manufactured goods in Thailand's exports has increased from practically nil in 1964 to 75% in 2003, while in Zambia it rose, also from nil, to about 20% in 2000, decreasing again thereafter. This is important for economic growth because

manufacturing is an important source of innovation and progress that stimulates the economy and strengthens its growth potential in the long run. From the outset, Zambia has relied heavily on copper production for export. The economy of Thailand is more diversified and diversity is good for growth.

Let us move on. The birth rate has dropped in both countries as in most other countries worldwide, but fertility has fallen less rapidly in Zambia than in Thailand. Each Zambian woman now gives birth, on average, to five children, down from seven in 1964. At the same time, births in Thailand have been reduced from an average of six per female in 1964 to less than two today. With fewer children per household, each child can now be given more and better education, health care, food, clothing, and so on. In effect, the decision to have fewer children amounts to an investment in human capital or, more specifically, an investment in the improvement of existing human capital. Other social indicators reflecting public health and life expectancy point in the same direction, and this helps as improved health and longer lives go along with more rapid economic growth.

## Corruption indices

Which country is more corrupt? *Transparency International* in Berlin tries to assess corruption in business and government in many parts of the world and publishes corruption indices that range from one in countries with pervasive corruption to ten in those countries where corruption is negligible. These indices admittedly do not cover all forms of corruption – for example, through nepotism and other favors – concentrating instead mainly on bribery. Overall, Thailand is cleaner than Zambia, although only by a narrow margin: Thailand's corruption index was 3.8 in 2005 compared with 2.6 in Zambia. This can be important because recent studies suggest that corruption tends to impede economic efficiency and growth.

Furthermore, democracy has been in short supply in both countries for a long time, as in so many other places in the developing world. Political scientists have compiled 'democracy indices' that cover a large number of countries. These indices take into account democratic rights, freedom of association, free elections, freedom of the press, and other related things that are then weighted together to produce an annual index for each country. The democracy index is highest in the industrial countries (10) and lowest in – do you want to guess? – Saudi Arabia, the world's least democratic country in our time (-10). In Thailand, the democracy index was -7 when the country was under military rule, for example, most years from 1958 to 1976, but has been 9 since 1992 until recently, as in India and Botswana. The average democracy index in Thailand 1964-2003 is 2 compared with -3 on average in Zambia. The five-point average democracy difference between the two countries is a substantial one as it spans a quarter of the scale from -10 to 10. During the last few years, Zambia's democracy index has been meas-

ured at 1, which is an improvement on earlier figures, but still well below the index values observed in the countries that receive support from ICEIDA, all but one. The democracy index for 2003 was 6 in Malawi, the same as in Mozambique and Namibia as well as Sri Lanka, 8 in Nicaragua, but -4 in Uganda. This is important because, among other things, democracy appears to encourage economic growth by, for example, facilitating peaceful changes of government when voters deem this necessary.

## You reap what you sow

Thus it is possible to discern several clear trends on the economic growth front. Some of the major determinants of economic growth around the world – exports, investment, education, market economy, stable prices, modest debt, industrialization, diversity, slow population growth, honesty, and democracy, to name eleven factors – predict more rapid economic growth in Thailand than in Zambia. It should, therefore, come as no surprise that Zambia has grown at a much slower pace than Thailand. The difference in economic growth in the two countries is a textbook example of one of the oldest lessons in economics, and in life: ‘you reap what you sow’.

Which of the two countries has received more development aid over the years? You guessed it: Zambia. Between 1960 and 2003, unrequited foreign financial aid to Zambia amounted to 12% of GDP each year on average, compared with 1% in Thailand. Even so, there was no discernible difference in development aid to the two countries until the early 1970s. Thereafter, their ways parted. The difference stems mainly from the fact that Zambia has still not found its feet and is, therefore, considered to need continued aid. Thailand is another matter. Some years, Thailand grants more development aid than it receives, for example, in 2003.

Would Zambia have fared better with less development aid? This counterfactual question is not easily answered. There are indications that massive financial aid tends to reduce the financial self-responsibility of the recipients, particularly if there are no strings attached, that is, if the aid is not subject to express

conditions regarding the growth-friendly disposal of the funds. Experience shows that a significant proportion of unconditional development aid has not found its way to the intended recipients, but has been dissipated on the way, like water leaking from a bucket while being carried from one place to another. We do not really know how much the bucket leaks; we only know that it does, considerably. For this reason, some observers favor aid in kind, the type of aid that, for example, a corrupt government cannot easily confiscate, as well as conditional aid. In the latter case, the conditions are typically designed to monitor and reward good performance, whether it is measured in terms of profits from the investment projects undertaken or in terms of concrete improvements in economic management and infrastructure. This approach means that aid tends to be given to those nations that may appear to need it less because they have responded well to previous aid. Even so, this approach sends strong signals to developing country governments about the need to perform and achieve results.

## Aid must end up in the right hands

Development aid can be a mixed blessing like other comparable gifts such as, for example, oil discoveries, if not properly managed. It is hardly a coincidence that democracy is not the strong suit of many oil-producing nations, from Saudi Arabia to Iran, Russia, Nigeria, Mexico, and Venezuela. Their governments are not keen for the opposition to gain access to the oil wells, and they take measures to try to preserve their own privileged access to the oil wealth. Generous aid can have a similar effect. This phenomenon appears likely to be part of the reason why development aid has not resulted in a greater advance in the standard of living in Zambia and many other places, particularly in Africa. It is, therefore, a matter of urgency to ensure that development aid ends up in the right hands, so that it discourages neither economic growth nor political democracy. Development aid is like dentistry: through preventive care, it needs to aim toward ultimately becoming unnecessary. This goal will not be achieved in the near future, perhaps never, yet we must head in that direction.

# Culture, conflict and economy

By Jónína Einarsdóttir



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Recently, the belief in the importance of culture has increased and one could even talk of the return of culturalism. Firstly, relations between various social groups of the same nation or between nation states are believed to be characterised by existing cultural differences. Secondly, the prosperity of social groups or even whole nations is attributed to their culture. We shall examine these ideas in a little more detail.

According to the idea of the importance of culture in regard to the relations between ethnic groups or nation states, the likelihood of clashes, perhaps even armed conflicts, are said to increase with increased cultural differences. The results of research carried out on behalf of the World Bank demonstrate, however, that countries with a large number of ethnic groups are not more likely to become involved in internal strife than more ethnically homogenous communities (Collier et al, 2003). It must be kept in mind that difference in ethnic background does not necessitate conflict, although warmongers use patriotism to unite one group against another. The likelihood of conflict is less where many small groups live together but increases where one group has an overpowering dominance over other inhabitants of an area or country. Studies of armed conflicts have also shown that they are more likely to arise between societies, which are culturally similar (Fox, 2002).

## Availability of natural resources a decisive factor

What reason for war to break out if not on grounds of conflict between differing cultural realms? According to the aforementioned World Bank research, the likelihood of conflict breaking out increases where national income is rapidly reduced. Similarly, the availability of natural re-





Photo: Gunnar Salvarsson



Photo: Gunnar Salvarsson

*A world like a mosaic of diverse cultural realms, each with its own characteristics.  
Photo above is from Namibia and photo below is from Mozambique.*

sources to the aggressors is a decisive factor, both in that it makes the outbreak of war more likely and in contributing to a long drawn out conflict. Such is the position in areas or states where natural resources exist that are easily exploitable and marketable despite conflict, for example, diamonds, oil, precious metals and timber.

War can even make the theft of natural resources possible. Research has also shown that the likelihood of conflict is increased where more than a third of the national income is based on the export of metals or agricultural products from large plantations. This is the situation in many African states, where conflict has raged in previous decades, for example, Angola, Sierra Leone, Liberia and the Democratic Republic of Congo. On the other hand, it is considered less likely that war will break out if the government's income is made up of taxation of the nation's general workforce. Where this is the case, the conflicts are seldom drawn-out. War destroys such production, making it difficult to finance long-term warfare without outside financial support.

The second idea, that culture influences the prosperity of a nation, is based on the premise that some cultures are more likely to contribute to development than other cultures. Here it might be useful to study national culture and the prosperity of Iceland in a historical context. Undeniably, Iceland belongs to that part of the global community, which has come a long way on the so-called road to development. According to the latest annual report of the United Nations Development Programme (UNDP), Iceland's human development index is the second highest in the world. Only Norway is ahead of Iceland. The expansion of Icelandic businesses abroad is said to mirror the boldness, diligence and pioneering spirit which laid the foundations of Iceland's well-being and success, having their roots in the Viking tradition. This would be culture or, more correctly, national character, which is almost inherent in Icelanders. Therefore one might ask what is it that characterises this national character and what are its origins?

## Images for good and bad

The historian, Sumarliði R. Ísleifsson (2006), has researched the images of Iceland, i.e. ideas concerning Icelandic culture or the national character, in a historical context. He points out that until about 1800, the predominant image of Icelanders was that they were "immoral savages, little better than beasts, as they were thought to live beyond civilisation far in the North....". The ugly descriptions of poverty and helplessness of the natives may be found in narratives by travellers long into the 19<sup>th</sup> century, where they tell of excessive drinking of alcohol, uncleanness, lice and all sorts of complaints (Aho, 1993). Sumarliði shows, however, how the notion of the accounts gradually changes. The descriptions become more positive and, for a time, the natives were described as innocent yet noble savages, living off what Nature provided. Alongside the growth of nationalism

and racialism there was a complete turn-around and the South took over as the area of the barbarians. The North and Nordic cultural heritage became the symbol of the Aryan race. Consistent with this ideology, the Icelandic nation benefited. The pioneering spirit of the Vikings gave the Icelanders farsightedness and wealth, whilst the geographical isolation ensured a suitable adaptation of alien cultural influences. The small population strengthened individualism and the magnificent landscapes increased the Icelanders' self-confidence. The grim forces of Nature ensured that only the most fitted survived. Sumarliði points out that one may use such images for both good and bad but as an explanation of the future development of the society they are "useless and misleading".

Jeffrey D. Sachs (2005) argues that the predictive value of theories that stress the importance of culture for economic development is dubious. Weber had explained the difference in earnings within Europe on grounds of religions, which he assumed had different influences on the pioneering spirit of the societies in question. Catholicism was not considered to be conducive to development and the same applied to religions in China and India. The so-called 'Asian values' were seen to be obstructive to economic development and progress. This changed, however, with the Asian economic boom. Asian culture, which had previously been considered as an obstacle to economic development, was all of a sudden given as the main reason for progress. Further, it is interesting to recall that the first reports from travellers to Japan in around 1870 described the Japanese as lazy. Sachs points out that it is an old tradition to blame the poor for their poverty. Laziness, lack of individualism, illogical thinking, underestimation of education, fatalism and mistrust of those outside the family were, and still are, taken as typical for the 'nature' of disadvantaged people.

## The concept of culture is difficult to handle

The problem with explaining the prosperity of a nation in conjunction with their culture or to predict their future prosperity on grounds of culture is, in the light of what has gone before, multifarious. The concept of culture has for a long time been the cornerstone of anthropology. This concept has proved to be difficult to handle. In 1952, for example, Kroeber and Kluckhohn published an article on the use of the concept of culture within anthropology (Kuper, 2000:56). They reported 164 definitions of the concept, which they then divided into two groups. On the one hand there were the definitions which they considered obsolete, nationalistic and discriminatory and on the other hand those which were modern and possessed scientific value.

Now, more than half a century later, anthropologists are still struggling with culture and are by no means in agreement about its utility. Ulf Hannerz, professor in anthropology at Stockholm University (1996:30), writes: "Suddenly, people seem to agree

with us anthropologists; culture is everywhere. Immigrants have it, business corporations have it, young people have it, women have it, even ordinary middle-aged men may have it." Hannerz then goes on to follow the debate amongst anthropologists regarding this many-faceted concept and draws our attention to the fact that even to this day many see this as the key concept of anthropology. However, others reject the concept completely as it has done the discipline and its subjects more harm than good. The culture concept has far too often primarily been used to essentialise and exoticise the culture of others. It has played its part in the creation of an image of faraway societies as stagnated, demarcated and homogeneous. The world would be like a mosaic of diverse cultural realms, each with its own characteristics. Hannerz chooses, however, not to discard the concept for, despite everything, it is one of the key terms to understanding how people assemble their lives.

Anthropologists are not of the same opinion about the theoretical value of the culture concept and yet there is a general agreement that culture, whatever the concept involves, is neither homogenous, demarcated and unchangeable nor divorced from historical circumstances. Theories that stress the importance of culture for economic progress are often characterised by the fact that the chief variable, which is culture, is taken for given. Images of nations tend to become equivalent to culture, which is referred to as reflecting some kind of national character. The ethnocentric and degrading ideas about the culture of others, deemed obsolete in the middle of the last century by Kroeber and Kluckhohn, are still in use.

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# Development aid or free trade?

By Hannes Hólmsteinn Gissurarson



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Development aid in its usual form has produced little or no result. The Icelanders gave aid to Capo Verde Islands in past years, and in fact that country has long been amongst the states that have received most aid (in spite of considering itself eligible to take a seat on the UN Security Council between 1992-3). Donations from abroad, development aid and transfers from nationals living abroad, make up about 20% of the domestic product of the Capo Verde Islands. What is the result? Domestic product per capita is about 2,600 USD. In comparison, domestic product per capita in Iceland is in the region of 34,600 USD. The state which has, however, received the most generous development aid of all, not least from the Nordic countries, is Tanzania. In 2001, the country received 1.2 bn USD in aid from abroad. The country's total export amounts to little more (1.5 bn USD in 2005). Yet in Tanzania, domestic product per capita is a mere 700 USD<sup>1</sup>. Poverty-stricken Tanzanians have reaped little benefit from a special type of "African Socialism" introduced by Julius Nyrere, who was the president of Tanzania from 1962-1985, (despite the University of Edinburgh being Nyrere's *alma mater*) and much admired by some foreign deliberators. In other countries which have received development aid, the story is much the same.

## Donations of food increase food shortages – in the long run

This poor result is not in spite of development aid, but rather because of it. It has made things worse, although this was doubtless never the idea. Development aid disrupts the employment environment and unsettles price-levels in the re-

1. Provisional figures for 2005. Information from the *CIA World Factbook*, see <http://www.cia.gov/cia/publications/factbook/geos/cv.html#Econ> and <http://www.cia.gov/cia/publications/factbook/geos/tz.html#Econ>



Photo: Gunnar Svarsson

ipient countries. When a great deal of food is sent to a country suffering from shortage of food, prices fall and the result is a decrease in supply. Thus, it is no longer worthwhile to produce foodstuffs. Therefore, in the long run, donations of food increase food shortage. Development aid can, furthermore, be likened to the assistance to a company in trouble in Iceland: those who are most likely to receive the assistance are the least likely to use it sensibly. The efforts of the authorities of the developing countries are aimed at being 'chosen' when aid is distributed, rather than to solve the problem themselves. When development aid is a transfer of funds from one state treasury to another (directly or indirectly), it has further the undesirable result to strengthen politicians' power, which is often the crux of the matter in the developing countries, i.e. that this power becomes extensive and abused.

There, political corruption is commonplace.<sup>2</sup> Sometimes, the words of St John the Baptist are used to defend development aid: "He who has two coats, let him share with him who has none."<sup>3</sup> (RSV) Why our neighbour has no coat is important to know. Are the coats which he gets taken from him as soon as he gets them? Do rules and regulations forbid him from sewing his own coat? May he not sew coats and sell them to others?

This brings us to the nub of the matter. It does matter why our neighbour has no coat. The people of developing countries lack neither the wit nor the will to survive. The reason for their poverty lies in the organisation, which either hinders or discourages the creation of wealth. It is for this reason not enough to say, as is so often the case, that it is better to teach the people to fish than to give them fish. It must be made profitable to go fishing and, if so, men would themselves seek to learn how to. In order to replace poverty with self-sufficiency, the developing countries need a solid government, with limited power, and widespread economic freedom. These truths are not new. *Innréttingarnar*, novel industries promoted by the Danish authorities in the 17th century in Iceland, were a disastrous failure. The Icelanders did not escape their thousand years of poverty until the farmers were able to buy the land from the bishoprics and the King, the residency law, the so-called "vistarband", was abolished and free foreign trade was established. Subsequently, entrepreneurs such as Thor Jensen were able to start their trading and shipping businesses, financed with loans from banks owned by foreigners as profit-making concerns. The four "Tigers" in South-East Asia, South Korea, Taiwan, Hong Kong and Singapore did not modernize via development aid, rather through the power of free trade. The Irish did not outstrip the British in domestic product per capita in 1996 through foreign aid, but because they had created favourable conditions for economic life, amongst others, with low taxation.<sup>4</sup>

2. I discuss these arguments against development aid further in my book, *Hádegisverðurinn er aldrei ókeypis*. Hið íslenska bókmenntafélag, Reykjavík 1997. There I refer to, for example, a publication by Lord Peter Bauer, one of the most prominent experts on development aid in the world.

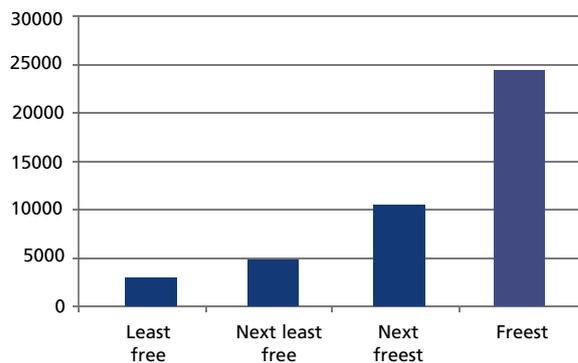
3. Lk, 3, 11.

4. I discuss the success in Ireland further in my book, *Hvernig getur Ísland orðið ríkasta land*

## Index of economic freedom

This familiar truth is best seen when the so-called index of economic freedom is studied, which some economists under Milton Friedman's leadership have recently constructed to measure economic freedom in several countries over a period of time. The index is assembled from a number of factors, each with its own weight. These are, briefly, the extent of the private sector, the level of protection of ownership, stability of the currency, restrictions on free foreign trade and how liberal rules are regarding economic activities.<sup>5</sup> According to the index, economic freedom was most extensive in Hong Kong in 2006, with Singapore in second place, New Zealand, Switzerland and the United States sharing 3rd-5th place. The UK and Ireland in 6th and 7th place, followed by Canada in 8th place and Iceland and Luxembourg together in 9th-10th place. The 2006 index noted that Iceland was among those countries where employment freedom had increased the most over the past decade. Economic freedom was least in Myanmar (Burma), Zimbabwe, Venezuela, The People's Republic of Congo, Guinea-Bissau, Burundi and Algiers.

Living standard (GDP p/capita) in economies with various levels of freedom 2004 in USD



The important point to be made here is the apparent correlation between economic freedom and economic prosperity. When the 127 countries are divided into four equally proportioned groups based on their economic freedom, it was evident that in the group enjoying the most extensive economic freedom, economic prosperity was by far the most, whereas in the group with the most restricted economic freedom, economic prosperity was by the same token by far the least. In 2004, the domestic product per capita amounted to around 24.000 USD on average in the fourth enjoying the most extensive economic freedom but only 3.000 USD where economic freedom was least. The result could not be clearer. This is demonstrated in the diagram.

*i heimi?* (Nýja bókafélagið, Reykjavík 2001). Some would maintain that the Irish had become rich due to assistance from the European Union. But then why did the Greek and Portugese not become rich?

5. James Gwartney and Robert Lawson: *Economic Freedom of the World: 2005 Annual Report*. The Fraser Institute, Vancouver 2005. Figures downloaded from [www.freetheworld.com](http://www.freetheworld.com)



Photo: Gunnar Salvarsson

*"it is for this reason not enough to say, as is so often the case, that it is better to teach the people to fish than to give them fish. It must be made profitable to go fishing ..."*

## Icelanders should change ICEIDA into an educational centre

The peoples of the developing countries were in dire poverty before they were introduced to Western civilisation. We are not responsible for their poverty (except to the extent many leaders of these countries acquired their knowledge of socialism in western universities). Nonetheless, collective humanitarian responsibility must exist notwithstanding previous action of individuals. Of course we should do what we can to alleviate the deprivation of the people in southern countries. This can best be done by removing various barriers to trade, not just by importing goods from the developing countries, but also by

investing there. Icelanders should, therefore, cease all general development aid and change ICEIDA into an educational centre offering poor nations an opportunity to learn from those who are richer. They should position themselves next to the US and other civilised nations in the battle for more liberated international trade and open up their own economies more than hitherto. They should shout loud and clear Arnæ's message from Íslandsklukkan (The Bell of Iceland): "It wasn't extra flour I wished for my people, and not bad wheat, but better trade."<sup>6</sup>

6. Halldór Kiljan Laxness: *Eldur í Kaupinhafn*, Ch. 1. Helgafell, Reykjavík 1946.

# The hollowness of development-speak?

## The postdevelopment critique and actors in development

By Karl Benediktsson



*Waitman i gat planti save long olgeta samting. Yupela masta, yu save long mekim kain kain masin na gutpela haus. Tasol mipela long hia stap yet olsem bus kanaka. Ples bilong mipela, em olsem las ples tru. Divilopman i no kam.*

*[The white man knows a lot about so many things. You whites know how to make all kinds of machines and build good houses. But our life here is really primitive. Our village is truly at the end of the world. Development has not arrived.]*

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When I stayed in the highland villages of Papua New Guinea in 1994–1995, my local friends often spoke like that about themselves and their lives. I found it uncomfortable and difficult to listen to such talk, where the colonial heritage was so plainly obvious in the Tok Pisin language itself – *waitman, masta* – and with such a clear sense of cultural inferiority at work in the whole discourse. I also had some difficulty in seeing my own white (or, more accurately, red and sunburnt) face in this mirror. When I revisited the highlands in 2003, nothing had changed. Villagers were still waiting for „development“.

This is nothing unique. Despite the gospel of „development“ having been preached with considerable religious fervor for more than half a century, by international institutions, individual states and non-government organisations, the people of many developing countries are still waiting. In some places, the general standard of living has been decreasing rather than increasing. Around 1990, this bitter fact gave rise to a radical criticism and theoretical rethinking of the concept of development, which has had considerable impact. The concept of *post-development* has been used as a shorthand for this critique. In this paper, the main strands of post-development thinking will be outlined and evaluated.

## Development – a concept destined for the garbage heap of history?

Development stinks (Esteva, 1992:135).

Ever since development became a widespread concern in the post-war years, certain theoretical statements have greatly influenced how governments of donor and receiver countries, as well as development practitioners, have viewed their task. The popularity of various theoretical approaches has waxed and waned and certainly one can discern very different emphases (see e.g. Brookfield, 1975; Hettne, 1990). Initially, the idea of development as a wholesale modernisation of economy and society reigned supreme (Rostow, 1960), with technology-intensive Western society with its market economy providing the blueprint. Criticism from the political left highlighted the unequal economic relations between rich countries and poor ones (Amin, 1970; Frank, 1967). For most of the time, these two basic viewpoints have been engaged in a tug of war, although the market liberalism of modernisation theory has wielded considerably more power among donor countries, not to mention the international financial institutions which dictate so much of what happens. Within these institutions, the doctrine of neo-liberalism negates any demand for a just order.

The very idea of development, which underwrites both development theory and practice, can itself be seen as a kind of a metanarrative. It is a Western product, built on a certain view – which is usually not spelled out explicitly – about the meaning of modernity. Despite disagreements among theorists about the causes of ‘underdevelopment’ and ways to get out of that state of affairs, few of them have harboured doubts about the desirability of ‘development’. But, arguably, this ubiquitous concept has proved a blunt tool for improving the lot of poor countries. Much energy has been expended in refining the methodology of development aid. Ever more elaborate systems have been established for project planning and evaluation. Even so, extreme poverty is still widespread and easily curable diseases continue to take a large toll (UNDP, 2005).

In the 1990s, this yawning gap between sophisticated development theories and the limited results of planned development work caused some critics to assert that development theory had reached an ‘impasse’ (Booth, 1993; Schuurman, 1993). The simultaneous rise of postmodernism and poststructuralism in the social sciences and arts, which was not least related to an ‘incredulity towards metanarratives’ (Lyotard, 1979) of any kind, led to a still more radical critique. The concept of development was itself subjected to critical scrutiny. This gave rise to the views that have been dubbed *post-development* or even *anti-development*. The above oft-quoted remark by the Mexican academic and activist Gustavo Esteva, about the bad smell of development, originates in these debates. He was talking about the situation in his own country.

Esteva was one of the authors of *The Development Dictionary*

(Sachs, 1992), which in many ways set the tone for the postdevelopment critique. But it was the book of Colombian Arturo Escobar, *Encountering Development* (1995), which had the greatest effect. Escobar’s goal was to trace how the development concept and development politics gradually became a tool by which the rich countries wielded their power, according to his analysis. Both Esteva and Escobar attribute the beginning to Harry S. Truman’s famous inauguration speech as the President of the US in 1949, where he stated that the technologically advanced and developed nations were obliged to assist poorer countries to follow the one and only track to the good life. Looming behind it all was the Cold War, of course.<sup>1</sup>

The critique of post- and anti-developmentists has above all focused on the specific *discourse* of development and the effects that this discourse has had (Crush, 1995; Escobar, 1995; Esteva, 1992; Rahnama, 1997; Sachs, 1992). The core argument is that by framing the debate about the poorer parts of the world within the concept of ‘development’, a certain political manipulation was being exercised, that is still doing its work. Development was made the speciality of Western experts, who proclaimed themselves in possession of true knowledge about development. Escobar does indeed refer extensively to well-known theorising by poststructuralist Foucault about the fusion of knowledge and power. The very concept of development became a tool in a discourse whereby the power of the richer countries was guaranteed by their access to a certain kind of knowledge – the academic theories about development as modernisation, most of which came out of neoclassical economics. As true knowledge was thus defined, possibilities for the ordering of social life that were different from those imagined within these development theories were excluded. As Escobar put it:

Development fostered a way of conceiving of social life as a technical problem, as a matter of rational decision and management to be entrusted to that group of people – the development professionals – whose specialized knowledge allegedly qualified them for the task (Escobar, 1995:52).

What turned out to be decisive was that those very people, who were said to be going to benefit from development work, were excluded from defining their own future. Even worse: They stopped thinking that they themselves could say anything that mattered. The development discourse produced an inferiority complex and in fact guaranteed the continuation of Western colonial rule, even if the form was different and the enterprise was couched in the terms of ‘neutral’ scientific knowledge. Upon closer inspection, development-speak thus always had a hollow ring, which postmodern deconstruction has aimed at making explicit.

<sup>1</sup> Many others have argued against attributed the origin of developmentspeak to Truman’s speech, pointing to a much longer history of ideas about social and economic ‘progress’ and about the responsibility of rulers to guarantee an acceptable standard of living. A thorough discussion of this ideological history can be found in Cowen and Shenton (1996).

All this is beginning to sound somewhat conspiratorial, but that feel is not necessarily warranted. Those who work in development – with noble and sincere intentions – do have a certain toolbox at their disposal, that corresponds, or should correspond, to contemporary development theory. They are however confronted by social, cultural and political realities which often are rather more complex than those presumed by the theories. The solution is to make the reality fit the tool, or *pretend* that the two do indeed fit each other. Thus the development discourse leads to poverty being seen as a phenomenon which has local causes and which can be mitigated through technical solutions that can be brought in from the outside, rather than through a radical change in the world economy, at a time of global economic integration. Development issues are thus presented as apolitical issues (Ferguson, 1990; see also Nustad, 2001), which is surely rather dubious to say the least. Or is anything more political than precisely the skewed distribution of the world's wealth?

Many of those at whom the critical missiles of postdevelopment are in all likelihood primarily aimed – those who hold the reins of the development machinery within governments and international financial institutions – do in fact shrug their shoulders and continue happily with the reductionism and generalisations of neoclassical growth models. Many others, for instance radical leftist development theorists, have accused the postdevelopment critics of being irresponsibly destructive and lacking pointers towards a brighter future. The critics have been accused of not acknowledging that considerable progress has been made after all, in certain fields and in certain regions. Despite this, the critique has had a considerable impact, not least when it comes to methods in development work. The great interest in participatory approaches in recent years can partly be traced to this, even if such approaches do have a much longer pedigree (cf. e.g. Chambers, 1983). Even large institutions such as the World Bank – a favourite target of the critics – have partially changed their *modus operandi*, taking ideas of active public participation into account. The real depth of these changes is another matter.

## Actors in development projects

Seen from the viewpoint of this author, the debates initiated by the postmodernist and poststructuralist critiques have been necessary and very fruitful, despite the fact that I am not at all ready to follow the example of those critics who go all the way and dismiss altogether the concept of development. My reservations are not least due to my own experiences of development research and familiarity with the views of those in whose interests development work is purportedly undertaken (Benediktsson, 2002, see also Benediktsson & Kamtengeni 2004). I greatly doubt that local people in the highlands of Papua New Guinea want to get rid of 'development', despite the contradictions of that idea being particularly evident there, and the direction it has taken being by no means certain – onwards and upwards, or perhaps backwards.

Another issue that can be questioned in the postdevelopment discourse is the view, inherent in it, of the local space to act. Despite assertions about the need for acknowledging the local point of view, the capacity of local people in poorer countries to act according to their own agendas and define 'development' from their own premises seems almost written off. Instead, poor countries are generally portrayed as wholly subjected to the whims of Western power/knowledge (Kiely, 1999; Nustad, 2001). Yet it is a well known fact that the outcome of development projects is often quite different from that which is planned. The goals and views of locals are often crucially important when it comes to the practicalities of development projects, even if the outcome is not necessarily in accordance with local expectations. How is one to interpret this fact?

Together with his colleagues, rural sociologist Norman Long has formulated a so-called actor approach, or actor-oriented analysis (Long, 2001, 1989; Long & Long, 1992; Long & Villarreal, 1993). Instead of trying to generalise about the basic causes of 'underdevelopment', or to find the one true path to 'development' with the assistance of expert knowledge of a particular kind, attention is paid to the everyday interaction of all concerned. This demands a methodology that focuses on the microscale; attentive fieldwork by the researcher and an analysis of the many details that, when taken together, can change the course of events. Long and his colleagues emphasise the metamorphosis of information, knowledge and power which inevitably happens at the interface between those different worlds that represent either end of development work. This is something which most development workers will know from experience.

I think that such an approach has many positive features. It is a lot more modest than the traditional approach, which is bounded from the outset by a certain metatheory. It does not deny the value of the development concept, but instead acknowledges that the local interpretation of that concept can be considerably different from that assumed by the designers of development projects. In the next section I want to flesh out the actor approach by Long and his colleagues by way of an example from a remote Papua New Guinean village, which I have had the opportunity to visit twice; first in 1995 and then in 2003.

## Birds of Paradise, tourists and development

Increased tourist flows, and corresponding increase in economic activities associated with tourism, have fuelled hopes about development in many remote localities that do not seem to have much else to offer the world market. This applies equally to rich and poor countries. Nowhere are the contradictions of development more starkly evident than in the tourism sector of poor countries. The international tourist usually comes from a wealthy country. His/her baggage includes considerable money, which is sorely needed, that will or will not enter into local circulation. but he/she is also the ecarrier of culture – of taste, basic outlook



Photo: Karl Ben

1. Avit Wako at the entrance to the guesthouse/research station in Herowana.



2: Papua New Guinea, with CMWMA (the Crater Mountain Wildlife Management Area).

on life, and of behaviour. All of this affects the host community. A certain 'developscape' (cf. Loftsdóttir, 2005), that can take on quite varied forms, is thus created around tourism.

At first sight, the village of Herowana in the Eastern Highlands Province of Papua New Guinea is not a likely candidate for development. This is a remote village at about 1100 m above sea level, at the edge of the highlands. To the north, there is at least a day's walk through a dense rainforest to the next village that has a vehicular road connection to the outside world. Looking in other directions, there are even fewer neighbours, and no roads at all. Here are found few of those things that in many places elsewhere are considered to be essential to life. No running water, let alone electricity. The primary school does operate sporadically, depending on whether a teacher is available. The only form of official health care is a small first-aid shelter and a VHF transceiver to use in case of an emergency. Even so, the locals are truly connected to the outside world in myriad ways; through material objects such as canned mackerel, kerosene lamps and pre-used t-shirts sporting pictures of Bob Marley, but no less through new ideas and concepts. Also here, the concept of 'development' is on everyone's lips.

The village is home to more than 1000 people, including to the guest an incredible number of children. Residence within village territory is related to clan. There are eight clans within the village. The settled area is quite extensive. The main village is close to the airstrip. Another cluster is located about an hour's walk away, where the majority of two clans resides. The gardens of villagers are mostly close to the settlements, but extend into the forest. This is subsistence cultivation first and foremost, interspersed with a few coffee gardens. Coffee cultivation is somewhat problematic, due both to climatic conditions and (even more) to transportation, or rather lack thereof.

Avit Wako (Fig. 1) is a key person in Herowana. He is (in all likelihood) around fifty, an amicable man with swift movements. Of the Laviave clan. He has three wives, each command-

ing a separate fireplace in his house, and has fathered a number of children. Avit has not enjoyed any formal education. Apart from Gimi – his mother tongue – and some languages of neighbouring tribes, he speaks Tok Pisin, the *lingua franca* of the whole country. But most importantly he has undoubted qualities as a leader, which he has utilised to the utmost for the benefit of his village. He is a classical example of a Melanesian *bigman*; yet he is more. He is modern in every respect.

Around 1990, coffee seemed to be almost the only way in which villagers could relate to the marketised wider world – in order to gain access to 'development'. Avit realised the importance of transportation. At this time he visited another remote forest village, where an airstrip had been made. He measured the dimensions of the airstrip, returned home and convinced the people of Herowana to make their own airstrip. That was no mean feat. The forest had to be cleared and considerable quantities of soil had to be moved, graded and compacted. Only the simplest of tools were used – shovels and hand barrows. Finally the first Cessna landed at the new airstrip, in 1992. The path to development seemed much clearer with this vital improvement in transportation.

As the 1990s progressed, the larger area where Herowana village is located became the focus of considerably grander schemes by international actors. Mining companies discovered that due to geological conditions there were good prospects for goldmining in the northern end of the region. Timber companies approached gradually from the south, but huge tracts of rainforest have been logged in Papua New Guinea in recent times. Both these plans caused concern among conservationists, the area's rainforest being a true hotspot of biodiversity, as natural scientists who had done research there had pointed out. In Avit Wako, the scientists found a sincere spokesperson for conservation. Largely due to his persuasive power, the other villagers became convinced that it would be better to conserve the area's landscapes and living things than to hand it over to large foreign companies. Eventually a region extending

over 2.700 km<sup>2</sup> (Johnson, 1997) was officially declared a conservation area (Fig. 2). Within it was the village of Herowana.

But this arrangement brought with it an obvious dilemma. Just as other people of Papua New Guinea, the villagers of Herowana genuinely wanted 'development'. They had long since realised their own marginality in the overall picture – their poor cousins to the north were better placed to reap the alleged benefits of development, being connected to the outside world by road, even if that road was usually very rough or impassable. And how could development be reconciled with conservation?

Ideas about tourism as a future economic base for the area as a whole had been mooted in the 1980s by several of the aforementioned natural scientists, who were worried about the fate of the forest and its inhabitants. The proposed major tourist attraction was the birds of paradise. These beautiful – but shy – birds are more accessible and visible here than elsewhere. Numerous species are found in the area, among them *Paradisaea raggiana* – or *kumul* in Tok Pisin – which is the national symbol of Papua New Guinea. The mating dance of the *kumul* is certainly a sight to behold.

With support from international conservation agencies, a new national non-government organisation was founded; *Research and Conservation Foundation of Papua New Guinea* (RCF), which took on the management of development projects in the area. A decision was made to build up an economic base around three interconnected pillars: Service to long-term resident scientists, general ecotourism, and sales of various local crafts to the guests. The background ideology was that of ICAD-projects (Integrated Conservation and Development), that had become very popular at this time, also in Papua New Guinea (Kirsch, 1997; van Helden, 2001). Great emphasis was put on local participation and responsibility.

In 1995, when I visited Herowana for the first time, this was all in its infancy. A rather elaborate system of committees had been established for managing land use and other human activities in the wildlife management area. Through the *Peace Corps*, two young American volunteers were stationed in the village. The villagers thought that their presence was a promising start to development. They dressed wounds, baked bread and taught adults to read and write. They lived in a distinctive building made of corrugated iron; a small helicopter hangar provided by a wealthy (white) businessman who had become interested in the conservation project. This building stood close to Avit's house, by the side of the airstrip. Once a week or so, a small plane from the *Mission Aviation Fellowship* (MAF) touched down, greeted by an army of smiling children, and soon left again. Every now and then a tourist would be on board the plane. Accommodation was provided in the hangar, which even contained a shining white toilet. Development had obviously arrived.

Avit Wako was a central actor. He attended to the airplanes that landed (Fig. 3). He greeted the tourists, found guides to

take them on hikes in the forest, and had a small crafts shop in his own house. And he was the person to whom the American volunteers turned first when they needed information or needed to get messages across to the village at large.

In 2003 I revisited Herowana. Some things had in fact happened during the eight year interval. The management of the conservation area seemed to have become still more complex, with even more committees and more regulations, designed by the locals themselves. Of course the volunteers were long since gone, but a national working for the RCF was stationed in the village. The RCF had installed several large water tanks – one for each clan – with iron roofs for collecting rainwater. That had solved one of the most difficult health problems in the village; dysentery, due to unsafe drinking water. A large wooden building was also in place; a community centre or meeting house. That building had in fact not been finished, but only the outer shell. At one end of the building a large sign had been put up, on which the elaborate regulations of the wildlife management area were painted, together with appropriate fines were those regulations breached. Still the villagers had high hopes for tourism. A separate guesthouse had been built from local bush materials (Fig. 4), close to the corrugated iron hangar which was still in place. A small hut was also being built in the forest quite far away from the village, intended as an overnight place for birdwatchers. The author was the first guest to spend a night in that hut.

One shadow seemed to loom over all of this: A dearth of tourists. Despite the birds of paradise and other fantastic wonders of the pristine rainforest, and despite many and convincing words about the area's undeniable potential for ecotourism, the tourists – these elusive birds – had not exactly come in large flocks. Every now and then someone would turn up with the Cessna, mostly foreigners working for development projects elsewhere, on a short Christmas or Easter break. But not often had the new guesthouse been occupied to full or even half capacity, judging from the guestbook. And given the low price for accommodation, not that much money seemed to be left in the village.

In interviews with villagers, opinions differed about how far development of this kind could go. A reasonable consensus seemed to be in place regarding the conservation of nature, but land use pressures were increasing. Some thought that coffee would be a better choice, after all. A few openly said that this was all rather amateurish. Nothing but a *kampani*; a sizeable goldmining operation, would suffice. Then money would flow in – and with it development.

Avit Wako was still a central figure in political and economic life in the village. But it seemed to me that his lot was in many ways difficult. If something would go wrong, the villagers could perceivably take out on him the disappointing results from their many years of toil. In Papua New Guinean communities such feelings are easily translated into serious disagreement and, in the worst cases, tidal waves of destruction and warfare. Avit however still enjoyed the full trust of most peo-



Photo: Karl Ben

4. Aeroplane coming to land at Herowana in Papua New Guinea.



Photo: Karl Ben

3. The guesthouse at Herowana.

ple in the village, who respected him greatly. Most importantly, he had not fallen victim to the same temptation as many other bigmen – to flaunt his material wealth and use his key position to repress his fellow villagers. On the contrary, he was rather reclusive and very carefully redistributed what little money that came with the tourists, according to the rules set by the committees and in a transparent manner. Even so, some at least seemed to be losing their patience: a path leading to a popular birdwatching spot had been symbolically closed with lianas when I passed through with a guide – organised by Avit.

Members of two of the eight clans, who had their houselines farthest away from the main village, had made up their minds. They thought they were not getting a fair deal, either in tourism or coffee, and had thus started work on their very own airstrip. The equipment for the construction work was just as limited as that used for making the other airstrip, a decade earlier. The rationale was the same: to make it easier to get their coffee to market and money into the village. These people did not doubt development as such, nor really the way to development. What a tremendous power is obviously wielded by the idea of development – it can motivate people to prepare an airstrip using only very simple tools in an environment such as this.

Were was the state in all this private entrepreneurship and NGO activity? Hardly visible, in fact. The Papua New Guinean state is weak and it was clear that the RCF had largely taken over its tasks. Locals stated this explicitly themselves (sbr. West, 2006). Local discourse expressed deep disappointment with the lack of state interest and capacity in matters of development.

## Conclusion: Development on whose premises?

Where am I heading with this little story? Several lessons can be learnt from it – about the meaning of development, the limits of well-intentioned development projects, and about the impor-

tance of individual actors who are appointed (or self-appointed) as brokers of knowledge and expectations between both sides of the equation; between locals and development experts.

Discarding the concept of development altogether, like the anti-development writers have suggested, would be tantamount to a slap in the face of my dear friends in Herowana. They do indeed want development. They want fewer infants to die; they want the village school working as it should according to the law; they wish that everyone could buy kerosene for their lamps; they want more opportunities. Above all, that should perhaps be the yardstick by which development is measured: increased opportunities. The political intentions of Truman notwithstanding, development embraces certain simple basic values, which I for one find difficult to object to (cf. Benediktsson, 2002).

That said, it should be acknowledged that the post/anti-development critique was in many ways timely and useful. They highlighted the tendencies inherent in development work towards increased bureaucracy and centralisation. In the spirit of postmodern localism, the critics have stressed the need for local voices to be heard. They are not to be silenced by the distant power of expert knowledge. To this sentiment one can certainly agree. Most of those working in development projects at the grassroots level have indeed genuinely tried to achieve local participation. But when individual projects are examined close-up, various areas of friction are usually discovered, between different interests, different knowledges and different personalities. Despite the varying ideological viewpoints and theories that enter into the planning of development projects, their actual progress is largely dependent upon human interaction in everyday practices.

Conservation without development is an untenable idea – almost an insult, seen from the villager's point of view, even if naïve ideas held by some Western conservationists about the 'noble savage' are still widely present in the discourse about conservation in poor countries. Conservation projects similar to that de-

scribed in this paper represent a very interesting materialisation of the development concept, and have therefore been a popular topic for analysis (cf. e.g. Agrawal & Gibson, 1999; Brechin et al., 2002; Brown, 1998; Guha, 1997; Jeanrenaud, 2002; Walpole & Goodwin, 2001). They clearly reveal the contradictions of development. Even more than other development projects, they are suffused with moral meaning, both from the local side and from international supporters (cf. Hviding, 2003). They are supported by increased knowledge from global natural sciences about the big picture of Earth's delicate ecosystems. Sometimes – often, even – such knowledge is used to ride roughshod over local concerns and knowledges (Guha, 1997). This is hardly true in the case of Herowana and CMWMA. On the contrary, natural scientists doing research there have worked closely with local people and acknowledged their contributions. Avit Wako is for example the co-author of at least one paper in a respected international scientific journal (Dumbacher et al., 2004).

But the results from such projects are no less dependent upon their respect and harnessing of social and cultural knowledge which is place-bound, and its integration with international currents of thought. Individual actors such as Avit can make all the difference here. Nuanced analyses of how projects work in practice often reveal problems with this kind of knowledge flows, and the preceding description has shown how brittle such projects often are. In Herowana, many things have worked out well. But local expectations of development, even if modest, seem already way beyond the possibilities offered by geographical space and political economy. What remains unanswered is the question on whose premises development takes place there – or whether that will be real 'development'.

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# How do we succeed in development cooperation?

## Strategies and Emphasis

By Þórdís Sigurðardóttir and Margrét Einarsdóttir



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Extensive discussions and much research have taken place in recent years on how strategies can be improved in development cooperation in order to yield maximum results. Currently, it is generally accepted amongst donors that aid allocations are required to promote economic growth and reduce poverty while improving governance and strengthening the institutional environment of the recipient states.

Following a period of aid fatigue in development agencies during the 1990s, expressed through increased lack of faith in results and reduced aid contributions this field was reinvigorated around the turn of the century. The United Nations Millennium Declaration expresses this renewed energy and higher commitment of the world's nations to deal collectively with the problems of poverty. At that time, studies already indicated that development aid could produce the desired results. Experts at the World Bank<sup>1</sup> had come to the conclusion that success of development aid is largely dependent on governance in the recipient state. In order to maximise the benefit of aid, emphasis needs to be placed on cooperation with poor states where the government has a solid and well-thought-out policy and procedures for reducing poverty. Continuing studies and discussions on this view have been in the limelight in past years, and research has emerged which does not necessarily support the findings which state that aid allocations first and foremost give results in countries with sound governance<sup>2</sup>.

The Millennium Declaration represents a differ-

<sup>1</sup> Ref. Research by Burnside, C. & D. Dollar (1997), 'Aid, Policies and Growth', *Policy Research Working Paper 1777*, World Bank: Washington DC; and the selection model of Collier, P. & D. Dollar (2001) 'Can the World Cut Poverty in Half? How Policy Reform and Effective Aid Can Meet the International Development Goals?', *World Development* 29(11): 1787-802.

<sup>2</sup> Cf. Hansen, H. & F. Tarp (2001), 'Aid and Growth Regressions', *Journal of Development Economics* 64(2): 547-70.





Photo: Telma Tómasson

*Permanent Secretaries of State for Namibia and Iceland, Samuel Gôgoseb and Gunnar Snorri Gunnarsson, sign an agreement for development cooperation.*

ent view as it stresses minimising the imbalance between countries in regard to poverty and opportunities. This entails that the further away a certain country is from reaching the millennium goals, more emphasis must be placed on supporting the administration of the country in reaching them. If it's assumed that it costs more to get an individual over the poverty line in one country than another, the effectiveness of aid would not be maximised if the millennium goals are adhered to. The Millennium Declaration does not address this problem but it must be kept in mind that it is a policy declaration and does not emphasise strategy.

Although the two aforementioned views differ as to which is more important, to maximise the effectiveness of aid and link this to performance or to place the main emphasis on striking a balance between countries, reducing poverty is the goal of both strategies. Generally speaking, there is growing understanding of what type of governance is likely to produce efficiency and give results in the fight against poverty. Although causal links can be complex, there is, however, growing evidence that the administrative environment of the recipient state plays an important role in its success.

## Development Contributions

In conjunction with increased belief in development cooperation and renewed dialogue on the issue, official aid has increased in these first years of the 21st century. The OECD countries are the most important contributors to aid as they provide around 90% of the total aid by public bodies. In 2005, official aid by the OECD countries amounted to just under 107 billion USD, which constitutes about a 25 billion dollar increase compared to the previous year. This entails 0.33% of the gross national income of the member countries, which is the highest

ratio since 1992. Closer study of these figures reveals that a large part of the increase between years, 18 billion, was the result of debt relief, in particular for Nigeria and Iraq. Aside from this increased debt relief for Nigeria, the increase of contributions between years to the poorest part of the world, Sub-Saharan Africa, is negligible. However, this can change rapidly and plans are developing to that end. Iceland is among the states that have increased their contributions in recent years, almost quadrupling its contribution, in USD, between 2001-2006. This group includes China, which has enjoyed a major economic boom and economic growth for many years.

## Burden of the Recipient State

Most agree that new ways to increase effectiveness, results and impact of aid have to be continually sought. An important step in this direction is to reduce complex organisation and overlapping which have long been associated with the execution of development aid. This is important, not least in the states that are very dependent on aid allocations and do not have sufficient administrative capacity to allocate them. In a nutshell, the problem is that too many donors work in the same fields, each with its own set of rules and procedures. This is displayed, amongst others, through lack of harmonisation of aid with the priorities of the recipient states and in overconfidence in the governance structures of the donors, while not making full use of domestic systems and expertise. This results in diminished ownership and responsibility of the recipient states and their bodies overseeing development actions. Often, there is enormous pressure on undermanned institutions of the recipient states, which can even result in chaos. Furthermore, it must be admitted, that the influx of funds into the administration of a country can prompt corruption in the absence of accurate and harmonised governance structures. There is a great need for coordination between the actions of donors and harmonisation with policy-making and procedures of the recipient states; in latter years, every effort has been made to address this problem.

## New Emphasis in the Selection of Recipient States

In the last decade, the emphasis donors have adopted in selecting recipient states has been changing. This is certainly related to both changes in international relations and the experience gained through development cooperation. There is now increased emphasis on criteria such as the quality of policy-shaping of the recipient state, administrative and executing capacity and the capacity to receive external aid. Two main criteria are becoming prominent, ownership and performance of the recipient state. The former criterion refers to the donors aligning their support with the policy adopted by the recipient state, instead of imposing terms regarding the allocation of funds. The idea is that success is more likely if the donors monitor the policy implemented and forecast the likely outcome rather



*In development cooperation there is an ever-increasing emphasis on local decision-making.*

than making decisions on behalf of the recipient state on how to prioritise and deal with the problems. The latter criterion, performance, is based on an assessment on the state of affairs and policy-shaping of the administration, effectiveness of the administration and the extent of the results to be expected of the recipient state with regard to alleviating poverty.

One of the fundamental questions today, when selecting recipient states, is how to deal with poor states, which do not fulfill the criteria on good policy-shaping and performance. In many instances, these are the so-called fragile states, or politically unstable states, often involved in conflict or on the verge of conflict. These states have received relatively little aid in recent years, save for Afghanistan and Iraq. This entails, undeniably, a certain contradiction in terms when it is borne in mind that these states need external support, perhaps most of all.

## Strategies in Development Cooperation

Public development cooperation has a history of nearly 60 years and various strategies have been used to direct funds to the

poorer states of the world. During the first decades, development cooperation relied mostly on the so-called "project-based approach", where funds are directed to delimited projects with defined goals and set time-frames. This approach has been criticised on grounds of lack of overview. Further, experience shows that projects are often successful while supported but if it can not be guaranteed that the administration concerned is prepared to take over the project once the support has ended these projects prove to be no longer sustainable. Finally, this approach has been criticised for the fact that the ownership of the project lies with the donor and not the recipient state. Funds go directly to projects according rules set by the donor and are often managed by foreign expatriates who then move on. This approach has certainly developed over the years and there are still various development agencies and non-governmental organisations that follow it to various degrees.

The demand for increased efficiency and responsibility of the recipient states in regard to development actions during the 90s brought forward a new approach, the so-called "sector wide approach". Nowadays, most major donors apply this approach to differing levels. This approach entails that donors



Photo: UN Photo

*UN headquarters in New York.*

direct their funds into certain sectors and collectively work on their development. This means that donors have to harmonise their actions and work on the development of particular sectors in cooperation with the recipient state. Thus, the aim is to acquire an overview of the problems at hand in each sector and set long-term goals. Commonly, the so-called basket-funding is used in connection with this strategy, which entails that the donors place their development contributions into a single fund from which the recipient state distributes according to the precedence adopted. This approach makes great demands on the bodies of the recipient states in regard to policy-shaping, planning and operations. Then there is a definite danger that too much emphasis will be placed on policy-shaping rather than implementation. Finally, there is the question of who ultimately has the ownership.

Budget support is an approach that has gained more approval in recent years. It can be said that with this, the final steps are being taken to ensure that both ownership of and responsibility for development actions are in the hands of the locals. Financial contributions are paid into the treasury of the recipient state to finance its budget. Funding earmarked for sectors or projects is not categorised as budget support. With this strategy, the spotlight is on the overall policy of the recipient state

with the aim of enhancing performance and reliability. Thus, an effort is made to support the pillars of treasury management, capacity building in the field of financial management in the recipient state and provide the administration with the opportunity to compose a single and comprehensive general budget. Furthermore, it is expected that financial support will increase efficiency and reduce cost. It is necessary that comprehensive discussions between parties take place and that they harmonise their strategies as the general budget must fulfill certain standards. This procedure is still gradually gaining foothold and many questions remain unanswered. However, it can be pointed out that the Marshall Plan, where the United States provided aid to Iceland, and other European nations in the wake of the Second World War, was in the form of budget support. Certain conditions were made for the aid although the Icelandic government allocated the funds.

## The Paris Declaration

Following the UN Millennium Declaration many international conferences and meetings have been held where means to achieve the millennium goals have been elaborated and developed, as well as ways to improve development cooperation in

general. At a meeting held under the auspices of DAC<sup>3</sup> in Paris in 2005, attended both by representatives of the developing countries and the developed countries, the methodology that has been gradually gaining foothold in regard to development contributions was reaffirmed. Iceland is amongst the states that signed the agreement of the meeting, referred to as the Paris Declaration<sup>4</sup>. In it emphasis is placed on improving and harmonising strategies in development cooperation. Over 50 commitments were adopted, aimed at five particular fields. The states that signed the agreement made commitments to adopt reciprocal responsibility and exchange information in a transparent manner. Recipient's states increased governance of the aid and influence on ways and means to succeed is now greatly emphasised. Furthermore, responsible financial management is a key factor and a way to reduce the risk of corruption in regard to the allocation of development funds. Special measures were adopted to facilitate control and measure results. The five fields of emphasis intended to improve the results of development cooperation are as follows:

- *Local ownership.* It is assumed that aid is most effective when provided under the terms of the recipient state. It is assumed that the donors support the recipient states, respect their policy and support them in executing their policy in order to establish an active link between planning and budget. The aim is that by 2010, 75% of the recipient states will have shaped their policy and plans of execution to reduce poverty.
- *Alignment of donors and recipient states.* It is assumed that donors give their support in accordance with methods of financial management established in the partner country. A commitment of harmonisation should be reciprocal, donors should use the financial institutions and public procurement systems of recipient states, which in turn will commit to develop reliable and transparent systems, preferably with the support of the donor. The aim is that by 2010 around 90-100% of public development contributions will go through public systems of the recipient states.
- *Harmonisation of donors.* It is assumed that development agencies will work together and make every effort not to burden the administration of the recipient states. Such harmonisation entails that the donors participate in the organisation, funding and execution of development plans alongside the recipient states. Harmonisation could also entail that one donor oversees the development funds of another donor; this form is called "silent participation". This would minimise cost and administration of those providing the aid and, further, the burden of the recipient state is reduced, as it will need to communicate with fewer parties.

- *Performance-based management.* Emphasis is placed on the collective performance evaluation of the donor and recipient states. They will, therefore, have to establish systems and develop methodologies, which can both assess the quality and success of development operations.
- *Mutual accountability.* The donors and recipient states commit to hold each other mutually accountable for development cooperation and its success by promoting reciprocal flow of information on the contributions and their allocation. They shall, furthermore, see to it that official documentation on the issue is accessible to the public. Transparency and open communication shall be the guiding principle.

The impact of the Paris Declaration is substantial and most donors and their partner countries endeavour to continue developing the methodology recommended therein. It can be said that the Paris Declaration supports two types of approaches, in development cooperation, budget support and the sector wide approach. According to the Paris Declaration, project approach, where the financial management is not in the hands of the recipient state, rather the donor oversees the management and control of funds allocated to a particular project pursuant to an agreement, is not regarded as supporting the pillars of the recipient state as required. Most importantly, however, the Paris Declaration underlines the will to address the challenges of poor states and the belief that development cooperation can be a powerful way to achieve this. It could, nonetheless, prove difficult to obtain the support of both politicians and the public in the donor states in regard to the strategies emphasised in the Paris Declaration. This involves long-term actions aimed at overall development, which are unlikely to give quick self-evident results. It could, therefore, be complicated to promote the methodology.

## Bilateral Development Aid of Iceland

The Icelandic International Development Agency (ICEIDA) operates on the grounds of an Act from 1981. Up until now, the agency has mainly worked on development projects based on the approach most compatible with the act under which it operates. Budget support and sector wide approach have not yet been addressed by the agency.

Despite these limitations, ICEIDA has adjusted to changed circumstances and made an effort to harmonise actions with the policies and currents now prevailing in international development cooperation. The agency has worked on the grounds of directing its resources to countries, which have been offered less aid than other comparable countries and made an effort to avoid overlapping the projects of others. Furthermore, ICEIDA lays emphasis on handing the ownership of the projects over to the partner country and strives to ensure that development cooperation is on the partnering state's terms and in keeping

<sup>3</sup> DAC (Development Assistance Committee) is an OECD sub-committee with the role of monitoring both bilateral and multilateral development contributions of the member states and discussing ways to distribute these most effectively in keeping with the principal goals in the fight against poverty.

<sup>4</sup> *Paris Declaration on Aid Effectiveness*, High Level Forum, Paris, February 28 – March 2, 2005.

with its development plans and policy. In a few of ICEIDA's partner countries, the agency has mostly directed its support to specific regions and areas and operates there in cooperation with district authorities. In order to reach the poorest people and to ensure, to the greatest extent possible, that ownership stays with the partner, project preparation has been carried out in close cooperation with stakeholders involved with the projects; this strategy is called "participation approach".

Certainly, no single strategy is suitable in all circumstances as these need to be assessed on a case-by-case basis. Thus, one could reason that the project approach may well be more suited to certain circumstances, such as in fragile states which do not fulfill conditions regarding good governance. On this, however, there are differing opinions.

## What Stands in the Way of Success?

The varied degree of success of development aid can be attributed to many factors. One criticism, amongst others, which has been voiced, is scepticism regarding the goals of donors. Towards the end of the 1970s, criticism emerged, which has still not been shaken off, that aid allocations are often used to political ends and/or for the purpose of supporting trade interests of the donor states. This criticism has been more prominent lately, not least in relation to whether and how the fight against terrorism has influenced the allocation of aid. It can prove difficult to estimate how important such interests are in selecting recipient states and in the implementation of development cooperation. However, it is questionable to group together all donors in this respect. Nonetheless, it has been established that support to the poorer states of the world has increased in recent years, which supports that, at least to some extent, the commitment explicitly established in the Millennium Declaration, that contributions to development issues should be used to reduce poverty, has been fulfilled. According to the OECD report from 2006 on development issues, 96% of development aid now goes to the poorer section of the developing states. Further, it should be added that tied aid is almost a thing of the past where various conditions were made for the aid, for example that all equipment and intermediary products were to be bought from the donor state.

Another and no less important criticism was aimed at the tasks undertaken and their consequences. Thus, representatives of the donors worked towards what they believed beneficial at the time, however, often without understanding the local circumstances. This led to various unforeseen consequences, which may even have increased poverty. An example of this was the controversial SAP-plans<sup>5</sup> instigated by the World Bank and the IMF during the 1980s, aimed at reorganising the central government finances of development countries burdened by debt. In addition, aid often led to the dependence of the

recipient state. The countries receiving aid grew dependent upon it and that in itself hindered progress. Recent research indicates that the return on aid decreases once these exceed a certain percentage of the national production<sup>6</sup> of the recipient state, the explanation of which may be that the governance of the recipient state has simply a certain threshold or limited capacity to utilise development contributions effectively.

Last but not least, the methodological problems addressed in this article, such as lack of harmonisation and lack of reliability and consistency, have invariably undermined the success of development aid. What remains is the challenge to try and strike the balance between emphasising efficiency on the one hand and to focus on the need on the other. The emphasis on good performance entails the risk that contributions are directed to a small number of countries reasonably situated at the cost of the countries most fragile and in serious need of aid. Emphasising need entails the risk that aid is directed to an inefficient and unsuccessful environment where it is poorly utilised. The challenges of participating in development cooperation are many and often complex and difficult to resolve. It is easy to criticise the terms and strategies used, goals and underpinning values. Success is a loaded term and multi-faceted. Open discussion between parties, which promote unity in taking action and common understanding on aims and ways, are, nonetheless, a good start on the road to success in reducing poverty in the world.

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