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MORE HELP FOR THE POORIST:
A COMMENT ON THE WHITE PAPER

The White Paper on British aid policies, published in October 1975, is the first such formulation of official strategy to appear in eight years. Although its title includes the word "changing" and the economic situation of both developed and developing countries has altered drastically since 1967, the White Paper does not herald further changes in British aid policies. Instead it marks a point in their continuing development, and its greater significance lies in the fact that the British government has made a formal statement of its aid strategy.

The specific and proper objective of any aid strategy is the reduction of poverty. This can be achieved in both the short term (e.g. disaster relief, funds for the purchase of essentials) and the long term (through economic development). The UK cannot expect its aid programme to reduce poverty world-wide. Aid funds are a scarce resource and if they are not to be spent on a first-come-first-served basis, the British government must select sectors and/or countries to which it will allocate funds - and so, implicitly, those to which it will not.

It is on this issue-allocation - that the White Paper concentrates. It defines a standard: aid should "give more help to the poorest countries and the poorest people within these countries". This statement is to be welcomed. It puts stress on what aid should be about. This briefing paper first summarises the White Paper and then asks whether the policies and actions outlined in it will help reduce poverty in the target group.

A BRIEF SUMMARY OF THE WHITE PAPER

Chapter I. Our new aid policies and why

The rapid rise in prices of oil and cereals in recent years, and the repercussions of this event, have made more serious the long-standing problems of many developing countries - unemployment and underemployment, rapid population growth, malnutrition and food shortages. One group has been particularly hard hit - the poorest countries, with incomes per head below \$200 (some £90). More aid is essential if their living standards are to show any improvement in the next five years. But aid funds are a scarce resource, so priorities have to be set in the allocation of British aid to ensure that it has "the most effect in alleviating the worst poverty over the long term". These are threefold:

- "(a) to give an increasing emphasis in our bilateral aid towards the poorest countries, especially those in this group most seriously affected by the rise in the price of oil and other commodities;
- (b) to give a special emphasis to programmes oriented towards the poorest groups within these countries, and especially to rural development;

The Changing Emphasis in British Aid Policies: More Help for the Poorest, HMSO. Cmdd 6270.

- (c) to promote situations in which British concessional aid funds can best serve to stimulate matching contributions from other governments, and to encourage the deployment of such aid through both multilateral and bilateral channels towards the poorest countries."

Chapter II. Allocating UK aid between countries

In allocating aid between countries account will be taken of the current level of national income and the prospects for its growth in the future, the flow of aid from other donors and of export earnings, the ability to utilise the aid funds and the effectiveness of such use, and "historical factors and wider considerations".

In line with the government's policy of relating the terms of aid to the economic circumstances of the recipient country, aid commitments to countries with income per head of less than \$200 have since mid-1975 been made on grant terms.

Chapter III. The problems of ensuring that British aid directly benefits the poorest sections of the community

The determining factor here is the attitudes and policies of the recipient government. The White Paper proposes detailed country-by-country consultation between the British and recipient governments on projects and programmes benefitting the poorest sections. This will require more work by British officials, particularly in the area of rural development (see below). Recognising that aid programmes designed to help the poorest are likely to involve a high proportion of local costs, the British government is "ready to consider allowing in exceptional cases a limited part of our financial aid to meet local costs of individual projects". The White Paper also recognises that poverty-oriented projects will tend to have high recurrent costs.

Chapter IV. Rural development

Since most of the poorest people in developing countries live in rural areas, special emphasis is to be placed on rural development. In this process productivity and income in agriculture must be raised and more jobs provided for the rural population. Identifying and implementing programmes in this area will tend to take longer than in other sectors. ODI is building up its capacity to help put the emphasis into effect.

Chapter V. Policies in the other main sectors

Poverty-oriented programmes require action in other major sectors: Education. The stress must be on expanding basic education, and the British government is ready to support projects in this area and for raising technical skills. In view of the continuing need in the poorest countries for administrative skills, the British government will maintain its support for education at all levels in these countries.

Housing and urban development. British aid is to be focussed on "site and service" schemes, which encourage self-help and benefit the poorest sections.

Population. A multi-faceted approach is required, with family planning services supplemented by measures to provide jobs, education, and health care.

Health. There is to be increasing emphasis on medical aid to community health and preventative health schemes in rural areas, as against large hospitals and specialist curative services.

Chapter VI. The special problems of world food and fertilisers

While there may be an immediate need for food aid, the focus of attention must be an increase in agricultural production in developing countries, and assistance toward this is an essential part of Britain's aid for rural development.

In addition, at a time of world shortage of fertiliser, the UK is supplying some of this essential input to developing countries, and at a time of food scarcity, is supporting multilateral food aid programmes.

Chapter VII. Disaster relief

The White Paper describes the British government's contributions in this area, in particular the work of the Disaster Unit at the ODI.

Chapter VIII. Co-operation with other donors and international organisations

The White Paper outlines the ways in which the British government is trying to stimulate matching contributions of aid from other governments and to encourage the deployment of such aid, both bilaterally and multilaterally, towards the poorest countries, via the World Bank Group, the International Monetary Fund, the Development Committee, co-operation with oil-rich countries, the Development Assistance Committee of the OECD, and the UN and its specialised agencies.

Chapter IX. The EEC - a new dimension

The White Paper traces Britain's aims for the development policy of the European Economic Community, and in particular for more aid for the most populous and poorest countries of the developing world, who are not signatories of the Lomé Convention.

Chapter X. Trade policies and the poorest countries

The White Paper outlines the government's major policies in the area of trade - its support of the Tokyo Declaration of the GATT Council of Ministers, of liberalisation in the EEC's Generalised Scheme of Preferences, of export promotion and of a general agreement on commodities.

THE MAJOR PROBLEMS

Which are the poorest?

The White Paper defines as the poorest countries those developing countries which have annual incomes per head of less than \$200, which did not share in the 1973-74 commodity boom, which have worse-than-average growth prospects, which are "under-aided" (taking into account all other donors) and which are unlikely to earn sufficient foreign exchange in the near future to finance their development. The White Paper is therefore arguing that aid be concentrated on those countries which are poorest now and likely to remain so. But at no point does it name specific countries. The appendix to this briefing paper lists all countries with GNP per head

² The IMF/IBRD Joint Ministerial Committee on the Transfer of Real Resources to Developing Countries, set up in September 1974.

of \$200 or less in 1972: of these, Nigeria and Indonesia will have benefitted from higher oil prices while others - notably Mauritania and Bolivia - have gained from other mineral resources. The remainder would fit into the White Paper definition of "poorest".

On an international basis the White Paper argues only that the under \$200 income group receive its fair share of concessional funds - i.e. in proportion to its share of developing countries' total population. It therefore proposes a target for the Development Assistance Committee (DAC) countries - i.e. the traditional Western donors - of 60 per cent of all bilateral official development assistance. As the second table in the Appendix shows, this is well above the rate of recent years - 24 per cent - although not far from the UK's performance. (In 1974 about 70 per cent of new UK commitments - as against disbursements - went to the poorest countries.) This is consequently a target the UK feels able to promote - in sharp contrast to the target for aid flows, of 0.7 per cent of GNP, which it is only just halfway to achieving (0.38 per cent in 1974). But if the proposed allocation of funds is to be effective in reducing poverty, then the size of the funds is critical: 25 per cent of a large sum can be more than 50 per cent of a small one.

Reaching the poorest people

Once the countries have been selected, a much more difficult problem arises - how to ensure that aid funds benefit the poorest within those countries. (The White Paper implicitly assumes that the plight of very poor people in less poor, more dynamic developing countries can be improved by the governments of those countries, if they so wish.) Unless the recipient government puts its first priority on the alleviation of poverty at the lowest levels, a donor cannot be sure that its aid funds will be used for this purpose. The donor will have to build in some conditions which will influence the use of the funds, whatever the priorities of the recipient.

The most direct way of doing this is to tie the funds to specific sectors and/or projects. The White Paper proposes that this policy be pursued on a detailed country-by-country basis, after consultation, but not by setting out general guidelines in advance.

Yet the White Paper does spell out a sectoral preference - for rural development, defined as "the improvement of living conditions in rural areas through the increased productivity of agricultural and related enterprises and, if it is to benefit lower-income groups, the equitable and fair distribution of the wealth so created". The preference is explained by the fact that most of the poorest in developing countries live in rural areas. But poverty-oriented programmes in this sector pose special problems, which the White Paper does recognise but so far has little to offer in the way of solution. It is more difficult to spend aid effectively and quickly on an agricultural extension service than on an urban motorway, the need and costs of which can be easily identified. So concentration on this sector means that British aid will be spent more slowly. And since there is minimal provision for a carry-over of unspent funds from one financial year to the next, more unspent funds are likely to be "lost".

In addition support for rural development makes another problem even more critical - that of the local content of projects and programmes. One way of spreading the benefits of aid spending to the poorest people

is to earmark a large proportion for local costs - i.e. paying the wages of local people, buying the materials and equipment produced locally. The White Paper recognises that poverty-focussed aid programmes are likely to have a high proportion of local costs, yet it allows merely "we are ready to consider allowing in exceptional cases a limited part of our financial aid to meet local costs of individual projects". This is ungenerous as well as inconsistent, since the costs to the British balance of payments of allowing aid funds to be spent locally are well below what is often assumed.

Another very appropriate means of reaching the poorest is through financing recurrent costs. These are very often a critical factor in the success of a development programme or project: the salaries of extension workers or teachers, for example. And the need for additional sources of recurrent revenue is - by definition - greater in the poorest, least dynamic economies. Having recognised the situation, the White Paper makes no commitment whatever on recurrent finance. In two important areas its emphasis on reaching the poorest people has thus been greatly diluted.

"Wider considerations"

This dilution is not, however, surprising since the White Paper specifically states that need is not the only criterion in the government's aid policy, rather its "primary purpose". "The allocation of UK aid ("and character" should be added) is conditioned by a number of considerations reflecting our wider interests and historical links. These will include political and commercial factors." Their significance "will vary with time and circumstance". It would be totally unrealistic to expect the government to ignore political and commercial considerations. But it is reasonable to ask that the government ensure that one action (e.g. helping exports by tying aid funds to procurement of UK goods) does not undermine the effectiveness or viability of another (allocating more aid funds to rural development).

The lack of figures

This paper has already referred to the absence of names of countries which qualify as "poorest". The White Paper is also silent on the amount of aid it is talking about. The government obviously feels itself on stronger grounds on allocation (which is about shares - not about amounts) than on absolute size, where the UK record is dismal. The forecasts of last January's Public Expenditure to 1978-79 - of a 14 per cent rise, in real terms, in aid spending by 1979 - have already had to be modified, with the £20 million cut (£10 million each in 1975 and 1976) made in the budget in April 1975. The government has apparently taken the view that since quantity is not about to improve, something should be done about quality. This is both commendable and - in the present international and domestic situation - understandable. At the same time many recipients are - also understandably - more concerned about quantity.

The rate of disbursement

The probable slowing-down of aid spending if more is directed to the rural sector has been mentioned. This problem is compounded by the second aspect of the government's strategy - "to promote situations in which British concessional aid funds can stimulate matching contributions of concessional funds from other governments". This is a perfectly reasonable objective and one which is to be welcomed if it brings about a combination of British technical expertise and additional OPEC aid money, as is specifically proposed in the White Paper. But it should not rank as a major consideration since it could merely result in the "Who goes first?" situation which currently holds on ending procurement-tying, and which could - in turn - delay expenditure.

Political will

All governments are - understandably - sensitive about infringements of sovereignty. The White Paper bristles with this sensitivity: "we cannot, and do not desire to, impose our rural development policies". Donor specification on projects and sectors it will support "might well be offensive to national pride and resisted by many recipient countries and not only those unsympathetic to the objectives which the donor is trying to promote". For obvious reasons of diplomacy, the White Paper does not take up the latter issue - the unsympathetic recipient. Yet it is clear that some evaluation is made of how a recipient government is likely to use the extra resources which an aid programme puts at its disposal - directly or, more important, indirectly. This - presumably - is one of the unidentified "political considerations" governing the allocation of aid. Given that other political considerations will operate, and are known to operate anyway - i.e. considerations of foreign policy - there seems no good reason why the British government should be so coy about its own country preferences. It could make the pursuit of poverty-oriented programmes in general one of its basic criteria for eligibility for aid funds. Then British aid funds could go to sectors where British endowments in goods and skills are most appropriate - and where tying to British procurement would have less harmful effects - and release local resources for poverty-oriented programmes for which they are often more suitable. An explicit statement of such a criterion would make clearer the basic and continuing justification for an aid programme, to a taxpaying public which currently feels itself hard-pressed. In this way greater quality might actually lead to greater quantity. And - vice versa - a re-allocation of aid so that "more" does reach the poorest could be much more easily achieved if more funds in total are available.

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APPENDIX

Table 1: Background data on countries with GNP per head of \$200 and under

	GNP per head (\$:1972)	Population (millions; mid-1972)	Annual growth in GNP per head (%:1960-72)	Net official development assistance from DAC countries and multilateral agencies per head (\$:1972)
<u>Asia</u>				
India	110	563.5	1.1	1.08
Indonesia	90	121.6	2.1	4.09
Bangladesh	70	72.5	-	2.99
Pakistan	130	66.7	3.3	4.55
Burma	90	28.9	0.8	1.52
North Vietnam	110	22.0	0.7	-
South Vietnam	170	19.3	0.8	29.57
Afghanistan	80	14.9	0.3	3.80
Sri Lanka	110	13.2	2.0	4.19
Nepal	80	11.5	0.7	2.19
Khmer Republic	120	7.3	-0.9	9.11
Yemen Arab Republic	90	6.1	2.0	2.45
Laos	130	3.1	2.1	21.43
People's Democratic Republic of Yemen	100	1.5	-4.5	3.69
Chutan	80	0.9	0.2	0.20
Portuguese Timor	120	0.6	1.1	4.71
Macao	160	0.3	-	5.52
Sikkim	80	0.1	-	-
Maldiv Islands	100	0.1	1.0	5.54
<u>Africa</u>				
Nigeria	130	69.5	2.0	1.19
Ethiopia	80	25.9	2.6	1.81
Zaire	100	19.1	3.3	6.36
Sudan	120	16.6	-	2.21
Tanzania	120	13.6	2.9	4.31
Kenya	170	12.1	3.6	5.95
Uganda	150	10.5	2.2	2.79
Malagasy Republic	140	7.4	0.4	7.50
Cameroon	200	6.1	4.0	10.44
Upper Volta	70	5.6	0.9	6.16
Mali	80	5.3	2.1	7.35
Guinea	90	5.1	-	5.27
Malawi	100	4.7	3.6	7.69
Niger	90	4.3	-0.4	10.16
Rwanda	60	3.9	-0.4	7.65
Chad	80	3.8	0.5	8.23
Burundi	70	3.5	1.1	7.25
Somalia	80	3.0	-0.6	12.50
Sierra Leone	110	2.9	2.8	7.11
Togo	160	2.7	2.2	3.77
Central African Republic	160	2.1	2.7	10.94
Mauritania	180	1.7	2.2	15.44
Lesotho	90	1.2	1.9	7.54
Gambia	140	1.0	2.0	1.47
Comoro Islands	150	0.4	1.9	1.31
Comoro Islands	150	0.3	2.1	39.10
<u>Central America and Caribbean</u>				
Haiti	130	4.4	0.3	1.62
<u>South America</u>				
Bolivia	200	5.2	2.1	9.21
<u>Oceania</u>				
Western Samoa	150	0.2	-0.9	9.93

Sources: World Bank Atlas; OECD Development Cooperation: Efforts and Policies of the Members of the Development Assistance Committee, 1974 Review.

Table 2 : Flows of not official development assistance to countries with GNP per head of \$200 and under, annual average 1970-73

	<u>from DAC countries</u> <u>and multilateral agencies</u> (\$ million)	<u>from the UK</u> (£ million)
<u>Asia</u>		
India	776.5	42.12
Indonesia	772.8	5.80 ^b
Bangladesh	220.2 ^a	2.60 ^b
Pakistan	349.7	6.99
Burma	53.5	0.28
South Vietnam	182.5	0.25
Afghanistan	42.6	0.09
Sri Lanka	60.6	3.73
Nepal	27.8	1.66
Khmer Republic	64.9	0.16
Yemen Arab Republic	16.5	0.05
Laos	70.2	0.89
People's Democratic Republic of Yemen	7.9	0.63
Bhutan	0.3	-
Portuguese Timor	2.2	-
Macao	2.1	-
Maldivo Islands	0.6	0.13
<u>Africa</u>		
Nigeria	179.9	5.29
Ethiopia	55.0	1.04
Zaire	287.5	0.11
Sudan	43.2	0.75
Tanzania	90.0	1.19
Kenya	125.1	8.73
Uganda	29.9	3.71
Malagasy Republic	55.4	0.06
Cameroon	75.7	0.26
Upper Volta	36.1	0.02
Mali	41.3	0.03
Guinea	50.5	-
Malawi	39.3	6.51
Niger	53.0	0.03
Rwanda	29.0	0.01
Chad	31.0	0.03
Burundi	23.2	0.004
Somalia	31.7	0.20
Dahomey	22.6	0.02
Sierra Leone	8.8	0.54
Togo	22.3	0.04
Central African Republic	20.7	0.02
Mauritania	14.9	0.02
Lesotho	20.2	1.97
Gambia	4.1	0.63
Comoro Islands	11.1	-
<u>Central America and Caribbean</u>		
Haiti	5.3	0.002
<u>South America</u>		
Bolivia	50.1	0.08
<u>Oceania</u>		
Western Samoa	<u>2.4</u>	<u>0.02</u>
Per cent of total net disbursements	24.5	0.8
a 1971-73		
b 1972-73		

Sources: Development Cooperation : British Aid Statistics 1969 to 1973, HMSO.