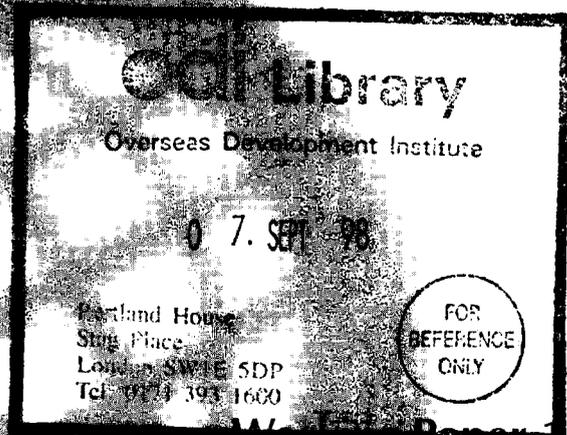




Overseas Development Institute

Poverty Reduction and Aid: Changing Perceptions and their Influence on Aid Allocation

Lay Scholten and Paul Hoebink



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Overseas Development Institute

**POVERTY REDUCTION AND AID:
CHANGING PERCEPTIONS AND THEIR INFLUENCE
ON AID ALLOCATION**

Lau Schulpen and Paul Hoebink

August 1998

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Foreword

This paper is one in a series on the experience of European development cooperation agencies in the use of their aid programmes for poverty reduction. It is the product of a major collaborative research programme involving ten European development research institutes. The programme breaks new ground in its intention to compare and to draw from the collective experience of donors within the European Union. The Overseas Development Institute played a co-ordinating role. The institutes involved are:

Asociación de Investigación y Especialización sobre Temas Ibero Americanos (AIETI), (Madrid);

Centre for Development Research (CDR), Copenhagen;

Centro Studi di Politica Internazionale (CeSPI), Rome;

Deutsches Institut für Entwicklungspolitik/German Development Institute, Berlin;

Développement des Investigations sur l'Adjustment à Long terme (DIAL), Paris;

European Centre for Development Policy Management (ECDPM), Maastricht;

Institute of Development Studies (IDS), Helsinki;

Nordic Africa Institute (NAI), Uppsala;

Overseas Development Institute (ODI), London;

Third World Centre, Catholic University of Nijmegen, Nijmegen.

The objective of the first stage of this research programme was to describe and assess each donor's goals as they relate to bringing the benefits of aid to poor people, and to review each donor's organisation and management to implement this objective. The ten donor agencies are those of Denmark, the European Commission, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden and the UK. A series of working papers on each development cooperation agency are being published. Those currently available are the following:

Danish Aid Policies for Poverty Reduction by Lars Udsholt (WP 100, May 1997);
German Aid Policies for Poverty Reduction by Eva Weidnitzer (WP 101, June 1997);
Italian Aid Policies for Poverty Reduction by José Luis Rhi-Sausi and Marco Zupi (WP 102, September 1997);
French Aid Policies for Poverty Reduction by Lionel de Boisdeffre (WP 103, September 1997);
Spanish Aid Policies for Poverty Reduction by Christian Freres and Jesús Corral (WP 104, September 1997);
Swedish Aid for Poverty Reduction: A History of Policy and Practice by Jerker Carlsson (WP 107, April 1998);
Finnish Aid Policies for Poverty Reduction by Timo Vopio (WP 108, July 1998); and
The European Community's Approach to Poverty Reduction in Developing Countries by Christiane Loquai, Kathleen Van Hove and Jean Bossuyt (WP 111, August 1998).

The second stage of this collaborative research programme consists of a series of *seven recipient country studies* to examine the operations of the European donors in pursuit of poverty reduction in Bolivia, Burkina Faso, India, Nepal, Tanzania, Zambia and Zimbabwe. Mixed teams from different institutes have undertaken these studies with the assistance of the field offices of the agencies and of local research personnel. Special attention is paid to the country context, the nature of the processes involved including country strategies and dialogue between partners on poverty reduction issues. In addition, a sample of specific interventions are examined to assess the effectiveness of approaches to their identification, targeting, design and implementation as well the benefits they provide to poor people.

This study by Lau Schulpen and Paul Hoebink provides a review of the evolution of perceptions on poverty reduction and poverty between the 1950s and the 1990s. It also points to the influence these ideas had on the policies of the development agencies generally during this period and the constraints imposed by changing conditions. This paper therefore, allows the current positions and practices of the donor agencies in late 1990s to be put in a historical perspective.

I am most grateful for the co-operation of each Institute in this endeavour and for the help of all those donor officials and advisers who have responded to enquiries and interviews by the collaborating researchers. I would like to acknowledge the financial support provided by the former UK Overseas Development Administration, now the Department for International Development, which made possible ODI's contribution to the programme. However, neither they nor any others who have assisted in this programme necessarily agree with the facts presented and the inferences drawn.

John Healey
Overseas Development Institute

Acronyms

BNI	Basic Needs Index
DAC	Development Assistance Committee (OECD)
FSI	Food Security Index
GNP	Gross National Product
HDI	Human Development Index
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IPI	Integrated Poverty Index
ISI	Import-substituting Industrialisation
NGO	Non-Governmental Organisation
NGDO	Non-Governmental Development Organisations
NIEO	New International Economic Order
ODA	Official Development Assistance
OECD	Organisations for Economic Co-operation and Development
PQLI	Physical Quality of Life Index
SAL	Structural Adjustment Loan
UN	United Nations
UNCTAD	United Nations Conference on Trade And Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNICEF	United Nations International Children's Emergency Fund

Summary

Poverty reduction has not played a major role in development thinking all the time. In effect one could state that it was in the core of theorising only in the seventies and in the nineties. 'Development is about poor people who should become rich', is a statement that puts people at the centre of modernisation processes. But too often these people were left out in theorising and in the practice of development co-operation. This paper tries to deal with theories and concepts in development thinking with regard to poverty reduction. It tries also to find some first indicators to analyse donor programmes with regard to poverty reduction. In the first part a short history of development theories in relation to poverty reduction is given. In the second part the focus is on poverty as a concept for aid organisations. In the last part general data on donor support for poverty reduction are presented and analysed.

1. A periodisation of development thinking and poverty reduction

It is possible to make a periodisation of development strategies (specifically related to development co-operation and aid) according to the attention devoted to direct and indirect poverty reduction. The first period covers the 1950s and 1960s, when modernisation strategies were developed and the basis for the dominant development thinking up to the present was laid. The second period starts in the early 1970s and is characterised by more 'qualitative aspects of economic growth' (Hoebink, 1988: 30), the emergence of basic needs, redistribution with growth, participation, and attention to what Griffin called 'redistributive development' (Griffin, 1991).¹ The economic crisis and the debt crisis which manifested themselves at the end of the 1970s seriously challenged this reformism. The market and economic stabilisation again becomes the central focus of development, and it will take until the end of the 1980s for people and more direct poverty reduction to receive attention again. In this fourth period cumulating in the 1990s many of the concepts from the 1970s are returned to and some new concepts are added.

1.1 The first period: the grounding of modernisation

The free trade doctrine of comparative advantage, dating back to Ricardo in the early 19th century, constitutes what Oman and Wignaraja call the 'early stand of orthodox development literature' (Oman & Wignaraja, 1991: 9). In this stand, it was stipulated that states should specialise in those goods in which they have a comparative cost advantage over other states, and trade these goods against those in which other states have such an advantage (See, for example, Cho, 1995: 9-11; Knippers Black, 1991: 24-25; and Oman & Wignaraja, 1991: 9-10). For developing countries, this meant that they had to specialise in the production of raw materials and primary products, thereby earning the funds to finance imports as well as growth. The fact that the terms of trade for these goods put developing countries at a constant disadvantage to industrialised countries led to heavy criticism of the 'growth by trade' doctrine of the 1950s as an imperfect route to development. As a consequence of this criticism and with the development path of the West as guiding principle, industrialisation was brought forward as the best route to development for developing countries as well. Rostow with his economic take-off theory in his non-communist manifesto, is

¹ In total Griffin distinguished six 'paths to development'. The first five all fall under what used to be called capitalist development strategies; the sixth is labelled socialist.

probably the most well-known proponent of this industrialisation path (Rostow, 1971).

Fast growth, or more specifically: fast economic growth, is thus seen as the motor for development, which also includes what can be referred to as 'societal development' (e.g. democracy, capitalist production, freedom). For economic growth, the production capacity of the country has to increase and industrialisation is considered necessary for this increase following the leading sector notion which stated 'that at different moments or periods of industrial growth, different sectors within industry grow considerably faster than the economy as a whole and give dynamism to the rest of the economy' (Oman & Wignaraja, 1991: 10-11).

In the 1950s and a large part of the 1960s, when modernisation was firmly rooted as the route to economic development, the provision of development aid was given an important role. The focus in the 1950s on technical assistance (following the idea that the lack of development was due to technical deficiencies) (DGIS 1995: 3),² changed to aid as a means of providing capital for industrialisation in developing countries. Industrialisation needed capital and, as the savings in developing countries were insufficient to provide for the necessary investments, aid was to supplement this deficiency.³ When agriculture was brought more clearly forward as, first, a sector

² This is not to say that technical assistance was no longer regarded as part of the solution for underdevelopment after the 1950s. Even today, this type of aid still has its charm.

³ In order to clarify the role of aid in early modernisation theory, it is necessary to mention the two-gap model which emerged from the Harrod-Domar model and the slowing of growth and industrialisation in many developing countries in the late 1950s and early 1960s. Whereas the Harrod-Domar model was developed in the 1930s and 1940s 'to clarify the delicate balance between income, savings, investment and output required to maintain stable growth and full employment in a (developed) capitalist economy' (Oman and Wignaraja, 1991: 12), it was used in the 1950s 'to attempt to identify savings and investment rates needed to achieve self-sustained growth in a developing (capitalist) economy.' This model led to the 'savings-gap' (i.e., the gap between domestic savings and investment) while decelerating economic growth and the stress on industrialisation led to the 'foreign exchange' or 'trade gap' (i.e., the gap between imports and foreign exchange earned through exports). The latter was seen as the 'successor' of the savings gap or as the superseding 'principal development constraint.' Aid is needed in both cases to fill the gaps -- that between domestic savings and investments or between foreign exchange (earned by export) and import. Hoebink (1988: 21) adds that 'a third problem for developing countries was their absorption capacity: only a limited quantity of capital can be taken in by developing countries as the possibilities for applying it lucratively are small because of a lack of social and physical infrastructure.' Knowledge-transfer and building-up institutional capacity are mentioned as ways of enlarging this absorption capacity, and emphasis is thereby placed on technical assistance.

providing labour for industry and, later, a sector which could itself contribute to growth and employment, aid did not lose its momentum. Aid was then needed for education and skills training, for research, and for the provision of inputs (fertilisers, pesticides, irrigation) to make the Green Revolution work.

The importance of aid for development is also made clear in discussions of the volume of aid. In 1965, the UN General Assembly and UNCTAD proposed that one per cent of the national income of western countries should be devoted to development aid. This figure was merely symbolic, however, as it was 'an entirely arbitrary figure based on no calculations of need or capacity to pay' (OECD 1986: 45-49). The aforementioned development paths paid little attention to the question of who might benefit from such economic growth. The land reforms constitute a possible exception. Put differently: The 1950s and a large part of the 1960s were characterised by an economic, technocratic paradigm in which 'an understanding of development as a social – a societal – process encompassing cultural and sociological dimensions is missing' (Köhler, 1995: 54).⁴ The main reason for this neglect can be found in the widespread belief in the operation of a trickle-down mechanism which is assumed to allow the benefits of economic growth to filter down to all layers of society. The idea of trickle down and societal change occurring automatically as a result of economic growth were the main reasons for no explicit attention to more direct poverty reduction in this period (See, for example, Rothstein 1977: 253-254).

1.2 A time for reformism

In the second half of the 1960s, direct poverty reduction slowly moved to the forefront to mark the start of what can be referred to as the reformist period. Critique at the Green Revolution, for instance, was strongly linked to demands for greater income distribution, which became a theme within development thinking in the 1960s. Employment, dualism and inequality became additional themes in the early 1970s. Empirical studies undertaken in this period showed the trickle-down mechanism, which was at the heart of modernisation, to not work as well as it should (See, for example, Riddell, 1987: 93 and Oman & Wignaraja, 1991: 98). Inequality and absolute poverty increased despite unequalled economic growth and impressive

⁴ This is despite the fact that in 1962 the United Nations announced the first Development Decade and tried to 'insist on a balance between economic and social development Within a few years, however, this attempt to insist on the importance of social objectives had failed. Economic growth had continued, but the need to reduce hunger and malnutrition, end poverty and bring about improvements in health ... was greater than before.' The outcome was clear: 'the economic dimension of development had dominated' (Reid, 1995: 44-45).

gains in health and literacy (OECD 1986: 49). The rethinking of approaches to development led to a body of literature criticising modernist development thinking as concentrated too much on economic growth and too little on poverty and the quality of life. Direct poverty reduction, in which the needs of people are placed more central, was brought forward as the solution to growing unemployment and widening inequality.⁵

The most clear proponent of this reformist thinking became the World Bank.⁶ In his famous speech in September 1973 in Nairobi, the then World Bank president Robert McNamara set out the broad policy guidelines for the future of the Bank. Poverty and poverty reduction – and thus the poor – were to be central to World Bank policy. In the years before the Nairobi-speech, the World Bank had already taken up activities in the field of population control and nutrition, which were viewed as essential issues for poverty reduction. This activity also illustrated the Bank's ideas with regard to poverty: 'a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims basic human necessities' (World Bank 1973: 6-7).⁷

⁵ In such an approach, the State has a much more active role to play in the provision of health and education services, but also in the economic field (e.g., support for industries and the infrastructure). Economic growth nevertheless remains a prerequisite for development in this line of thinking, and the approach thus remains within the modernist model.

⁶ It should be noted that by the end of the 1960s, the World Bank had taken, as A. v.d. Laar (1982: 249) put it, 'a leading role in development lending' and also widened its influence 'through its chairing of numerous aid consortia.' While 'its country economic reports ... tended to reinforce the Bank's role when combined donor leverage was exerted on aid recipients,' a changing focus within the World Bank (for instance, after the Bank adopted the basic needs approach in 1977/78) towards more direct poverty reduction had a major impact on other multilateral, bilateral and private aid-donors.

⁷ McNamara (president of the Bank from 1968 to 1981) made a distinction between relative and absolute poverty which is still used. 'Relative poverty means simply that some countries are less affluent than other countries, or that some citizens of a given country have less personal abundance than their neighbours. That has always been the case, and granted the realities of differences between regions and between individuals, will continue to be the case or decades to come.' In this thesis, the word poverty is used in reference to absolute poverty. The World Bank presented poor people as those who 'suffer from hunger or malnutrition' with 20% to 25% of the children dying before their fifth birthdays, a life expectancy 20 years less than in the affluent world, and widespread illiteracy. In addition to the poor are also those who 'are neither contributing significantly to economic growth nor sharing equitably in economic progress.'

The World Bank, thus, presented poor people as those who 'suffer from hunger or malnutrition', of whom '20% to 25% of [the] children die before their fifth birthdays', whose 'life expectancy [...] is 20 years less than in the affluent world', and who 'are illiterate'. Besides, the poor were also those who 'are neither contributing significantly to economic growth nor sharing equitably in economic progress'. Another significant characteristic of poverty and the poor was the concentration of the same in rural areas. This concentration of poverty in rural areas should not divert from the urban areas, for 'rapid urbanisation is already creating very serious problems'. The *Redistribution with growth* study characterised the poor as (1) being predominantly rural and engaged in agriculture and allied rural occupations; (2) being primarily self-employed; and (3) having lack of capital as measured by ownership of productive assets (e.g. land). In short: 'the poor are prevented from sharing equitably in a general increase in output by a number of specific disabilities that can be summed up as *lack of physical and human capital* and lack of access' to 'land, credit, education, and modern-sector employment' (Chenery *et al.*, 1974: xiv-xv).

Income inequality (expressed in GNP per capita) formed the cornerstone of the measurement of poverty, and although poverty was not seen as having only an economic dimension, in the analysis other characteristics like education and population growth were coupled to income and income distribution. M.S.Ahluwalia, for instance, stated that 'the growth of population is positively related to inequality as measured by the income share of the lowest 40 percent', and that also 'education is positively related to equality in terms of income shares of the lowest and middle groups' (Ahluwalia, 1974: 3-37). At the same time, it is acknowledged that 'income share data provide a useful summary picture of the degrees of inequality in a country but they do not tell us about the underlying economic structures causing this inequality' (*ibid.*: 18). According to J.Friedmann the poverty line as used by the World Bank is 'the level of minimum household consumption that is socially acceptable. It is usually calculated in terms of an income of which roughly two-thirds would be spent on a 'food basket' calculated by welfare statisticians as the least-cost provision of essential calories and proteins' (Friedmann, 1992: 56-57).

Following this assessment, the Bank started to urge the governments of developing countries to conduct direct attacks on poverty and re-orient their development policies. Central to such re-orientation was rural development as most of the poor lived in rural areas although urban development should not be neglected. In both cases, the World Bank opted for an integrated approach in which the creation of employment⁸ was coupled to the provision of infrastructural and basic needs.

⁸ The World Bank followed the world employment programme of the International Labour Organisation (ILO) which had already been declared in 1969. For the ILO, the problem of poverty was a problem of employment and the emphasis should shift from the formulation

McNamara's focus on fighting wide-scale poverty was an important deviation from the dominant development thinking of the 1950s and a large part of the 1960s when it was considered advisable to concentrate on the modern sector and hope for the trickle-down mechanism to do its job (World Bank 1973: 13). The measures proposed to tackle the productivity problem of small farmers (e.g., better access to credit, assured availability of water, and – most importantly – new forms of rural institutions and organisations)⁹ also took as their point of departure the assumption that governments cannot deal directly with millions of small farmers and that the organisation of small farmers was therefore essential (World Bank 1973: 17-18). The need for a more market oriented mode of production was expressed, and poverty remained de-individualised. *Countries* were classified as poor (i.e. having a GNP per capita below a particular level), and the poor were seen as *groups* with similar characteristics (e.g. malnutrition, illiteracy, low productivity).

The strategies stemming from a definition of poverty in terms of 'economic' and 'basic needs' were already laid out in the early 1970s; they included 'accelerating economic growth, reducing population growth, and redistributing income towards the poorest sectors of the population' (Friedmann, 1992: 59). McNamara noted in this regard that despite the growth in mining, industry, and government the productivity and income of the small farmer remained unchanged (World Bank 1973: 10). The solution was sought in a development policy redirected toward better distribution. This redistribution of growth became the redistribution-with-growth strategy of the World Bank. In the basic study on this redistribution with growth strategy, Chenery *et al.*, (1974) stood up for economic growth and a better distribution of this growth for the 40% poorest in developing countries.

The outcome of these shifts in policy of major multilateral agencies was not only that overall aid volume increased considerably, but that Western aid donors, for instance, also gave increasing prominence to direct poverty alleviation. According to the OECD, the 'measure most readily at hand' to tackle the problems of poverty, economic growth, and all other related issues ranging from environmental degradation up to the unequal opportunities for women, 'was to increase development assistance and to focus it better on the poorest people' (OECD 1986: 52-56). The

of a development strategy based on economic growth with employment resulting from this as the residual, to a focus on employment as the policy objective in its own right.

⁹ Within this focus on direct poverty reduction, attention was mainly paid to 'increasing the productivity of small-scale subsistence agriculture.' Note that the basically economic thinking behind the poverty reduction strategy put forth by the World Bank in the 1970s is that 'greater access to public services' such as health and education will increase the productivity of small holder agriculture. In essence, 'economic growth and prosperity' are considered 'a *sine qua non* for coming out of poverty' (Rahmena 1992: 163).

basic needs approach and the underlying attack on poverty meant that aid was to be spent increasingly on poorer countries and within these poorer countries on poorer sections of the population. Besides, more aid was to be spent on education, drinking water, shelter, and other needs falling under the concept.

Three important shifts in aid policy are said to be the outcome of the reformist thinking at this time: (1) a large increase in aid for poverty reduction in the latter half of the 1970s; (2) an emphasis on the support of such basic-needs sectors health, education, the provision of safe drinking water, irrigation, agriculture and rural development; and (3) a tendency among some agencies to finance and promote small-scale localised projects (specially geared at attacking poverty at a grass-roots level) as opposed to sectors and large-scale projects.¹⁰

In the implementation of the basic-needs approach, emphasis was placed on the economic and social dimensions and the political dimension was thereby avoided. Given that the realisation of active participation for the poor in decision-making processes was considered essential to making the basic-needs approach a viable development strategy, the loss of the political reduces the approach to little more than just another attempt to cope with the phenomenon of poverty by providing for some of the material needs of the poor. At the end of the 1970s, however, the reformist period was characterised by a neglect of both international and internal reforms, a lack of redistribution by the North and South and a tendency to focus on other issues.¹¹ The situation was largely due to the adverse international economic climate facing developing countries following the oil shocks and other commodity price shocks of the 1970s and 1980s but also to the withdrawal of the major actor in the basic-needs approach (i.e. the World Bank). The effect was to cause a partial shift in attention from poverty and basic human needs (which were perceived to require expensive medium- to long-term solutions) to macro-economic problems and

¹⁰ The latter alludes to yet another important outcome of the reformist period: the emergence of Non-Governmental Organisations (NGOs) as important actors in the donor community in terms of both political pressure and financing (see 1.2.3 below for a more thorough discussion on NGOs).

¹¹ The concept of basic needs and the success of this concept was also connected to worldwide changes reflecting not only the strengthening of world peace and disarmament but also the establishment of a New International Economic Order (NIEO) with 'a fundamental restructuring of the international economy for the benefit of the nations of the South' as its focus. This restructuring should be based on 'equality and co-operation' (J. Toye 1993: 179), and the basic-needs strategy can be regarded as a first phase in a redistributive global growth process. The call for a strategy based on the satisfaction of basic needs can be seen as a Western reaction to the Southern call for a NIEO and an attempt to take the wind out of the NIEO.

stabilisation programmes (which were perceived to be short-term and require immediate solutions).¹²

1.3 The 1980s: Stabilisation versus poverty reduction

The basic idea behind the upcoming macro-economic approach was simple: free trade as the cornerstone of economic growth. According to proponents of this approach, many developing countries – influenced as they were by the export pessimism of the 1950s and 1960s and by the supposed merits of import-substituting industrialisation (ISI) – adopted inward-looking strategies aimed at the development of a modern industrial sector through protectionism, government planning and other direct incentives which produced a strong anti-export bias. By the end of the 1960s, however, many of the countries following this ISI approach faced serious problems, including inefficient industries, foreign-exchange shortages and a bias against agriculture. A few countries switched to more outward-looking strategies while others continued to adhere to the inward-looking ISI.

The reduced role of government in the development process associated with such macro-economic approaches is in sharp contrast to the 1970s when government was seen as an important motor on the route to development. The Structural Adjustment Loans (SALs – see below) had already shown government intervention to be something of the past. This was particularly the case for the state as economic agent, which was witnessed as ‘a major disillusionment’ in the 1980s (Killick, 1989: 9, 16-19).¹³ One of the consequences of this market-oriented development path was not only that interference of the government was seen as unnecessary or even detrimental to development; the same feelings also emerged concerning official aid.

¹² In the words of Riddell (1987: 130), the 1980s saw a ‘swing back [...] to a concern for growth [which] lessened the visibility of redistribution questions among certain donors.’ See also, for example, Colclough, 1991: 4-5.

¹³ According to Killick, the disenchantment with what he calls ‘dirigisme’ is not restricted to ‘those of a conservative disposition.’ Also ‘radical writers are scarcely less dismissive of interventionism,’ if only because they ‘are inclined to agree with Adam Smith that, “Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those that have none at all”.’ Also experiences in developing countries (e.g., ‘medium term development planning has in most ldc’s [least-developed countries - LS] almost entirely failed to deliver the advantages expected of it,’ ‘many ldc’s did over-emphasize industrialisation and neglect agriculture,’ ‘many ldc’s did themselves damage by an inward-looking approach to development’) make this retreat from dirigisme an almost universal retreat.

For the more fierce proponents of the counter-revolution, radical policy changes (i.e. opting for complete laissez-faire trade and termination of official aid) were seen as desirable. One of the main reasons for this negative attitude towards aid is that it leads to an 'increase in the size of an unproductive public sector', which in turn has an 'opportunity cost to the private sector, because potential private sector investors are "crowded out" by aid-fuelled expansion of the public sector' (Toye, 1993: 181, 190-191). The resurgence of neo-liberal economics accompanied by a 'neo-liberal democratic theory' (Edwards and Hulme, 1995: 4), in which emphasis is placed on a reduced role for government also paved the way for the private sector in development aid or Non-Governmental Development Organisations (NGDOs).¹⁴ The 1980s saw the emergence of these NGDOs in the North as well as in the South.

The rapidly emerging macro-economic crisis and the criticism at the ISI strategy detracted attention from direct poverty reduction. Although poverty seemed to vanish as a central element in the development discourse at the end of the 1970s, it did not disappear completely. Attention did shift from a more direct attack on poverty (e.g. employment creation, redistribution, basic needs) to an essentially indirect approach. Other authors continued along the lines set out in the 1970s.¹⁵ What is common to many of these authors is that poverty is not considered only or mainly an economic issue, which can be ascribed largely to the discussions on poverty in the late 1960s

¹⁴ According to Uphoff (1995: 19), who distinguishes three sectors in society (i.e., public sector, membership sector, and private sector), NGDOs belong for the most part to what he calls 'service organisations' and thus the private sector. As service organisations, NGDOs 'deal with clients and beneficiaries' which 'did not create the organisation they are dealing with and cannot hold it accountable for its actions in the same direct way members can. Clients and beneficiaries of NGDOs are in a "take it or leave it" relationship that is similar to that of customers and employees of private firms.'

¹⁵ This includes the work of Streeeten, who continued along the lines of the basic-needs approach of the ILO (Streeeten *et al.*, 1981), and the work of Hopkins and R. v.d. Hoeven (1983).

and 1970s.¹⁶ So-called 'micro-directed' or 'welfare-targeted aid' also did not disappear from the donor's agenda (Riddell, 1987: 95).¹⁷

1.4 The second reformist period

Coupled with growing criticism at the cornerstone of the neo-classical approach and under the banner of export pessimism because of increased protectionism on the part of the West and/or the impossibility of the same strategy working for all countries calls for Adjustment with a Human Face were issued.¹⁸ A new reformist period was fuelled with direct poverty reduction back on the development agenda together with the market as the driving force behind development and the necessity of government retreat. Only in the second half of the 1980s and as a result of heavy critique of the social effects of structural adjustment policies, thus, did poverty and direct poverty reduction return to the agenda.

¹⁶ One-dimensional characterisation of poverty were also not part of the past, particularly when it came to measuring the extent and depth of the problem. The World Bank, for instance, continues to use GNP per capita as the main standard for determining poverty. For discussions on the measuring of poverty see, for example, Ahluwalia 1974; Chenery *et al.* 1974; Glewwe and J. v.d. Gaag 1988; Friedmann 1992. Although Friedmann (1992: 65-66) is of the opinion that the basic-needs approach became 'virtually inoperative' in the early 1980s, he also argues that 'the debates of the seventies were not all in vain.' This is mainly because these debates 'have left us with some firm conclusions about poverty,' of which the most important are: (1) growth-maximising strategies are not in themselves sufficient to satisfy basic needs, which in turn are 'essentially political claims for entitlements'; (2) 'poverty is a multi-dimensional phenomenon and does not signify merely a relative lack of income'; (3) 'the poor must take part in the provisioning of their own needs rather than rely on the state to solve their problems'; (4) 'to become more self-reliant in the provisioning of their own needs, the poor must first acquire the means to do so'; and (5) 'effective anti-poverty programs cannot be devised at the top for implementation downward' (also see 1.2.1 below).

¹⁷ Riddell states that 'while some donors, the largest and most influential, reasserted their belief in the growth route to poverty reduction, some did continue to base their aid policies on direct targeting of aid funds to the poor.'

¹⁸ Adjustment with a human face was the title of a book published in 1987 under the auspices of UNICEF. The objective of this UNICEF approach was 'to combine adjustment with protection of the vulnerable and the restoration of economic growth.' Experiences with adjustment policy had shown 'how standards of health and nutrition may be undermined unless a specific attempt is made to protect the vulnerable during adjustment' (Cornia, Jolly and Stewart, 1987: 131-132).

The 1950s and 1960s, in which economic growth was considered to be – if not the only – at least the most important prerequisite for development, were followed by a period in the 1970s in which economic growth was coupled to redistribution and poverty reduction. The 1980s, in which economic growth and macro-economic stabilisation stood central, were followed by a period in which poverty reduction and basic needs were again brought to the forefront as important and necessary steps towards development. As such, the second reformist period of the 1980s/1990s has much in common with the first reformist period of the 1970s. Both periods can be regarded as a reaction to a preoccupation with macro-economic measures and growth. The concepts and measures introduced to counter this preoccupation in the second reformist period show a high degree of similarity to those introduced in the first reformist period. As in the 1970s, the second reformist period involves attention to poverty in general, the measurement of poverty, basic needs, employment creation and participation.¹⁹ In contrast to the first reformist period, however, the second reformist period saw the emergence of NGOs as a growing force within the development field. Moreover, the combination of economic growth and direct poverty reduction was brought more forcefully forward as the major tasks within development in the second reformist period (see, for example, Shaffer, 1996: 23).

The major difference between the first and the second reformist period, however, relates to the end of real socialism as a development alternative – symbolised by the falling of the Berlin Wall. In addition to a big push towards conditionality in aid,²⁰

¹⁹ Women (in development) and environmental issues were also not new issues in the 1980s and 1990s. With regard to the environment, the early 1970s saw several international conferences held on the subject and also the establishment of the United Nations Environment Programme (UNEP). At one of the conferences 'convened in October 1974 at the behest of UNEP and the United Nations Conference on Trade and Development (UNCTAD) [...] two major strands of the alternative movement [were brought together]: those who had argued that priority should be given to satisfying the "basic needs" of people for food, water, and shelter rather than to simple growth-maximisation, and those who were concerned with the "outer limits" of the planet's resources and its environment to sustain such growth' (Friedmann, 1992: 2). Such a discussion on 'a people-centred development in harmony with the environment' is basically still on the agenda in the 1990s.

²⁰ For aid agencies, this new stand in development thinking also meant that interference in the political, social and economic affairs of an aid-receiving country were no longer regarded as taboo. Whereas the conditions for aid in the early 1980s carried a 'strong neo-liberal baggage, boosting the market and reducing the role of the state, with structural adjustment as the major tool,' the conditions for aid in the late 1980s and early 1990s were aimed 'above all at policy reform, involving the system of government, democracy and participation, and human rights, in particular civil and political rights' (Stokke, 1995: viii). For further discussions on aid conditionality, see Hoebink, 1988: 24-28, Stokke 1989, Griffin 1991, Moore 1993, and Smillie 1995. All this attention to the internal structures of developing

this fall led to the conviction that the western development route – symbolised by modernisation thinking – was the only route to development. Fukuyama (1992) has called this the End of History with capitalism, economic liberalisation, and liberal democracy constituting the end-state for human development. As a consequence, 'the aspirations of political leaders in developing countries to work towards alternative ends by alternative means are regarded as illusory and misguided' (Toye, 1993: 10). The universality of the western road to development has been strongly questioned and criticised,²¹ not in the least by developing countries themselves.

countries took place under the banner of ownership which is a term introduced in the 1990s to emphasise the fact that it is primarily the aid-receiving countries (i.e., the government, private firms, civil society, and individuals) which determine whether a project or programme will succeed or not. For Toye (1993: 200-201), ownership relates to the 'issue of neo-colonialism' and the fact that 'conditionality is extended from economic policy to the broader and more politically sensitive area of "governance". To some extent, this potential conflict has been defused by efforts to ensure that the recipient government "owns" the adjustment programme.'

²¹ In the early 1990s when the western capitalist or neo-liberal road to development was about to be pronounced the only feasible one, others were less sure that it was the best way of achieving development or that a single best way exists at all. This disenchantment with all-encompassing theories and development paradigms has been labelled the 'crisis in development,' the 'impasse in development theory' or even the 'era of agnosticism.' For Schuurman (1993: 1), this impasse can be attributed to (1) the post-modern critique of theory formation per se; (2) disappointment with the economic growth objective which is not reconcilable with notions of sustainable development; and (3) the loss of the socialist paradigm. Köhler (1995: 57-58) presents seven causes for what she calls the agnostic approach. (1) 'Disenchantment with the result of development interventions which had not succeeded in fundamentally altering "underdevelopment", poverty and destitution in the developing world' combined with 'obvious shortcomings in policy prescriptions and theoretical analysis.' (2) The 'conventional divide between developed and developing countries has become hollow' as 'reports on the state of the world reflect on unemployment, poverty, and marginalisation in the developed as well as the developing nations.' (3) 'The purely "economistic" understanding and shapening of the development process' which has been brought into question by 'pleas for adjustment with a human face and for "human development"' which 'reopened the discussion on the sense and direction of "development".' (4) Development is increasingly construed as a 'broadening of choices' and thus as 'a departure from a single prescribed, "universal" approach to the objectives of development.' (5) 'The environment and gender causes have "undermined" mainstream economically-inspired thinking.' (6) Post-modernism 'has begun sensitising development interventionists to the problematic of their endeavour.' And (7) 'The demise of the Soviet system opened attention to democracy and human rights as central to development, topics that had been taboo in development discourse for decades.'

Development construed as the outcome of public and private initiatives already shows the monetarist and neo-classical strategies dominating the development debate at the beginning of the 1980s to have lost ground. These strategies have been criticised for their unconditional belief in the workings of the market and their unrealistic claims with regard to the ability and willingness of individuals to absorb and process information. Pointing at clear market failures including the existence of certain desirable goods and services that cannot be produced or provided at a profit by private markets and persistent poverty and inequality these critics have made room for a renewed attention to government interventions (Killick, 1989: 21-25).

Together with the renewed attention within development thinking for poverty and poverty alleviation (particularly also within the human development debate), and the emphasis put on democratisation as a condition for sustainable development, this indeed led to a stronger role for the government as was thought desirable in the beginning of the 1980s. The 'private initiatives' mentioned not only refer to industry and/or private enterprises but also and increasingly to what has been labelled civil society with citizens and organisations of citizens called upon to play a role in development. For aid agencies, civil society's role in development seems to have been reduced to the operation of NGDOs, which have shown a marked expansion over the last decade. Aid agencies since the late 1980s have turned their policy towards development by, for and through the people and have paid more attention to basic needs, institutional assistance and strengthening of civil society.

Whereas now some believe aid to be 'a rational policy instrument for achieving [western] foreign policy goals – including homogenising the world to capitalist and liberal democratic practices' (Toye, 1993: 9), there have, however, been other developments in the period following the fall of the Berlin Wall which have had a major impact on aid agencies. Reference is made here mainly to local conflicts in the world, which have not only called for a major increase in emergency aid, but also to more attention for peace keeping operations.

With economic growth as fixed prerequisite for development in the background and in reaction to the lack of a 'human face' in the dominant development discourse, the late 1980s saw a revival of attention to the underside of society (e.g. to poverty and the means for its reduction) and a call for a state to provide the means for poverty reduction. The neo-classical development strategy nevertheless proclaimed the benefits of the free market and a reduced (economic) role for the state with ever more vigour.²² The latter was of course strengthened by the end of real socialism as an

²² The dual role for the state emerging from this is due to what Köhler (1995: 58) called the convergence between the 'post-Keynesians' and the 'neo-monetarists.' 'While the former are devoting more research and technical assistance to genuinely private sector actors, the latter

alternative. This led to even greater emphasis on democratisation,²³ self-help and participation as conditions for sustainable economic and societal development and also to a focus on civil society and the individual as alternatives to the state for development. The post-modernism critique of great theories and a pinch of environmental concern have ensued victory for the concept of sustainable development and the notion of development is thereby being changed as a combination of political, economic, social and environmental dimensions.

have begun to soften their stance as to the role of the market, conceding that "market friendly policies" (as opposed to pure market mechanisms) were appropriate in developing country contexts, and thus acknowledging the role of government).

²³ The logic behind the combination of a 'neo-liberal market economy' with a 'liberal democracy' is clearly spelled out by Pedersen (1993: 103) when discussing the imposition of political conditionality on aid. Citing Diamond (1992: 25-46), Pedersen argues that 'a liberal market economy only works on the basis of "liberated" market agents, hence the liberalising effects of the "retreat of the state"-conditionalities imposed on recipient countries' economic policies. Liberal democracy similarly needs, in order to work properly, a respect for individual political freedoms such as the observance of basic human rights, rights of individuals to organise in political parties, freedom of speech, etc. A multi-party democracy then is simply regarded as the natural companion to a market-based economy.'

2. Poverty and poverty reduction

The renewed attention for the reduction of poverty in the world (and especially the Third World) is apparent in the different indexes developed over the years for the measurement of the problem. These indexes show poverty to no longer be regarded as strictly an economic issue. Instead, poverty is increasingly being seen as a synonym for deprivation, involving many different aspects of hardship. In a publication entitled 'The State of World Rural Poverty', the authors provide several characteristics of poverty at the household level: material deprivation, isolation, alienation, dominance and dependence, lack of participation and freedom of choice, absence of assets, vulnerability and insecurity (Jazairy, Alamgir and Panuccio 1992: 53-64 and 90-91). All of these characteristics may not apply to all poor households in the Third World, but they provide a general picture of the many manifestations of poverty and once again show economic deprivation to be only part of the problem. With these characteristics the authors fall back on the writings of Robert Chambers on this subject.

For Chambers, who has provided one of the more comprehensive sketches of the phenomenon of poverty, the word poverty itself refers to a 'lack of wealth or assets, and lack of flows of food and cash' and is as such only one of the clusters of disadvantage that distinguishes poor people from others. Taking communities (and not individuals) as his point of departure, Chambers presents four other clusters of disadvantage which characterise poor communities: physical weakness, vulnerability, isolation and powerlessness. Poverty thus refers to the lack of assets, whether in the economic (e.g., money, land, livestock) or non-economic (e.g. shelter, cooking tools, toilets) senses. Physical weakness refers to hunger, sickness, malnutrition and the generally high ratio of dependents (young, old, sick, or handicapped people) to able-bodied adults. Isolation refers to such items as illiteracy, no active participation in public meetings and peripheral location. Vulnerability is expressed by the fact that a poor household has few buffers against contingencies, and powerlessness is exemplified by ignorance of the law, lack of legal advice, low negotiating position and exploitation by the more powerful forces in the society. It should be clear that these five clusters are very much interlinked, and that they can (and often do)

negatively strengthen each other.²⁴ Together they form what Chambers calls the 'vicious circle of poverty' or the deprivation trap.

As Chambers himself notes, these clusters of disadvantage are from the perspective of outsiders and not the poor themselves. If looked at from the latter perspective, three objectives or priorities stand out with regard to the phenomenon of poverty: survival, security, and self-respect. Survival is based on the need for a stable subsistence (subsistence) and is the first and lowest-level objective referring to basic income and basic consumption for survival. Survival is also linked to physical weakness and poverty or two of the clusters of deprivation distinguished by Chambers. Security 'concerns the ability to meet contingencies without further impoverishment, and depends on rights, assets and access to money whether through savings, sale of assets or loans.' The security objective is linked to the cluster vulnerability. Although Chambers, Saxena, and Shah acknowledge that 'there is a danger here of imputing to and imagining for people values which they may not hold', they nevertheless argue that 'self-respect and independence, including freedom from humiliating subservience, seem to matter to them more and more' (Chambers, Saxena and Shah, 1989: 13-14). Self-respect is the third and highest-level objective and linked to the cluster powerlessness.

It is important to note that as the lower objectives are met the higher objectives gain greater significance. In other words, as incomes rise, security and self-respect become more important. People must satisfy their basic needs (income, housing, clothing, health) before they can be open to those issues related to powerlessness and self-respect or higher priorities.²⁵ The hierarchial structure of these objectives can also be detected in the UNDP definition of human development: 'a process of enlarging people's choices'. These choices may be infinite and change over time but 'at all levels of development, the three essential ones are for people to lead a long and healthy life, to acquire knowledge and to have access to resources needed for a decent

²⁴ To indicate just of few of the possible interlinkages between the five clusters: 'Poverty contributes to physical weakness through lack of food, small bodies, malnutrition, [...]; to isolation because of the inability to pay the cost of schooling, to buy a radio or a bicycle, [...]; to vulnerability through lack of assets to pay large expenses or to meet contingencies; and to powerlessness because lack of wealth goes with low status: the poor have no voice' (see further, Chambers, 1983: 112-114).

²⁵ Chambers (1983: 144-145) states in this regard that 'it is no coincidence that poverty [i.e., lack of wealth or assets, and lack of flows of food and cash] is the most commonly mentioned dimension of deprivation, and used as a proxy for the others. [...] it seems that most poor rural people seek first an adequate independent source of food and income under their control; or in other words, a secure and decent livelihood.'

standard of living' (UNDP 1993: 104).²⁶ In other words, elements of what we have labelled the social and economic dimensions are viewed by the UNDP as most important with regard to poverty. Elements of the political dimension are secondary: participation, personal self-respect, and human rights.²⁷

In the 1970s, the reformists restricted their ideas and strategies to largely the lower-level priorities. While the basic-needs strategy pertained somewhat to powerlessness with such terms as human rights and participation, the main aim was to provide and secure access for the poor to such basic needs and services as adequate food, shelter, clothing, safe drinking water, sanitation, public transport, education, and health. In the second reformist period or the late 1980s and early 1990s, these basic material needs plus the economic situation of the poor (employment, income) were again brought to the foreground, but with the political dimension of poverty or powerlessness at the centre of the stage. These higher-level priorities continue to be of importance today as indicated by the growing emphasis on sustainable development.

The five clusters of deprivation put forth by Chambers can be reduced to a three-dimensional division of poverty into economic, social, and political dimensions.²⁸ The

²⁶ In later reports, this definition is broadened. In 1991, for instance, 'to make development more democratic and participatory' is added to the definition (Boer and Koekkoek, 1993: 428). This is an elaboration of the additional choices (political freedom, guaranteed human rights and personal self-respect) and a confirmation of the importance of 'good governance' as a prerequisite for development (UNDP 1990: 1).

²⁷ The three essential choices distinguished by the UNDP are included in the original Human Development Index: 'real gross domestic product per capita, as an indicator for the resources available, life expectancy at birth, as an indicator of length of life, and the degree of literacy, as an indicator of the level of education' (Boer and Koekkoek, 1993: 428). With this Index, the UNDP relied on the work of Morris who developed the Physical Quality of Life Index (PQLI) in 1979 (See, for example, Oman and Wignaraja, 1991: 115 and Streeten, 1994: 23). For further discussion of the Human Development Index as developed by the UNDP see, for example, Griffin and McKinley 1994, UNDP 1995: 121, McGillivray 1991: 1461-1468, Bhanoji Rao 1991: 1451-1460, and Mahbub ul Haq 1994. The latter has correctly observed that 'something tragic happened to development economics on its way: it became dehumanised. In the [...] obsession with measuring national accounts, human lives were forgotten. In a way, the new emphasis on human development during the last few years arose as a protest against this unnecessary and unforgivable neglect.'

²⁸ In describing the concept of Human Development Streeten (1995: 28) states that Abraham Lincoln's definition of government could be shorthand for this: development *of* the people, *for* the people, *by* the people. *Of* the people implies adequate income generation through jobs and the generation of primary incomes; *for* the people implies social services for those who need help and the generation of secondary incomes; and *by* the people means participation.

economic dimension is related to the unequal distribution of resources and/or inadequate utilisation of these resources, and it thereby involves the clusters poverty, vulnerability, and isolation. The social dimension is related to inadequate access to the basic amenities necessary for a dignified existence or such items as health, education, and housing. This dimension therefore involves the clusters physical weakness and isolation. The last and often most forgotten dimension is the political dimension, which is related to little or no access to the decision-making process and lack of human rights (DGIS 1991: 145). This dimension thus involves the cluster powerlessness. These three aspects of poverty – lack of income, basic needs, and political participation – must clearly be addressed in any reduction strategy. Just as the five clusters of deprivation identified by Chambers, the three dimensions of poverty also cannot be separated from each other.

As already mentioned, the economic, social, and political dimensions constituted part of the development in the 1970s. However, the political dimension was largely snowed under by the economic and social dimensions at that time and basically reduced to a hollow concept of participation.²⁹ When poverty reduction was again defined as the central objective of development at the end of the 1980s, the political dimension was again ignored by an important part of the development establishment. In 1990, for instance, the World Bank presented a two-part strategy for the reduction of poverty. First, the productive use of the poor's most abundant asset – labour – had to be promoted. In other words, the economic opportunities of the poor had to be enlarged in order to raise incomes and, thus, patterns of consumption. Second, basic social services had to be provided for the poor. These included primary health care, family planning, nutrition, and primary education (World bank 1990. See also Lipton and V.d. Gaag, 1993: 1-2). This basic strategy would have to be supplemented by a 'program of well-targeted transfers and safety nets' in order to reach those untouched by the two parts of the strategy. In such a manner, the World Bank attends to what have been labelled the economic and social dimensions of poverty. The political dimension does not constitute part of this poverty-reduction strategy although it is cited as a prerequisite when it is stated that 'the two-part strategy is [...] more likely to be adopted in countries where the poor have a say in political and economic decision-making.' In characterising the target populations, however the World Bank sticks to the issues of malnutrition, low income, lack of education, low life expectancy, sub-standard housing, and isolation. Elements of the political dimension are nowhere mentioned. One could state that this in clear contrast with the McNamara statements of the seventies and thus a depoliticisation or technocratisation of the

It could also be interpreted as the economic, social and political dimensions of development' (emphasis added, LS).

²⁹ Rahmena (1992: 116) describes the word participation as a stereotype, a fanciful construction, without any content, and as an ideal word for 'manipulative purposes.'

poverty-concept. This is all the more true as in World Bank strategies at a national level, in contrast with the seventies, no major transformations (e.g. land reform) are asked for.

With the resurgence of attention to poverty and poverty reduction at the end of the 1980s, the UNDP initially characterised poverty in terms of income, nutrition, health, and education. Somewhat later, the organisation more clearly and explicitly identified human freedom, good governance, empowerment, democratisation, and participation as essential elements for human development. Presented as an all including development strategy (Griffin and McKinley, 1994: xi) which places people (in contrast to the economic system) at the forefront, human development is clearly seen by the UNDP as a reaction to the economic crisis of the 1980s when 'attention was paid first and foremost to economic reform and growth through macroeconomic policy instruments' and 'little attention [was given] to the probable adverse impacts of these reforms and policies on people' (UNDP 1995: 117). In addition, the UNDP sees the 1980s as 'years of mobilisation of people in search of freedom – to participate in the events and processes that shape their lives.' By this, the 'spread of multiparty democratic systems' is intended.³⁰

This emphasis on people should not distract from the fact that economic growth is an absolute pre-condition for human development. Without economic growth and the generation of productive employment sustained improvement in human well-being is simply not possible. The UNDP makes clear that economic growth is not an end in itself but merely a means for achieving human development. Similarly, the provision of education and health (or, more broadly, basic material needs) and political participation are not ends in themselves, but means for increasing and satisfying the choices available to people. Human development can be clearly characterised along the three dimensions of development and poverty reduction highlighted above. The economic (e.g. growth, employment), the social (e.g. health, education), and the political (e.g. participation, empowerment, good governance) dimensions are what sustainable development is all about and largely correspond to

³⁰ Central to this people-centred strategy of development are concepts such as participation, civil society, and empowerment with a definite role to be played by government as well. With regard to the latter, it is what the government does and not how big it is that matters (Griffin and McKinley, 1994: xii). The major difference from the World Bank strategy for the 1990s is that the UNDP places greater emphasis on the political dimension in the sense that development is characterised as 'a process not just for people, but a process organised, guided and undertaken by people.' Such a development strategy explicitly calls for active participation and for institutional changes 'that permit and indeed encourage that participation' (p. xii). These developments clearly show aid donors to be gradually moving 'beyond technical economic conditions into much broader areas of social policy and "governance"' (Toye 1993: 200).

the three basic objectives identified by Chambers: survival, security, and self-respect. The concept of human development, thus, meets with the same critique: Given the interconnected nature of the different elements, true development may only be achieved if all of the different elements are tackled.

Although the word integrated is not used in relation to the concept of human development, it should be clear from the above that the concept of Human Development is intended to capture the different elements needed for a development strategy with people as its point of departure. In a reaction to criticism stating that the concept is antigrowth and/or only concerned with social-sector development, the UNDP clearly presents the concept as a 'holistic development paradigm embracing both ends and means, both productivity and equity, both economic and social development, both material goods and human welfare' (UNDP 1995: 123). In short, enlarging people's choices in both the economic and social senses requires they also have the capacity to participate in and benefit from these developments.

3. Distribution of aid over countries and sectors³¹

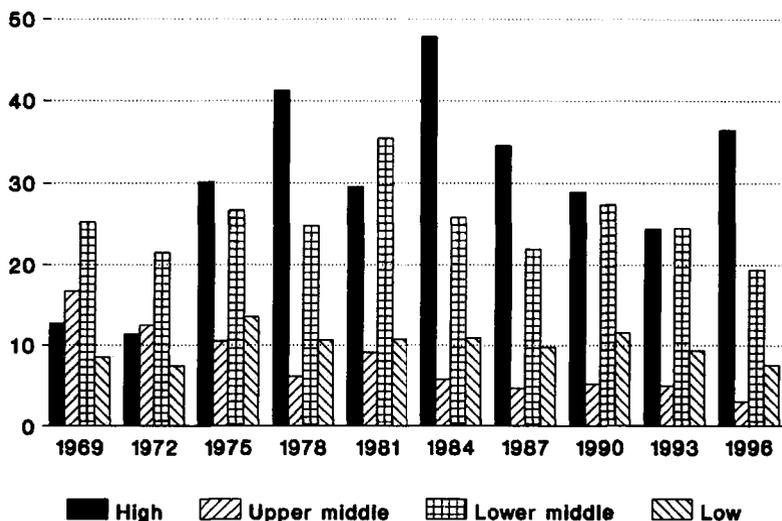
After the discussion on the evolution of development thinking in general and poverty alleviation in particular, this section sets out to provide a first quantitative assessment of the link between this evolution and aid. The central question to be answered here is whether the changes in development thinking that became manifest in the decades following World War II can be traced in the aid disbursements and commitments of Western donors. In the first part of this section a comparison is made between net disbursements of aid to groups of developing countries over the period 1969-1996. Two different classifications are set against each other here: one based on GNP per capita and one based on the Human Development Index of the UNDP. In the second part bilateral aid commitments of DAC members per 'sector' are presented for the period 1973-1993. It should be taken into account that the figures presented in this section are based on broad allocations and commitments data. Data on aid to poor people or poor regions within countries are not comprehensively available.

3.1 Aid disbursements per GNP and HDI category

Measurement of poverty, needed 'in order to identify priorities and to know what progress is being made in reducing it' (Chambers, Saxena and Shah, 1989: 8) traditionally has been done on the basis of GNP per capita. Linking four GNP categories of developing countries to flows and disbursement patterns of official development aid (ODA) shows the low-income countries to have received more than 60% of all net ODA over the years. Low middle income countries received nearly 28%, while upper middle income countries some 6% and high income countries 3.6%. All in all, the share of the different categories of countries in total ODA disbursements remained fairly stable over the years. Low income countries ranged between 56% and 65% of all ODA; lower middle income countries ranged between 23% and 30%, with a peak of 33% in 1981; upper middle income countries started of with 14% of all ODA in the late 1960s and dropped to 7% in the mid 1970s and further to around 4.5% in the 1980s; and the high income countries saw their share in ODA increase in the mid 1970s and again in the mid 1980s although it was in both cases followed by a decrease.

³¹ All figures presented in this section are in 1994 prices. All net disbursements and commitments have been deflated to 1994 dollars using the weighted average GDP deflators for the DAC countries.

Figure 1 Net-ODA per capita per income category (in 1994 dollars)



Sources: Own calculations on basis of data from:

OECD 1977, 1978, 1982, 1986a, 1987, 1990, 1992, 1995; World Bank 1978, 1982, 1986, 1990, 1992, 1994, 1997; UNDP 1992; N. Keyfitz & W. Flieger 1990.

Note: This table is based on the net ODA disbursement figures for 133 countries, divided as follows over the four distinguished groups: high income - 10 countries, upper-middle income - 22 countries, lower-middle income - 48, and low income - 53 countries.

Looking at ODA disbursements per capita it can be noted that in 1969, each person living in a high income country received on average US\$12,73 (at 1994 prices). Some 27 years later, each of them received nearly three times as much (US\$36.40). Concerning net ODA per capita, low income countries lagged far behind these figures with only US\$8.49 in 1969 and US\$7.51 in 1996. The lower middle income countries, however, in 1993 even surpassed the high income countries. Figure 1 provides an overview of the developments of these net ODA figures per capita.

Major critique on the GNP per capita criterion is nearly as old as the concept itself. GNP per capita is indeed a rough criterion to use as it is an aggregate macro figure that does not say anything about the division of the national income in the country

concerned.³² The Human Development Index (HDI) concept introduced by the UNDP in 1990, moved away from the single indicator measurement.³³ In this index, not only the GNP/per capita was decisive to the question whether a country belonged in the list of development countries, and if so, in what category (ranging from poor to extremely poor), but also other indicators were weighed. Although also these indicators were macro-indicators calculated per capita and as such still concealed 'wide disparities in the overall population,' they more clearly showed that development is not only a matter of economics, but also of basic needs, like education and health.³⁴

In the first Human Development Report, the GNP per capita criterion was transformed to a 'purchasing power-adjusted real GDP figure' and matched with life

³² In his 1973 Nairobi-speech, the then president of the World Bank, McNamara stated that, although 'most countries [and also the World Bank itself, LS) measure progress [...] with a single measuring rod: the growth of GNP', 'the fact is that we can no more measure the achievement of multiple development objectives by the GNP alone than we can describe the quality of life in a city exclusively by its size. The Gross National Product is an index of the total value of goods and services produced by an economy; it was never intended to be a measure of their distribution' (World Bank 1973: 11).

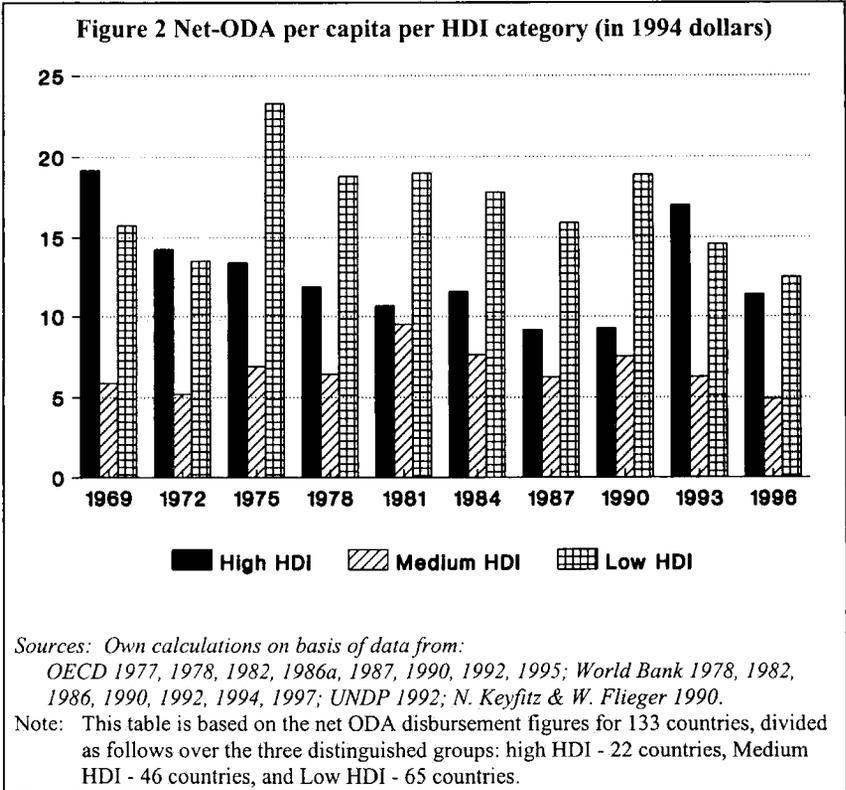
³³ Also by other organisations and authors the measurement of poverty returned as a 'hot topic' during the second reformist period. The International Fund for Agricultural Development (IFAD), for instance, published a report in 1992 in which new ways of measuring poverty at a macro level (i.e., 'national level indices of rural poverty') were introduced: the Food Security Index (FSI), the Integrated Poverty Index (IPI), the Basic Needs Index (BNI), and the Relative Welfare Index, the latter of which provides 'the average of the other three'. The FSI 'gives an indication of national, composite food security' and 'combines measures of calorie availability (in relation to requirement), the growth of per capita daily energy supply, food production, food staples self-sufficiency, and variability of food production and consumption'. The Integrated Poverty Index comes closest to the old GNP per capita measurement, which means that also for the IFAD the very term 'poverty' is first of all an economic term. The IPI 'is calculated by combining the percentage of the population below the poverty line (head-count measure) with the income-gap ratio, the distribution of income among the poor and the annual rate of growth of GNP per capita'. By doing this, the IPI broadens 'the concept of poverty to include such factors as the relative position of a country in the GNP per capita scale among the countries covered in this study (income-gap ratio, or the percentage income gap between the country concerned and the country with the maximum GNP per capita), the annual rate of growth of GNP per capita, and the distribution of income among that part of the population below the poverty line'. The BNI, finally, 'indicates the social development in rural areas [...]' and incorporates data on education and health' (Jazairy, Alamgir and Panuccio 1992: 27-29).

³⁴ 'The human development approach thus implies the dethronement of national product as the primary indicator of the level of development' (Griffin and McKinley, 1994: 1).

expectancy and adult literacy figures to reach a categorisation of countries that would show their performance in the field of human development, defined as 'a process of enlarging people's choices' (UNDP 1990: 10). Although it was acknowledged that other indicators or variables should be included in order to 'obtain as comprehensive a picture as possible', the lack of available statistical data precluded this for the time being. In the years to follow this first exercise in measuring human development, further refinements were made in the measurements (like adding mean years of schooling to the adult literacy rate), and new variables were introduced (like gender) for certain countries from which data was available. The three criteria introduced in 1990, however, remained the basis for the human development index. As such, the Human Development Index 'should still be regarded as a partial measure of human progress' (UNDP 1995: 121).³⁵

Concerning the share in net disbursements of ODA by category of Human Development Index (i.e. high, medium, and low) there are some ups and downs, but the general picture shows that countries in the low HDI-category received the majority of aid at the end of the 1960s and they still do in the beginning of the 1990s. Just as well, around one-quarter of official aid went to medium HDI-countries 25 years ago and in 1996 it was still at that same percentage. If looked at the net disbursements of ODA per capita, this picture is considerably different. Figure 2 provides an overview of the changes in aid per capita for the period 1969-1993. The figure clearly shows that from the mid 1970s up to the beginning of the 1990s, countries in the low HDI-category received per capita the highest amount of aid. In 1990, each person in these countries received on average twice the amount a person in a high HDI-country received. In 1993, we seemed to be back to where we were at the end of the 1960s, with nearly US\$17 per capita for high HDI-countries and US\$14,5 for low HDI-countries. However, this was mainly due to substantial aid to former Yugoslavia (belonging to the high HDI group of countries) in 1993. The figures for 1996 show the per capita aid for low HDI countries to be higher than for high HDI countries, although the difference had decreased.

³⁵ Others were more critical of the Human Development Index, not only with regard to its calculation, but also with regard to its usefulness as a replacement of GNP per capita. McGillivray (1991: 1461-1468), for instance, concludes that the HDI is indeed "yet another redundant composite intercountry development indicator", as, among others, "the index largely provides us with little more information regarding intercountry development levels than the more traditional indicator, GNP per capita, alone provides". That the HDI is not something new seems to be 'common knowledge'. In the eyes of Bhanoji Rao (1991: 1451-1460) human development is "old wine in a new bottle".



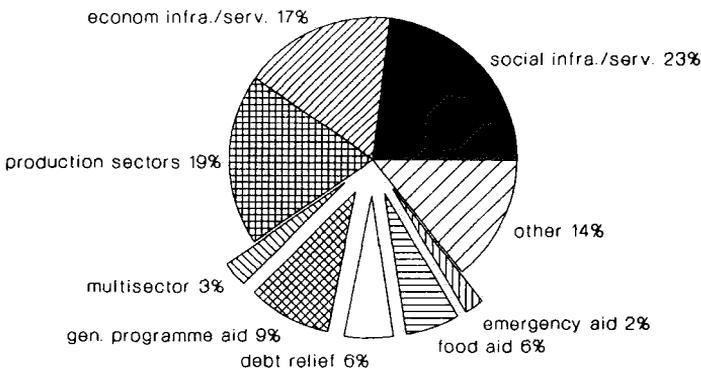
The picture presented in Figures 1 and 2 is distorted by a few countries, which either have received massive aid over the period 1969-1993, especially in relationship to their population, or which have such huge populations that the per capita net disbursements of ODA in their category of countries decreases considerably. In effect, it concerns Israel, China, and India, grouped in the high -, low -, and low-income groups of countries and the high HDI, medium HDI and low HDI HDI respectively. Israel, with an average population of 3.9 million over the period 1969-1993, is one of the largest aid receiving countries in the world (also see Annex 1 and 2). In 1990, Israel received nearly US\$327 (at 1994 prices) per capita, far more than any other country. China received in the same year only US\$2.10 ODA per capita, and India even less (US\$1.87). Leaving out these countries, the ODA per capita significantly increases for the low income and medium and low HDI countries, whereas it is exactly the opposite for the high income and high HDI countries. In 1990, for instance, the per capita ODA for low HDI countries was US\$18.87 (at 1994 prices) if India is included, but US\$31.13 if India is left out. For medium HDI

countries these figures are US\$7.50 and US\$16.83 with and without China respectively and for high HDI countries US\$9.23 and US\$4.10 with and without Israel respectively (also see annex 3 which gives the net-ODA per capita per HDI category exclusive of Israel, China and India).

3.2 Aid commitments per sector

Another way of determining whether some of the changes in theory and policy described above have in reality been practised by the international donor community is by looking at changes in the sectoral distribution of development assistance. It is to be expected, for instance, that in the 1960s aid was largely aimed at the industrial sector, that the 1970s showed a major shift towards aid in the agricultural sector, and that in the 1980s administrative and bureaucratic support became more important. In order to provide an answer to these, and other, question we turn to the 'supply side of aid'.

Figure 3 Division of bilateral ODA commitments DAC members (1973-1993)

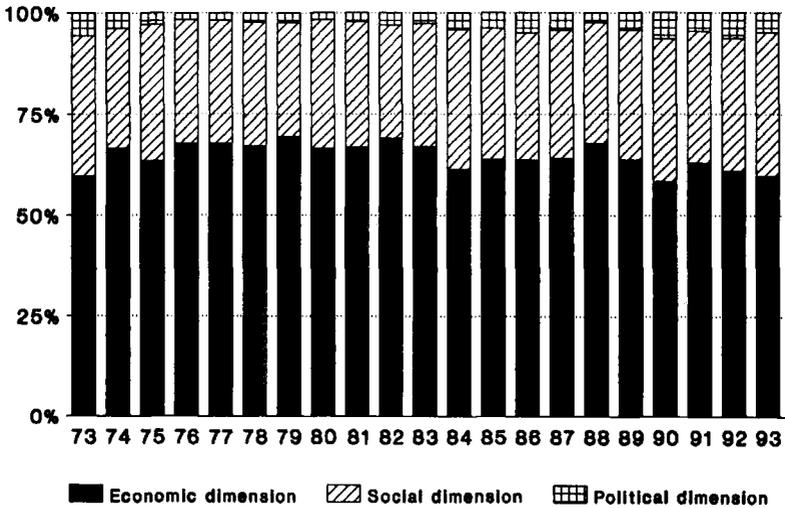


Source: OECD, personal communication (own calculations).

Data with regard to the sectoral division of ODA commitments of DAC countries over the period 1973-1993 shows that 62% of all commitments over the period 1973-1993 went to sectoral aid (i.e. economic infrastructure and services, social infrastructure and services, production sectors, and multisector). This leaves 38%, which was committed towards several so-called non-sectors, of which 'general programme aid' (i.e., balance of payment support and budget support) is the most

important. Although in none of the years between 1973 and 1993 sectoral aid went below 50% of bilateral commitments, there has been a tendency for sectoral aid to increase over the period 1973-1982. From 1983 onwards, however, non-sectoral aid regained most of the ground lost previously. In 1990, like in 1973, there was again an almost equal division between sectoral and non-sectoral aid commitments. The sector 'social infrastructure and services' wavered between 18% and 27% of total commitments throughout the period 1973-1993, whereas the 'production sectors' show an increase from 1979 onwards followed by a decrease from the mid 1980s onwards. The 'multisector', with the exception of 1984, remained well below 4% of total commitments over the entire period. About the same picture can be drawn for 'economic infrastructure and services': At the end of the 1970s between 15 and 20% of total commitments went to this sector and, with some minor 'peaks' below and above this range, this remained the same up to 1993. Some of the items under non-sectoral aid show in percentages a clearer increase. 'General programme assistance', for instance, did not climb above 7% of total commitments up to 1980, whereas it moved to around 13% from 1985 onwards.

Figure 4 Bilateral aid commitments per dimension 1973-1993, in percentages



Note: own calculation on the basis of OECD, personal communication. For an overview of the sectors and sub-sectors placed under the three dimension see annex 1.

Also in percentages of total commitments, debt relief shot up to a never before witnessed high in 1990, whereas food aid showed a steady decline up to 1983, followed by a sudden rise in 1984. This was, however, followed by a steady decline. In 1993, food aid was back to the percentage level of 1974.³⁶ For our discussion on the linkages between aid and general development thinking, it is especially of interest to look closer at the sectoral aid commitments. The sector 'social infrastructure and services' clearly covers those 'items' that are connected with basic needs: education, health, water supply and sanitation, family planning, housing, environmental protection, but also some 'items' falling more under a political dimension of development (community development, trade unions, cultural activities).³⁷ At the same time, this sector covers what could be grouped under administrative and bureaucratic assistance (good governance): public administration and development and planning services. The sectors 'economic infrastructure and services' and 'production' are linked to activities in the field of economic development, whether at a macro- or micro-level (e.g., transport, communications, energy, agriculture (including irrigation), industry, and trade). Table 1 links bilateral ODA commitments to the three dimensions of development and poverty reduction distinguished earlier (also see Annex 1 for a division of sub-sectors per dimension).

As was to be expected, commitments made for basic needs (grouped under the social dimension) increased from the mid-1970s onwards. This increase was, however, not

³⁶ The average figures presented here obscure a clear view of the differences between the individual countries. The Netherlands, for instance, have committed over the years the largest part of their aid to agriculture, followed directly by economic infrastructure. Food aid forms only a small part of the total aid of the Netherlands as also of that of Japan, while the United States have committed more than 12% of their total aid over the period 1975-1992 to this 'sector'. For Japan, economic infrastructure is with 37% of all commitments by far the most important sector, while for Sweden nearly one-fifth of all aid has been committed to programme assistance. For the Netherlands, planning and public administration has grown in the 1990s, whereas education and economic infrastructure showed a declining trend. Debt relief or debt reorganisation has become a growing sector for the United States. Over the period 1990-1992 more than one-third of all American commitments went to this item. Increase in commitments could be witnessed for planning and public administration, whereas commitments for agriculture sharply decreased in the last couple of years. The development in sector commitments made by individual donors do seem to reflect only marginal changes and at the same time major differences between these donors.

³⁷ Main items of the political dimension of development, like 'empowerment' and aid to democratisation processes, are not part of the OECD categorisation. Even for those 'items' in this categorisation which can be linked with this dimension, the development in aid commitments can not be traced as they form an integral part of a larger (sub-)sector.

as steep as the dominant focus on basic needs in that period would make one believe. Moreover, the economic dimension increased even faster in the same period. The levelling off of the social dimension in the beginning of the 1980s is already more in line with the dominant development thinking of that moment, although it does not explain why the same happened to the commitments geared at economic development. When at the end of the 1980s/beginning of the 1990s, the social dimension is once again brought forward as an important part of development, this is not reflected in aid commitments. In fact, percentage-wise these commitments even decreased to the level of the early 1970s. That also commitments in the economic sphere decrease in the early 1990s could have been caused by some reluctance regarding economic development in relation to the environmental degradation focus. Overall figures, however, indicate that the decline in economic and social development commitments has more to do with the sharp increase in commitments for debt relief and emergency aid. The rise of commitments falling within the political dimension from the late 1980s onwards, finally, is in accordance with the growing attention for good governance within development thinking. The slow but steady increase during the 1980s, on the other hand, seems to be in sharp contrast to the neo-classical resurgence that dominated development thinking then.

4. Conclusions

The historical overview presented above showed the merging of the political and economic dimensions of development and that these dimensions are also strongly connected to what has been labelled the social dimension of development and to poverty reduction. Poverty reduction was an integral part of modernist development thinking as it emerged in the 1950s and 1960s and later linked to employment, to basic needs and to participation/empowerment in the 1970s and late 1980s. The 1990s presented yet another perspective on the concept of poverty reduction. Poverty is seen as a threat to human security and as going hand in hand with other threats to such security including drugs, environmental degradation, migration, and unemployment (See, for example, Actionaid 1995: 15 and DGIS 1994). The multidimensional definition of poverty (and thus of its reduction) is increasingly being acknowledged and bringing greater emphasis on what can be considered the political dimension of development.

The latter was already evident in the (re-)emergence of such concepts as democracy, ownership and civil society which clearly point to the necessity of active (political) participation. The DAC has most recently alluded to this need in the following manner: 'we have learned that successful development projects are more likely in a sound policy environment [...] that the quality of policies [...] is influenced by the political processes by which decisions are made [and that these processes are] influenced by the capacity of people and institutions, not only to formulate decisions, but also to carry them out on a sustained basis' (OECD 1996: 4). The major difference with regard to the conceptualisations of poverty in the 1970s and the 1980s/1990s is, therefore, not so much the inclusion of new elements or dimensions. The major difference can be found, rather, in the individualisation of the concept. Under the banner of putting people at the centre of development and under the influence of neo-conservative (development) thinking greater emphasis is now placed on what can be called the own responsibility of the poor in the fighting of poverty. In DAC terms, 'helping people to improve their capacity to overcome poverty' (OECD 1996: 21).

It should be stressed that despite the distinction of four periods in the preceding, a single major thought runs through all of these periods and thereby makes them variations on a theme. The theme is that of modernisation, which can be characterised by thinking in relatively simple dichotomies. The basic idea is that modern society is the goal of development because it has some typical social, economic and political patterns which are missing in traditional societies. By transforming these traditional societies following the patterns of modern society development is attained (see, for

example, Toye, 1993: 31-32). This thinking has basically not changed over the years, and it is fair to state that modernisation strategies have dominated development thinking since the years after World War II.

Such modernisation thinking is illustrated by the fact that developing countries are always set against developed countries to determine the appropriate route to development. The focus of this comparison has been differentiated over the years (into educational, growth, industrial and democratic levels, for example), but it has remained a comparison to reveal the areas in which the Third World is lagging. Development and modernisation thinking are thus aimed at the bridging of this gap and the major factor binding such diverse subjects as education and democracy is their role in modern society, in casu western society. Western thinking has always dominated development thinking, and the fact that this is now being acknowledged more explicitly can only be welcomed.

In light of the above, the question whether the changes in the development discourse over the years is reflected in aid disbursements becomes a legitimate one. Section three has shown that the countries in the lowest range (whether one takes the income or HDI categorisation as point of departure) have always received the majority of aid. Interesting to note is that during the first reformist period of the 1970s the share of these low income or low HDI group of countries in total net aid disbursements increased. From the end of the 1970s and in the first half of the 1980s their share, however, decreased which could be seen as congruent with the fact that poverty as such received less attention in those years. The outcome in net disbursements during the second reformist period is less clear: whereas in the HDI-categorisation the share of high HDI countries substantially increased in the first few years of the 1990s and the low HDI countries' share consequently decreased, such a change can not be witnessed between the highest and lowest levels in the income categorisation. Looking at ODA per capita, the above has shown that the high income category of countries has done much better than the lower levels, whereas in the HDI categorisation it is exactly the other way around. The main reason for this discrepancy has to be found in the distorting influence of Israel, India, and China. If these three countries are left out, it becomes clear that the lowest levels (i.e. low income and low HDI) have received more aid dollars per capita than any other category distinguished (also see Figure 3 which shows this latter conclusion for the HDI categories of countries).

Data with regard to the sectoral division of bilateral aid commitments from DAC donors (see also Figure 3 and Figure 4) reveal that (1) the 'supremacy' of the economic dimension in development thinking is reflected by the fact that aid commitments over the period 1973-1993 have for the largest part been dedicated towards economic development activities; and (2) that the changes in development thinking from the early 1970s onwards are only marginally reflected in the aid

commitments made since then. On the basis of the latter point it could just as well be concluded that aid commitments depend more on specific situations (e.g., humanitarian disasters requiring an increase in emergency aid) and (probably) donor specific policies than on a general aid thinking among the donor community. This goes to say that the development discourse has its own autonomy while aid distribution is dominated by (other) political and economic considerations.

Annex 1
Top 10 receiving countries – ODA per capita
(in current US\$)

Rank	Country	Average annual total aid per capita (1969-1996)	Rank	Country	Average annual total aid per capita (1969-1996)
1	Djibouti	284	6	Sao Tome & Principe	190
2	Vanuatu	253	7	Belize	171
3	Israel	235	8	Seychelles	164
4	Cape Verde	198	9	Jordan	152
5	Bahrain	190	10	Samoa	125

Sources: Own calculations on basis of data from:

OECD 1977, 1978, 1982, 1986a, 1987, 1990, 1992, 1995; World Bank 1978, 1982, 1986, 1990, 1992, 1994, 1997; UNDP 1992; N. Keyfitz & W. Flieger 1990

Annex 2
Top 10 receiving countries – total ODA (in cumulative percentages)

	1969	%	1972	%	1975	%	1978	%	1981	%
1	India	16.3	India	9.6	Egypt	15.3	Egypt	12.6	India	7.3
2	Vietnam	24.7	Vietnam	18.6	India	26.1	India	19.4	Syria	13.0
3	Korea	30.8	Indonesia	26.4	Bangladesh	32.6	Bangladesh	24.6	Egypt	17.9
4	Indonesia	36.8	Korea	32.1	Pakistan	38.3	Israel	29.4	Bangladesh	22.1
5	Pakistan	42.7	Pakistan	36.9	Indonesia	42.7	Syria	33.2	Jordan	26.1
6	Brazil	46.2	Turkey	40.5	Syria	46.4	Pakistan	36.6	Morocco	30.0
7	Turkey	49.3	Bangladesh	44.0	Israel	49.4	Indonesia	40.0	Indonesia	33.7
8	Algeria	51.7	Papua N-G	47.0	Jordan	51.8	Jordan	42.3	Israel	36.6
9	Colombia	53.9	Philippines	49.5	Papua	53.7	Morocco	44.6	Pakistan	39.5
10	Papua N-G	56.0	Brazil	51.8	Tanzania	55.6	Tanzania	46.8	Tanzania	42.2

.../ Table continued

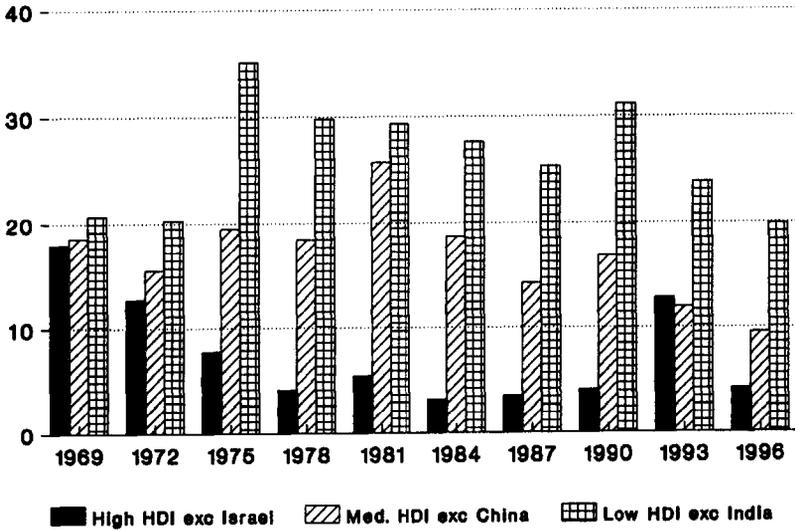
	1984	%	1987	%	1990	%	1993		1996	%
1	Egypt	6.2	Bangladesh	5.5	Egypt	10.4	China	7.2	China	6.1
2	India	12.1	Egypt	10.8	Bangladesh	14.4	Yugoslavia	12.4	Israel	11.2
3	Israel	16.5	India	16.0	China	18.4	Egypt	17.4	Egypt	16.3
4	Bangladesh	20.7	China	20.2	Indonesia	21.8	Indonesia	21.8	India	20.8
5	China	23.5	Israel	24.0	India	24.5	India	25.1	Bangladesh	23.7
6	Pakistan	26.1	Indonesia	27.8	Israel	27.1	Philippines	28.4	Indonesia	26.3
7	Jordan	28.5	Tanzania	30.5	Philippines	29.6	Bangladesh	31.4	Cote d'Ivoire	28.5
8	Indonesia	30.9	Sudan	33.2	Turkey	31.9	Israel	34.2	Nicaragua	30.7
9	Syria	33.1	Pakistan	35.7	Kenya	34.2	Mozambique	36.8	Vietnam	32.8
10	Sudan	35.3	Philippines	37.9	Tanzania	36.5	Ethiopia	39.2	Mozambique	34.9

Sources: *Own calculations on basis of data from:*

OECD 1977, 1978, 1982, 1986a, 1987, 1990, 1992, 1995; World Bank 1978, 1982, 1986, 1990, 1992, 1994; UNDP 1992; N. Keyfitz & W. Flieger 1990

Annex 3

Net-ODA per capita by HDI category exclusive of Israel, China and India (in 1994 dollars)



Sources: Own calculations on basis of data from:

OECD 1977, 1978, 1982, 1986a, 1987, 1990, 1992, 1995; World Bank 1978, 1982, 1986, 1990, 1992, 1994, 1997; UNDP 1992; N. Keyfitz & W. Flieger 1990

Annex 4
Sub-sectors per dimension

SECTOR	SUB-SECTOR	COVERING:
ECONOMIC DIMENSION		
Economic infra- structure and ser- vices	Transport	equipment or infrastructure for road, rail, water and air transport
	Communications	communications and telecommunications, including radio and television, and meteorology
	River develop- ment	combined hydroelectric/irrigation/flood control projects
	Energy	production and distribution of energy, except for natural gas and petroleum production and including peaceful use of nuclear energy
	Other	e.g., management, automation, accountancy, business finance and investment
Production sectors	Agriculture	agricultural production (e.g., fertilisers, irrigation, pest control); services (e.g., co-operatives, marketing, research); forestry; fishing and hunting; conservation and extension; storage; transport facilities; home economics and nutrition; land and soil surveys; agricultural development banks
	Industry, mining and construction	manufacturing industries; cottage industries and handicrafts; non-agricultural storage and warehousing / extractive industries (e.g., geology, prospecting, geological surveys, petroleum and natural gas) / construction per se
	Trade, banking and tourism	export promotion, design and packaging, infrastructural facilities, co-operatives, publishing, journalism, cinema, and photography / industrial development banks and insurance / hotels and tourist facilities

Other -*

SOCIAL DIMENSION		
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Social infrastructure and services	Education	teachings in all fields, training
	Health	hospitals and clinics, maternal and child care, other medical and dental services, public health administration, medical insurance programmes
	Water supply and sanitation	ibid
	Population programme	family planning, research into population problems

POLITICAL DIMENSION**		
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Social infrastructure and services	Public administration	administrative buildings, aid for normal operations of government, police and fire protection
	Development and planning services	economic planning and policy preparation of development programmes, central banking, monetary and fiscal policy, collection and publication of statistics of all kinds, information and documentation, economic surveys, feasibility studies, pre-investment studies, cartography, mapping, serial photography, etc., demography and manpower studies.

* The category 'other production sectors' is as such not defined by the OECD, although funds are written against it.

** The political dimension is represented here by those items (or: sub-sectors) falling under 'administration'. 'Items' related to empowerment, in the sense of enabling people to take part in the decision making processes that have an impact on their lives, is as such not distinguished within the categorisation of the OECD.

Note: The sub-sector 'other social infrastructure and services' is not taken up here as it includes items that fall under different dimensions distinguished in the table (e.g., housing which falls under the social dimension and trade unions which could be counted under the political dimension). A split-up in funds according to the different items of this sub-sector is not available.

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