

International Development Assistance

International development assistance has evolved over the past 50 years from charitable origins, to recent and more complex multi-dimensional approaches that recognise human development as a matter beyond simple economic growth. The remarkable changes in world events in the twentieth century coupled with a period of unprecedented growth has influenced this evolution.

Human development, in the current literature such as the United Nations Development Program reports, defines development as a process of enlarging people's choices. This is a departure from the earlier concepts of development that equated development with a process of modernisation in which society becomes industrialised and urbanised.

The distinction between the developing and the developed world is not clear cut when we recognise that some of the conditions existing in the developing world such as poverty, deprivation of basic needs and violation of civil and political liberties, can also be observed in the 'developed' world (Sen, 1999). This situation challenges us to question what it is that constitutes development.

Is there a difference between development and progress?

Definitions and terminology

The terms used to describe the relationship between 'developed' countries and 'developing' countries are value laden. In the 1960s countries were considered as either 'developed' or 'underdeveloped'. In the 1970s, the more common terms were 'first world' and 'third world', with a 'second world' group of socialist societies, mostly aligned to the old Soviet Bloc, placed somewhere in the middle. Currently, the terms 'more developed countries' (MDCs) and 'less developed countries' (LDCs) are often used, as are the terms industrialised and newly industrialised countries (NICs).

The discourse that surrounds aid and development is very broad. Aid is commonly thought of as assistance provided to LDCs in the form of capital, material goods, or personnel, for example

emergency relief operations. In this form aid is used to alleviate immediate suffering, it is not necessarily considered a long-term solution.

Development is commonly thought of in terms of the changes that occur within a nation over a longer period. There is no single accepted definition, and it must always be thought of as relative to time, place, and circumstance, however the UNDP's (2000) definition states,

"Development means good change. It is about how nations, governments and individuals organise themselves, use resources, improve their wellbeing and increase their range of choices."

International development assistance, the term used in this paper, encompasses both aid and development.

History of International Development Assistance

WWII to mid 1970s

The concept of aid originated in the late 19th century, when western powers moved away from simple accumulation and asset stripping towards trade development, however aid contributions did not become widespread until the 1940s and 1950s, following the events of WWII. This period coincided with the beginning of decolonisation, as well as the start of the Cold War.

The US emerged as the leading economic power of the developed world and quickly recognised that if they assisted European countries with their economic recovery after the War it would increase the chances of economic stability in the region and hence prevent the spread of Communism. As a result, the Marshall Plan was launched to assist post-war European reconstruction, and attempts made to set up a stable monetary and payments system in the wider international arena with the establishment of institutions such as the International Bank of Reconstruction and Development (1945) and the International Monetary Fund (1944).

The Marshall Plan (1947 – 1952) was an aid program developed by the US. It was designed to provide monies to European countries to assist them with their post War economic recovery.

In 1949, the US expanded its international development assistance program to provide assistance to many 'lesser developed countries'(LDCs).

The prominent theories of development of the 1950s and 1960s and even into the early 1970s, believed that the path to development involved rapid, progressive and sustained economic growth as measured by changes in GNP and GDP (Rostow, W.W, 1960 & Harrod –Domar model).

Practical applications

At this time it was believed that state or government-led large-scale infrastructure projects, eg. dams, roads, factories, import-substitution industrialisation, or anything that promised growth were central to the development process. Monies, in the form of loans, flowed in to many countries to support these projects and to allow expatriate 'experts' to transfer their technological skills and provide technical training to their local counterparts.

Governments were considered to be responsible for developing appropriate policies at the national level that would improve economic performance and trickle down to the general population including the poor.

The lack of evidence that economic growth was actually reaching the poor did concern some development professionals even in these early times (Zoller, 2003), however this did not curb the lending frenzy.

Mid 1970s – late 1980s

During this period world events such as the oil shocks, the debt crisis and the collapse of commodity prices led to economic upheaval on a macro scale. This era saw a change in general economic theories and policies with "Neo Liberalism" becoming widely accepted. In general terms Neo-liberalists believe that an unregulated market is the best way to increase economic growth.

Neo-liberalism

The initial liberal school of economics became famous in Europe in the late 18th century with theorists such as Adam Smith. It advocated the abolition of government intervention in economic matters to the extent that no restrictions should be placed on manufacturing and no barriers should be placed on commerce and trade. It was believed that free trade was the best way for a nation's economy to develop. This theory was considered 'liberal' as no controls existed. Economic liberalism was revived in the mid 1970s to become new or 'Neo-liberalism'. It encompasses the basic tenets of the initial ideals.

Prominent Development Theories of the 1970s

During the 1970s it was realised that government-led development projects were not creating the economic improvement which was initially expected. Although still promoting economic growth as the primary vehicle for development, the theories shifted towards the Neo-liberalist approach. Promotion of free trade and the opening of a nations internal economy to free-market forces were now considered vital for a country to develop.

Practical applications

The open market framework prompted a shift in the focus of international development assistance from large scale government (or state) led infrastructure projects to a more project focussed approach. Technical assistance was mostly provided by expatriate 'experts' but now included specific time frames, training, outputs and objectives that could be monitored and measured.

The World Bank and the IMF also shifted from funding large infrastructure projects to providing *Structural Adjustment Loans (SALs)* which often have socio-economic conditions attached. Structural adjustment involves free trade, stable macroeconomic policy and minimal government interference. In a practical sense, this involves reductions in government spending, currency devaluation and privatisation. There is some evidence to suggest that the structural adjustment policies of the 1980s and 90s have had serious impacts on standards of living in developing countries (Asthana 1994). It is an issue hotly debated today.

Are SALs designed to benefit the developing country, or the international system ?

1990s – 2000

The notion of globalisation made its appearance in some of the economic texts of the 1960s. Some social science theorists have argued that it is a more recent phenomenon associated with the huge advances in communication which means that the world is now 'smaller'. As Anthony Giddens said in his 1999 Reith Summary Lecture we now have "*instantaneous communication from one side of the Earth to the other for the first time in human history*" (<http://www.lse.ac.uk/collections/alumniRelations/news/Archive/20001006t1521z005.htm>)

Knowledge, information, ideas, technologies, cultures, and people are moving across boundaries like never before. Countries' economies are intertwined. Labour and production have moved from countries like Britain to Thailand and South Korea. Social movements and information are no longer restricted to traditional boundaries.

Economic theories from the previous decades have come together with newer emerging development theories to weave the rich and complex tapestry of development thought which exists today.

The realisation that poverty levels in some countries have not improved despite previous efforts, and the increasing awareness of the environmental effects caused by economic development, have contributed to the questioning of the complete acceptance of economic growth as a solution to global poverty. Participation, empowerment, institutional strengthening, capacity building and skills exchange are increasingly recognised as being essential supports to create conditions necessary for economic growth. The realisation that donors must act together with governments (and increasingly civil society) of LDC's to support their policies is a recent addition to development theory and practice.

The concept of civil society is nothing new in political thought and has its origins in the work of eighteenth century theorists such as Locke (Hunt, 2002), who first wrote of the separation between state and society. Some would argue the concept of civil society evolved from a western construct that does not necessarily fit with societal relations in many non-western cultures where traditional structures are both powerful and important. This poses a challenge to some of the development practices of today (Hunt, 2002).

Is there such a thing as a global civil society?

Social movements

One very significant change of this era is the emergence of new social movements in both the North and the South. These include non-government organisations (NGOs) and other environmental groups, women's groups and minority groups, which due to globalisation and increased communication can share ideas, information and personnel in a way that has never been possible before.

NGOs

The modern NGO movement started to develop between WWI and WWII. Save the Children was founded in 1919 to help the child victims of WWI. CARE began by sending food parcels from the USA to Europe in 1946 and World Vision was established in response to the victims of the Korean War. These agencies are among the major international NGOs in the world today.

Practical applications

In 1990 the UNDP released the first *Human Development Index (HDI)*. This is a composite indicator that combines a country's achievements in three aspects of human development: longevity, knowledge, and a decent standard of living, to create a figure that is then used to rank a country's development. The World Bank and other major international agencies have also changed their focus. Whilst still advocating economic growth, *poverty alleviation* is now a major goal of their lending programs.

Good policy and good governance

In recent years it has been realised that poverty extends far beyond income needs alone. It is related to many issues such as education, health, social justice and security. This realisation has led to the questioning of what constitutes good policy and, related to this, what constitutes *good governance*.

Governance does not equal government. In general terms, governance is the process of decision making and the process by which decisions are made. The key attributes of good governance have been clarified by the Commission of Human Rights, they are transparency, responsibility, accountability, participation and responsiveness (to the needs of the people).

The challenge for good governance in LDCs is to start to address the multi-dimensional nature of

poverty; to develop institutions and processes which encourage participation from and are responsive to the needs of ordinary citizens.

Social Capital

Increasing evidence is also emerging that in order for societies to prosper economically and for development to be sustainable, social cohesion is a critical factor. Subsumed within which lies the concept of *social capital*.

Social capital refers to the internal social and cultural coherence of society, the norms and values that govern interactions among people and the institutions in which they are embedded. Social capital is the glue that holds societies together and without which there can be no economic growth or human well-being. Without social capital, society at large will collapse, and today's world presents some very sad examples of this. (Grootaert, van Bastelaer, 2001)

It is possible that good governance, which advocates for a participatory approach to decision making, can influence the development of social capital. Therefore strengthening the institutions involved with creating good governance can influence the development of social cohesion and society as a whole.

How do you think social capital and good governance/institutional strengthening are linked?

Where do you think international volunteering fits in to good governance and social capital?

The United Nations Millennium Declaration & The Millennium Development Goals

Many of the targets of the MDGs were first set out by international conferences and summits held in the 1990s. They were later compiled and became known as the International Development Goals (www.paris21.org/betterworld). On September 18th 2000, the General Assembly of the United Nations released its Millennium Declaration, which was unanimously adopted by member states. Following consultations among international agencies, including the World Bank, the IMF, the OECD, and the specialised agencies of the United Nations, the General Assembly recognised the Millennium Development Goals as part of the road map for implementing the Millennium Declaration (www.un.org/millennium/declaration/ares552e.pdf)

The UN website asks readers the question: Why do the millennium development goals matter?, then provides the following answer:

The eight Millennium Development Goals bind countries to do more and join forces in the fight against poverty, illiteracy, hunger, lack of education, gender inequality, child and maternal mortality, disease and environmental degradation. The eighth goal calls on rich countries to relieve debt, increase aid and give poor countries fair access to their markets and their technology. The MDGs are a test of political will to build stronger partnerships. Developing countries have the responsibility to undertake policy reforms and strengthen governance to liberate the creative energies of their people. But they cannot reach the Goals on their own without new aid commitments, equitable trading rules and debt relief. The Goals offer the world a means to accelerate the pace of development and to measure results.

The Global Challenge: Goals and targets

The Millennium Development Goals are an ambitious agenda for reducing poverty and improving lives that world leaders agreed on at the Millennium Summit in September 2000. For each goal one or more targets have been set, most for 2015, using 1990 as a benchmark.

- 1. Eradicate extreme poverty and hunger**
Target for 2015: Halve the proportion of people living on less than a dollar a day and those who suffer from hunger.
- 2. Achieve universal primary education**
Target for 2015: Ensure that all boys and girls complete primary school.
- 3. Promote gender equality and empower women**
Targets for 2005 and 2015: Eliminate gender disparities in primary and secondary education preferably by 2005, and at all levels by 2015.
- 4. Reduce child mortality**
Target for 2015: Reduce by two-thirds the mortality rate among children under five.
- 5. Improve maternal health**
Target for 2015: Reduce by three-quarters the ratio of women dying in childbirth.
- 6. Combat HIV/AIDS, malaria and other diseases**

Target for 2015: Halt and begin to reverse the spread of HIV/AIDS and the incidence of malaria and other major diseases.

7. Ensure environmental sustainability

Targets:

- Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.
- By 2015, reduce by half the proportion of people without access to safe drinking water.
- By 2020 achieve significant improvement in the lives of at least 100 million slum dwellers.

8. Develop a global partnership for development

Targets:

- Develop further an open trading and financial system that includes a commitment to good
- governance, development and poverty reduction – nationally and internationally.
- Address the least developed countries' special needs, and the special needs of landlocked and small island developing States.
- Deal comprehensively with developing countries' debt problems.
- Develop decent and productive work for youth.
- In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.
- In cooperation with the private sector, make available the benefits of new technologies especially information and communications technologies.

For the poorest countries, many of the goals seem as far out of reach in 2006 as they were in 2000. Highly publicised and vocal campaigns such as 'Make Poverty History' are continuing to call for faster and more significant progress. Even in better off countries, there are regions and groups that lag behind. Achieving the MDGs by 2015 will require more focus on development outcomes and less on inputs.

The Goals establish yardsticks for measuring results, not just for developing countries but for rich countries that help to fund development programmes and for the multilateral institutions that help countries implement them.

The first seven goals are mutually reinforcing and are directed at reducing poverty in all its forms. The

last goal, "a global partnership for development", is about the means to achieve the first seven.

History of Australia's development assistance programs

Australia's involvement in international aid programs began in 1951 with the Colombo Plan that was inspired by the success of the Marshall Plan. Officially known as the *Colombo Plan for Cooperative Economic Development in South and Southeast Asia*, the Colombo Plan was the first multilateral program of foreign aid in Asia. Australia was one of the major donors. The plan was to bring students from Asian Commonwealth countries to Australia to learn technical skills that they could take home to help with the economic development of their region. Also, like the Marshall Plan, the Colombo Plan was initially considered a political and strategic response to a perceived Communist threat, this time in South and South East Asia.

In the remainder of the 1950s and 60s Australia began to diversify its donor activities and moved away from solely providing development assistance to Commonwealth countries, concentrating its aid donations more towards its Asian neighbours such as Indonesia, Viet Nam and the Philippines. Australia's aid was composed of predominantly bilateral assistance programs.

Papua New Guinea (PNG) also became a major recipient of Australian development aid. Until its independence in 1975, PNG was administered by Australia and so the funding was initially used to run the colonial administration. After its independence this funding was given to PNG in the form of an aid grant to supplement the budget of the PNG Government. In line with the predominant development theories described in the section above (albeit slightly later), during the late 1980s this situation changed and there was a gradual move towards providing assistance for specific development projects which were mutually agreed upon by both governments. Most of Australia's aid to other countries although on a lesser scale also followed a similar process.

The present situation in Australia

Who administers the Australian aid program?

The Australian Development Assistance Agency (ADAA) was established in 1974, bringing together functions previously performed by various different departments. Since 1995 the Agency has been known as AusAID, the Australian Agency for International Development. AusAID states,

“Australia’s aid program serves the national interest by fostering growth, poverty reduction, peace and stability in the region and addressing trans-national threats to Australia’s security”(2003, www.usaid.gov.au/keyaid/default.cfm).

Key Aid Sectors

Australia works with other governments, the United Nations and other multilaterals, Australian companies and non-government organisations to design and set up projects which tackle the causes and consequences of poverty in developing countries.

Australia’s aid program in 2006 is guided by five themes; these are basic services (education, health, water) governance, globalisation & trade, regional security, and sustainable resource management. Various policy frameworks support these themes in key sectoral and program areas, notably, good governance; humanitarian assistance; peace, conflict and development; health; HIV/AIDS; food security; rural development; private sector development; human rights; information and communication technologies and environmental management. Further explanation of these themes and policies can be obtained from AusAID’s website.

How much aid does Australia give?

Australia’s aid contribution is 0.33 per cent of our Gross National Income. In 2009-2010 Australia will provide \$3.818 billion worth of official development assistance (aid). Australia’s aid program focuses on the Asia Pacific region. The international community recognises Australia’s leading role in the region, particularly in PNG and the Pacific. In 2008-2009 the aid program provided \$32.5 million to fund its various volunteering projects, which include Australian Volunteers International.

Key players in the sector

The World Bank and the United Nations were both set up in the 1940s. They have remained extremely influential in the international development sector.

The World Bank (International Bank of Reconstruction and Development). The World Bank was set up initially to provide loans for the rebuilding of Europe after WWII. Later its lending expanded to ‘lesser developed countries’. The history of its lending has generally adhered to the development theories of the time, it has been and still is the most influential and powerful donor agency. Other similar organisations include the International Monetary Fund (IMF) and the Asian Development Bank (ADB).

The United Nations (UN). The UN is an international organisation made up of states. Membership is open to all ‘peace loving states’ that accept the obligations of the Charter and are deemed able and willing to fulfil these obligations. Almost all countries are currently members. The UN does not make laws, its main role is as a forum of debate to help resolve international conflicts and formulate policies. In addition to the UN itself, there are a number of offices, programmes and funds such as UNICEF, the UN Children’s Fund and the UN Development Programme (UNDP) which have their own governing bodies and budgets but ultimately report to the UN. Together with the UN, these are known as the UN Family, or UN System. A substantial part of the work of the UN System goes towards eradicating poverty and improving people’s living conditions. In 2000, the UN produced eight Millennium Development Goals. The overarching goal being cutting poverty in half by 2015. The UNDP is coordinating the reporting of countries on their progress towards achieving these goals. <http://www.undp.org/mdg/>

The prominence of these two organisations can however obscure the fact that there are (and have been) many other agencies involved in providing international development assistance either in the form of multilateral, bilateral or voluntary development aid. During the last decade in particular, Not for Profit and For Profit organisations have become increasingly involved in the sector. Figure 1 shows the current key groupings of players.

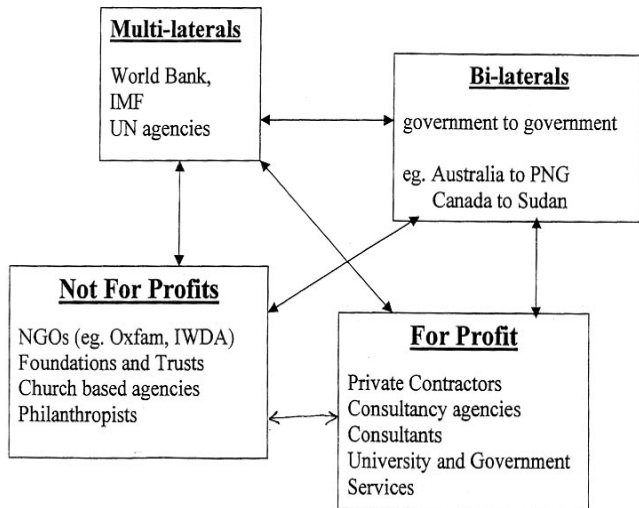


Figure 1.

Multilateral Aid: Funds are donated by governments to central bodies then distributed through international organisations such as the United Nations, the World Bank, and the Asian Development Bank.

Bilateral aid: Funding is given in a partnership

Multilateral Aid: Funds are donated by governments to central bodies then distributed through international organisations such as the United Nations, the World Bank, and the Asian Development Bank.

Bilateral aid: Funding is given in a partnership between governments of two countries. These funds can be dispersed through private contractors, non-governmental organisations or local government infrastructure.

Voluntary aid: Funds are voluntarily donated by members of the public. These can be provided on an on-going basis or as part of a targeted emergency campaign. These funds can be distributed through non-government organisations, churches and other voluntary agencies.

Do you think that international volunteering is a form of international development assistance? How does it differ from other forms of assistance?

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Australian Agency for International Development (AusAID)

www.aid.gov.au

Australian Council for International Development

<http://www.acfid.asn.au/index.html>

ACFID is an independent national association of Australian non-government organisations (NGOs) working in the field of international aid and development. ACFID has some 80 members. It administers a Code of Conduct committing members to high standards of integrity and accountability.

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Eldis

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Eldis is a gateway to information on development issues, providing free and easy access to a wide range of on-line resources. This site provides summaries and links to on-line documents and offers a directory of websites, databases, library catalogues and e-mail discussion lists.

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In this book by the Nobel Prize winning Economist, the author places individual freedom at the centre of a comprehensive analysis of the global economy.

United Nations Millennium Development Goals
Background information about the Millennium Declaration and MDGs, including reports on progress towards targets.
www.un.org/millenniumgoals

www.un.org/millennium/declaration/ares552e.pdf

United Nations Development Programme (UNDP)
www.undp.org

Provides a range of services to governments and others in the areas of democratic governance, poverty reduction, crisis prevention and recovery, energy and environment, information and communications technology and HIV/AIDS

See also UNDP, 1990 and 2002, *Human Development Reports*, Oxford University Press, New York,

World Bank
www.worldbank.org

The World Bank is one of the world's largest sources of development assistance. This website provides an overview of how the Bank uses its financial resources, its staff, and its extensive knowledge to help developing countries

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