Stingy Samaritans

Why Recent Increases in Development Aid Fail to Help the Poor

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Generous or Not?

At a news conference on December 27, 2004, UN Under Secretary General for Humanitarian Affairs Jan Egeland called for a major international response to the Asian tsunami disaster. In his comments, Egeland lamented that donor countries, despite their unprecedented wealth, generally provide so little in international aid. Calling rich governments "stingy," Egeland expressed his astonishment over the fact that donors used to be more generous when they were less rich.[1]

Egeland's remarks provoked a strong reaction, particularly from the US. Andrew Natsios, head of the US Agency for International Development (USAID), publicly refuted the view that the US was being tightfisted when it comes to assisting poor countries. "The notion that the United States is not generous is simply not true, factually. We've had one of the largest increases [in aid] of any country in the world," Natsios said. President George W. Bush in turn dismissed Egeland's comments by calling him "very misguided and ill-informed."[2]

However, Egeland never singled out the United States. He was referring to donors – the rich countries – in general. As a whole, were his criticisms justified, or was he just ill-informed? Are rich countries, not only the US, but also the EU, Japan, Australia, and others, really that stingy?

On the surface, it appears as if Egeland was wrong. In recent years, aid amounts have been on a constant rise. In 2004, official development assistance to poor countries reached its highest level ever. The United States alone provided almost $19 billion in aid – more than ever before.[3]

But the recent increases do not tell the whole truth about rich countries' generosity, or the lack of it. Measured as a proportion of gross national income (GNI), aid lags far behind the 0.7 percent target the United Nations set 35 years ago. Moreover, development assistance is often of dubious quality. In many cases, aid is primarily designed to serve the strategic and economic interests of the donor countries or to benefit powerful domestic interest groups. Aid systems based on the interests of donors instead of the needs of recipients' make development assistance inefficient. Too little aid reaches countries that most desperately need it, and, all too often, aid is wasted on overpriced goods and services from donor countries.

This paper presents an overview on the volumes, targeting and geographical allocation of development assistance over the past five years. It analyzes various features in rich countries' development assistance policies that make aid both insufficient and inefficient – despite the recent increases in nominal aid amounts that make rich nations seem generous.

The Elusive 0.7 Percent Target

Thirty-five years have passed since the United Nations General Assembly adopted a resolution in 1970, affirming that rich countries should progressively increase their official development assistance (ODA) spending. According to the resolution, donor nations were to "exert their best efforts" to reach the aid target of 0.7 percent of their gross national product[4] by the middle of the decade. By 1975, only two countries, the Netherlands and Sweden, had succeeded in living up to that promise.

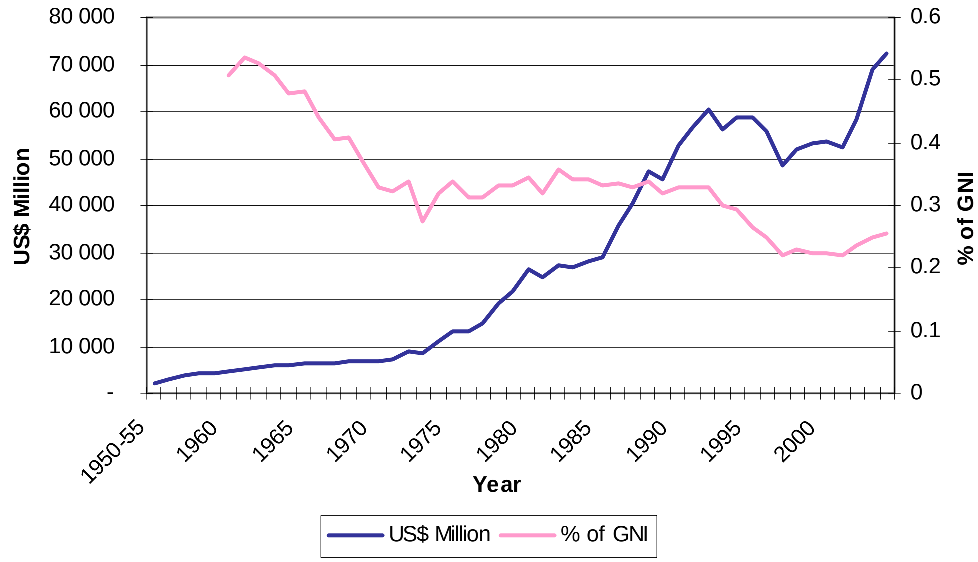
Since then, rich nations have reaffirmed the 0.7 percent target on various occasions, most recently at the 2002 Financing for Development Conference in Monterrey, Mexico. But the results have been meager. After 35 years of promises, only five of the 22 Development Assistance Committee (DAC) member countries – Denmark, Luxembourg, the Netherlands, Norway and Sweden – have reached the goal.[5]

In retrospect, the five-year timetable set in 1970 looks overly optimistic, even naïve. But in 1970, the 0.7 target seemed far more realistic than it does today. Through most of the 1960s, aid volumes had been at a level of 0.4–0.5 percent of rich countries' GNI, in some years even above that. Even after some decreases in development aid in the late 1960s, the level stood at 0.33 percent in 1970. There was still some reason for optimism.

But disappointingly, aid volumes remained virtually unchanged through the 1970s and 1980s, if measured as a proportion of the donor countries' national incomes. While assistance measured in dollars increased, aid budgets only just kept up with general economic growth. Thus in 1990, rich countries contributed exactly the same proportion of their national income – 0.33 percent – to development assistance they did twenty ears earlier in 1970.

The real setback, however, came in the 1990s when aid volumes began falling – not only measured in proportion to GNI but also in dollar terms. Students of development policy have suggested that the end of Cold War played a crucial role in governments' eagerness to cut aid budgets. During the Cold War, Western countries – particularly the US – had used development aid to support geopolitical goals, and the Soviet Union had similar systems in place to aid its own allies. When the Soviet Union collapsed, the underlying Cold War rationale for development assistance disappeared, and governments lost much of their interest in international aid. Many Western nations were also struggling with fiscal problems in the early 1990s, and development assistance was usually among the first targets when budget cuts were decided.[6]

Graph 1. Net ODA in US Dollars and as a Percentage of Donor Countries' Gross National Income: 1950–2004



Source: OECD.

It took 9/11 for donors to gain back their appetite for development assistance. After the terrorist strikes, experts, journalists and political leaders started to view poor countries' abysmal social and economic conditions as a catalyst for political and religious radicalization. Leaders in Europe and Asia began to urge rich countries to increase development assistance as a measure to combat terrorism.[7]

The US administration was particularly quick to reassess its development policies. By the end of 2001, it had pulled together a $1.06 billion aid package for Pakistan, Afghanistan and the neighboring former Soviet republics. In March 2002, President Bush announced the creation of the Millennium Challenge Account, a new fund that would provide an additional $5 billion annually for development. The following year, the White House introduced new aid initiatives to combat HIV/AIDS and famine in Africa.[8]

As a result, global development assistance reached a new record, $78.6 billion, in 2004 – an 18.6 percent increase from 2000. By far the largest increase took place in the US, as Washington raised its aid budget by a whopping 76.4 percent from $10.5 billion in 2000 to almost $18.6 billion in 2004. Other countries that boosted their aid included France, Ireland, Spain and the United Kingdom.

Despite the impressive figures, however, the increases have been far too small for rich countries to reach the 0.7 percent ODA/GNI goal. The 1990s decline in aid funding was so steep that the volumes – measured as proportion of the donor countries' GNI – are now only approaching the level where they were ten years ago. After the recent increases, global development assistance accounted for just 0.25 percent of rich countries' GNI in 2004. In 1990, the figure had been 0.33, and in 1960 as high as 0.54. This means that in relation to their wealth, rich countries give less than half the amount the aid they did in the early 1960s when they were far less affluent.

Moreover, part of the increase has not been real but caused by changes in currency exchange rates. Since the official OECD aid statistics are expressed in US dollars, the steep decline of the dollar in recent years has been reflected as additional increases in nominal aid from countries that use other currencies. While global development assistance in nominal terms grew 12.1 percent from 2003 to 2004, the real increase was much smaller, only 4.6 percent.[9]

New Aid Targets and the Millennium Development Goals

The 0.7 percent proportion of rich countries' gross national income is of course a very arbitrary target, as there is no real justification for choosing this particular percentage. The goal was simply adopted in the absence of better and more concrete ways of measuring aid.

As such, the target has drawn a lot of criticism. Some development experts have questioned the meaningfulness of measuring aid as a percentage of donor countries' incomes. Targets for development assistance should be determined by conditions in the recipient countries, not by the size of donor nations' economies that has no bearing on the actual need for aid.[10]

Despite its obvious shortcomings, the 0.7 percent target has established itself over the years. More recently, efforts towards achieving the Millennium Development Goals (MDGs) have further stimulated discussion on reaching the old aid goal. The 2002 Monterrey Consensus Document recognized that a "substantial increase in ODA" is necessary for poor countries to achieve the Millennium Development Goals, and called on rich nations to "make concrete efforts towards the [aid] target of 0.7 per cent." In 2005, the UN Millennium Development Project concluded that rich countries should increase their ODA to 0.7 percent of their national incomes by 2015 in order to provide adequate funding for the MDGs and other necessary development projects.[11]

As a result of public pressure, European Union countries have begun to define strategies to contribute to the MDG process and to reach the 0.7 percent goal. Five countries have set fixed timetables for reaching the 0.7 percent target: Belgium and Finland have set the end of the timeframe at 2010, France and Spain at 2012, and the UK at 2013. In May 2005, the European Union agreed on a new collective EU ODA target of 0.7 percent GNI by 2015 with an intermediate target of 0.56 percent by 2010.[12]

However, it is questionable if the European countries with fixed timetables will actually succeed in boosting development assistance to the promised level. The Finnish government has not significantly increased its aid budget since adopting the timetable in 2003, and Belgian development assistance has actually decreased since 2002. At this pace, the two countries will never be able to reach their own targets. Ireland, the fastest-growing economy in Western Europe, already recognized its defeat in November 2004 by officially abandoning its previous commitment to reach the 0.7 goal by 2007. This lack of progress does not indicate a very bright future for the EU's collective ODA targets. The targets may well turn out to be just another set of empty promises, unless governments also act to reach the goals they have set for themselves.[13]

Net Official Development Assistance by Donor Country: 2003–2004

	2003		2004*		2003–2004*
	ODA	ODA/GNI	ODA	ODA/GNI	Change**
Country	US$ Million	%	US$ Million	%	%
Australia	1 219	0.25	1 465	0.25	2.3
Austria	505	0.20	691	0.24	22.0
Belgium	1 853	0.60	1 452	0.41	-30.3
Canada	2 031	0.24	2 537	0.26	12.2
Denmark	1 748	0.84	2 025	0.84	3.5
Finland	558	0.35	655	0.35	5.9
France	7 253	0.41	8 475	0.42	4.3
Germany	6 784	0.28	7 497	0.28	-0.4
Greece	362	0.21	464	0.23	13.1
Ireland	504	0.39	586	0.39	2.2
Italy	2 433	0.17	2 484	0.15	-9.7
Japan	8 880	0.20	8 859	0.19	-4.8
Luxembourg	194	0.81	241	0.85	10.5
Netherlands	3 981	0.80	4 235	0.74	-4.0
New Zealand	165	0.23	210	0.23	8.2
Norway	2 042	0.92	2 200	0.87	-2.9
Portugal	320	0.22	1 028	0.63	187.5
Spain	1 961	0.23	2 547	0.26	14.5
Sweden	2 400	0.79	2 704	0.77	1.4
Switzerland	1 299	0.39	1 379	0.37	-3.0
United Kingdom	6 282	0.34	7 836	0.36	8.8
United States	16 254	0.15	18 999	0.16	14.1
TOTAL DAC	**69 029**	**0.25**	**78 568**	**0.25**	**4.6**
Average Country Effort		*0.41*		*0.42*	

* Preliminary figures.

** In real terms taking account of both inflation and exchange rate movements.

Source: Statistical Annex of the 2004 Development Co-Operation Report, OECD; Preliminary Data on Net Development Assistance in 2004. OECD.

As of yet, other donor nations have not set any fixed timetables for reaching the 0.7 target. The world's largest aid donor, the United States, has in fact continuously opposed any international development assistance targets based on countries' gross national incomes. The US has argued that the 0.7 percent goal "has no bearing on the quality of aid projects, their effectiveness, or their impact on economic development." Instead of development assistance, the US has stressed the importance of private investment and trade.[14] The attitude is predictable, since even after massive increases in aid spending, the US ranks second to last among donors with its 0.16 percent ODA/GNI figure. Only Italy gives less aid in proportion to its GNI, 0.15 percent.

Also Japan has been among the least generous development aid donors for the past several decades. In recent years, it has further cut its aid budget. Between 2000 and 2004, the amount of Japanese development assistance plummeted 29 percent, and it stands currently at just 0.19 percent of the country's national income. Canada and Australia, on their part, have been somewhat more charitable with development assistance, but even they have decreased aid funding from the mid-1990s. The ODA/GNI figure for Australia stands currently at 0.25 percent and for Canada at 0.26 percent – both far behind the 0.7 target.

Aid in the Service of Strategic Interests

Sadly, failing to reach or set aid targets is not the only problem. Although the Cold War is long over, the geopolitical mindset governing the distribution of aid has not changed very much. Old recipient countries may have been replaced by new ones, but the underlying rationale of using aid to promote donor countries' strategic interests is still very much alive. Instead of allocating their aid based on where it is most needed, rich countries often favor recipients that are of direct political or economic interest to them. As a result, the most impoverished people of the planet actually receive less aid than people living in middle-income countries.

Many European donors favor countries in former Yugoslavia, Europe's own restless backyard. In 2002–2003, ex-Yugoslav states ranked as number one recipient of aid from Austria, Germany, Greece, Switzerland, Norway and the European Union. Over 79 percent of all Greek development assistance went to other European nations. The corresponding figures for Austrian and German development aid were 34.2 and 13.1 percent respectively. Much of this aid is motivated by domestic political concerns, above all fears of uncontrolled immigration from crisis-stricken countries nearby.

Other European nations have allocated less aid to former Yugoslavia, but many favor their old colonies where European companies often have a strong presence. In 2002–2003, Côte d'Ivoire and Cameroon ranked among top recipients of French development assistance; Timor-Leste, Cape Verde, Mozambique and Angola were biggest recipients of aid from Portugal; and Belgium sent most aid to the Democratic Republic of Congo.[15]

Ex-Yugoslav republics and former European colonies are no doubt in need of aid from rich countries. However, allocating aid on the basis of geographical proximity or former colonial ties rather than of actual needs of the poor countries may result in diminished aid for those who most desperately need it. Much of the aid is thus serving the interests of the donors instead of those of the recipients – the people aid is supposed to help.

The United States has a long history of using development assistance to serve its foreign policy goals. In 1982–1983 and 1992–1993, Israel and Egypt, both key US allies, ranked as biggest recipients of US foreign aid. Together these two countries accounted for more than half of total US development assistance. With its GNI of $19,440 per capita in 2002, Israel outranks such countries as Slovenia, Portugal and the Czech Republic in wealth, and is classified as a high-income economy by the World Bank. At the same time, however, Israel received more development assistance per capita from DAC countries – $115 – than some of the world's poorest nations like Burkina Faso ($40 per capita), Guyana ($85) and Mozambique ($111).[16]

Since 9/11, the idea of using development assistance as a foreign policy tool has only gained more ground. In February 2002, US Senate resolved that "United States foreign assistance programs should play an increased role in the global fight against terrorism to complement the national security objectives of the United States."[17] Similarly, a USAID commission report from January 2004 called for greater "selectivity" in US foreign aid based on "relevance to US national security" and "greater aid effectiveness."[18]

In practice, this policy paradigm has meant channeling massive aid flows to countries that are key US allies in the global "war on terror." Before 9/11, the United States had allocated just $10.5 million in aid for Pakistan for the fiscal year 2002. After the 9/11 terrorist strikes, the amount jumped to $673 million – a 64-fold increase. This boost made Pakistan the world's largest recipient of development assistance in 2002. Afghanistan in turn saw its aid from the US grow almost 100-fold from $2.9 million to $278 million, and aid to Uzbekistan and Tajikistan was also multiplied.[19]

Much of the recent increase in US development assistance has gone to funding state-building and reconstruction projects in regions that have been directly involved in US-led military operations. In addition to Afghanistan, Iraq with its enormous reconstruction needs has emerged as a new destination for US development aid. In 2004, the country received $2.9 billion in development assistance from the United States, while Afghanistan received $875 million.[20]

Thanks to the boost in US aid funding, it appears that the "war on terror" has not diverted US aid flows from poorest countries. However, the much-advertised increases have not helped them, either. Despite the Bush administration's rhetoric on helping the world's poor, practically all of the new money appropriated for US development assistance has gone to countries that are of strategic interest for the US in the "war on terror."[21]

As for other donors to Iraq and Afghanistan, the picture is even uglier. Since many of them have not increased their overall development assistance the way the US has done, money going to these two countries has been taken – at least in part – from existing aid programs.[22]

While there certainly is an urgent need in Iraq and Afghanistan to restore the infrastructure destroyed by years of wars, political mismanagement and economic sanctions, there are other regions in the world where the humanitarian situation is even more pressing. Efforts to find money for the reconstruction projects in Iraq and Afghanistan will inevitably curtail development assistance and humanitarian aid in other parts of the world.

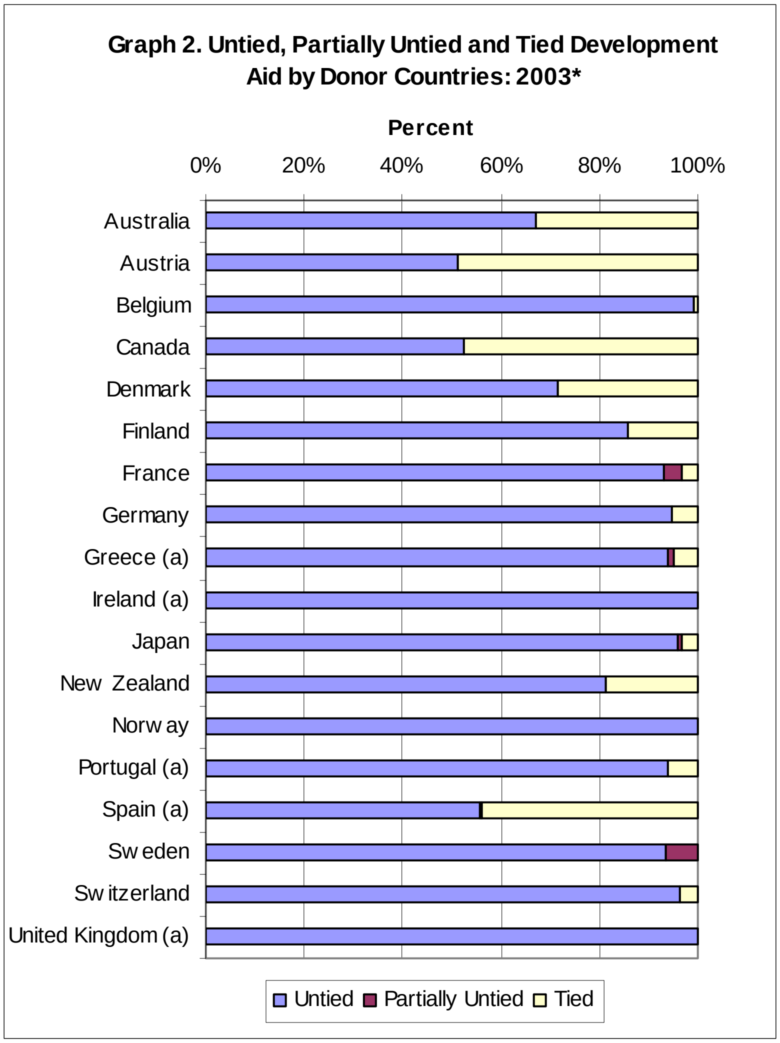
The main reason for prioritizing Iraq and Afghanistan is political. The two countries receive huge amounts of aid because US policymakers see them as politically and economically crucial to Washington's global agenda. In the meantime, sub-Saharan countries with massive development problems receive only secondary attention, because the US and other donors have a lot less at stake in the region.

Aid That Helps the Rich

Rich countries do not use development assistance only to advance their political and strategic interests. They also seek to maximize the benefits of foreign aid to their own economies and in particular to powerful domestic lobby groups.

Many rich nations tie their development assistance to purchases of goods and services from the donor country. Poor countries get aid, but only under the condition that they spend it in a way that benefits businesses in the donor nation. In effect, tied aid constitutes a form of government subsidy because taxpayer money is used to buy goods and services from domestic companies and aid recipients only get the product.

Tied aid is a particularly inefficient form of development assistance because it does not help poor countries develop their economies. Instead of creating new businesses and jobs in recipient countries, most of the benefits remain in the donor nations. Tied aid is also inefficient because often goods and services would be available at a lower price from local producers or world markets. The South Africa-based NGO ActionAid estimates that $5 billion in aid goes wasted each year because tied aid inflates procurement costs. Furthermore, tying can slow aid down, as a lot of time goes wasted in complicated procurement procedures even in severe emergency situations.[23]



* Commitments excluding technical co-operation and administrative costs.
(a) Gross disbursements.

Source: Statistical Annex of the 2004 Development Co-Operation Report, OECD.

Problems of tied aid have been known for a long time. Following years of discussion, major OECD donors finally agreed in April 2001 on a recommendation to untie official development assistance. The goal was also affirmed in the Monterrey Consensus in March 2002. Nevertheless, almost half of aid from Austria, Canada and Spain was still tied in 2003.[24] To make things worse, some countries, like the US and Italy, do not regularly report their figures for tied aid. It has been estimated that 70 to 80 percent of US official development assistance is still tied.[25]

Overpriced technical assistance is a form of inefficient aid that is closely linked to tying. In 2003, an estimated $18 billion – more than a quarter of total aid – was spent on technical assistance, mainly on consultants advising and supporting recipient governments. While there is a very concrete need for expertise in poor countries, much of technical assistance is heavily overpriced. In 2002, aid donors spent an estimated $50 to $70 million on

700 international consultants in Cambodia – an equivalent of the salary of 160,000 Cambodian civil servants. As technical assistance is excluded from the OECD agreement on untying, most of it is tied to donor country firms, benefiting them instead of the recipients.[26]

Non-Aid as Aid: Inflating the Statistics

A separate but related issue are non-aid expenses that rich countries often include in official development assistance statistics. These expenditures do not benefit donor countries the way tied aid and technical assistance do, but they boost ODA figures artificially, making rich countries look more generous than they really are.

Examples of this statistical spin-doctoring include counting debt relief as development assistance and classifying immigration-related costs within the donor country as foreign aid. In the Monterrey Consensus, rich countries pledged to "take steps to ensure that resources provided for debt relief do not detract from ODA resources intended to be available for developing countries."[27] Despite this commitment, all debt relief since 2002 has been counted as official development assistance, creating a perception that more money has been spent on ODA than is actually the case.[28]

Large debt relief initiatives are reflected in the ODA figures as spending spikes: According to official OECD statistics, Belgian development assistance jumped 40.7 percent from 2002 to 2003, largely because of a debt relief package to the Democratic Republic of Congo. The nominal increase in aid spurred the Belgian government to boast how development assistance now amounted 0.61 percent of the GNP and how aid was "increasing steadily and more quickly than GNP." In the absence of new debt relief packages, however, Belgian development assistance fell to 0.41 percent of GNI in 2004 – a figure that is actually lower than in 2002.[29]

Similarly, some countries include refugee-related expenditures in the development assistance figures. Costs arising from refugees and asylum-seekers in the donor nations artificially inflate ODA statistics, as the money actually never leaves the country and does not contribute to global poverty reduction. Biggest spenders under this category include France and Australia that use five and six percent, respectively, of their "foreign" aid on refugee-related costs. Globally, $1.5 billion of ODA was spent on refugee costs in 2003.[30]

Pursuing the Washington Consensus: the Millennium Challenge Account

Critics of foreign aid often point out how funds intended for development go wasted because of corruption and bad governance in poor countries. The World Bank and the International Monetary Fund, for their part, have insisted on privatization and removal of trade barriers in aid recipient countries as a precondition for development.

Over the past ten years, Western governments' calls on poor countries to reform their governance practices and trade policies have only intensified. In this spirit, US President George W. Bush announced the creation of the Millennium Challenge Account (MCA) at the Monterrey Summit in March 2002. The new fund would provide $5 billion annually for development, but only to a carefully selected group of countries that fulfill criteria set forth by the US.[31]

The Millennium Challenge Corporation, which manages the account, uses sixteen indicators grouped into three policy categories – “Ruling Justly,” “Encouraging Economic Freedom,” and “Investing in People” – to determine candidate countries’ eligibility to receive aid. The indicators include civil liberties, rule of law, control of corruption, openness to international trade, government regulation that impacts investment, health expenditure, education etc. Their purpose is to “measure policies that that are necessary conditions for a country to achieve broad-based sustainable economic growth.” To qualify for aid, a country must score above the median in relation to its peers on the corruption indicator and on at least half of the indicators in each of the three policy categories.[32]

Development NGOs have criticized the Millennium Challenge Corporation's selection method for its one-size-fits-all character. The critics have pointed out that there is no universal model of development, and that measuring good governance, civil liberties and economic freedom is difficult and subject to political influence. Deciding what exactly to measure and how to measure it is a political choice.[33]

In defining the indicators, the Millennium Challenge Corporation relies heavily on conservative US think tanks and international institutions with a long record of intrusive trade liberalization policies. It uses the Index of Economic Freedom developed by the right-wing Heritage Foundation to assess countries’ openness to foreign trade, and relies on data from the conservative Freedom House organization in estimating the degree of civil liberties and political rights. The assessment of government effectiveness is based on various indexes from the World Bank – an organization that NGOs and recipient governments have long criticized for its orthodox trade liberalization and privatization policies.[34]

Improving governance and the rule of law and promoting democracy and economic growth is a noble goal. However, the selection of different indicators is more a reflection of the Washington Consensus policies; liberalization, deregulation and privatization. In the past, these policies have often served the interests of transnational corporations instead of those of the local populations. They have opened the doors to privatization of the global commons such as water resources, and weakened environmental and labor protections. The MCA eligibility criteria therefore raise questions as to whose interests the aid is designed to serve.

The Millennium Challenge Account has got off to a slow start. The $5 billion President Bush promised has never materialized, as US Congress has cut the president’s funding requests by several billions. For fiscal year 2006, the Senate agreed to provide only $1.8 billion instead of the $3 billion Bush had originally requested.[35]

The Millennium Challenge Corporation has also been hard-put to find countries that can meet all the requirements for aid. The first compact – with Madagascar – was not signed until March 2005, three years after the program was announced. This sluggishness has caused considerable frustration in many African countries that desperately need aid. In June 2005, leaders of Botswana, Ghana, Mozambique, Niger and Namibia publicly complained to President Bush that MCA's bureaucracy makes it virtually impossible for countries to get aid. There is deep irony in the fact that the MCA that requires "good governance" from potential aid recipients gets such bad marks from representatives of African countries, often blamed for being themselves inefficient.[36]

Toward a Comprehensive Solution

When examining the increases in official development assistance since 2001, one can hardly conclude that UN Under Secretary General Egeland was completely on the wrong track when he called rich nations stingy. While the nominal value of international aid has increased, the old 0.7 percent aid goal still looks far away for most donors. In fact, most countries are struggling even to maintain their current ODA/GNI levels, and Italy and Japan have cut their aid funding in recent years.

Some donors, most notably the United States, have succeeded in boosting significantly their foreign aid. However, the bulk of the new money has not gone to fighting poverty in Africa, the world's poorest region, but to advance US strategic goals in the "war on terror" in Iraq, Afghanistan and a handful of other countries. The Millennium Challenge Account, President Bush's bold development initiative, has so far been marred by bureaucracy and lack of funding.

Furthermore, much of the development assistance remains inefficient. Donors often accuse recipients of wasting aid funds, but part of the reason why aid does not work well lies in donor governments' own policies. Tied aid, overpriced technical assistance, counting debt relief as development aid and including immigration-related costs in aid figures may serve donors' interests but they do not contribute to eradicating poverty. As an ActionAid report recently put it, "If aid currently has a mixed record in terms of its impact on poverty reduction," this is due to the fact that tackling poverty "is often not what [aid] is designed to do."[37]

On a more positive note, the UN Millennium Development Goals have stimulated discussion on increasing development assistance and finding new ways to finance development. To contribute to the MDG process, European Union countries have come forward with a collective timetable for increasing their aid budgets. The EU has also been discussing new finance mechanisms such as global taxes and an International Finance Facility to provide additional funds for international development.

But time is running short if rich countries are serious about their commitment to the Millennium Development Goals. Mere promises, discussion and new timetables will not be enough to get the MDGs on track. Governments must take action. This means not only more funds for development but also reforming the aid system. To make aid work for the poor, donors should end their practices of tied aid and statistical spin-doctoring. Rich countries' short-sighted agenda of pursuing their own economic and strategic interests will have to give way to an approach that prioritizes recipients' needs.

The aid reform should also be complemented with a comprehensive debt relief package and a global trade deal that would make trade fairer. Anything short of a 100 percent debt cancellation will only mean circulating aid money back to rich countries' pockets in the form of debt servicing. It is also unrealistic to expect development assistance to bear fruit if rich countries continue to give an unfair advantage to their own farm products in the world market by spending billions of dollars on agricultural subsidies each year.

Unfortunately, the outlook for this kind of comprehensive solution remains poor. The current G8 initiative on debt relief is too limited and contains too many conditions to make a lasting impact on global poverty. The WTO Doha Round trade negotiations are also in trouble because of rich countries' reluctance to make concessions in the areas of farm subsidies and agricultural tariffs.

Being generous is not easy. It costs money and requires some sacrifices. But if rich countries do not want to be called stingy, they should be prepared to offer a bit more than just talk and half-hearted efforts that only lead to continued poverty and inefficient use of aid resources.

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[1] "U.N.: Tsunami damage 'unprecedented'," CNN, Dec. 28, 2004. http://www.cnn.com/2004/US/12/27/un.tsunami/;

[2] "Comment Hits Nerve of American Charity," Associated Press, Dec. 28, 2004. http://www.aegis.com/news/ap/2004/AP041266.html; "Bush defends U.S. generosity," MSNBC, Dec. 29, 2004. http://www.msnbc.msn.com/id/6762079/.

[3] "Official Development Assistance increases further – but 2006 targets still a challenge," OECD Press Release, Apr. 11, 2005; Preliminary Data on Net Official Development Assistance in 2004, OECD; Net ODA from DAC countries from 1950 to 2003, OECD.

[4] The 0.7 percent target was originally expressed in 1970 as a share of gross national product (GNP). In the 1990s, however, the UN, the World Bank and the OECD gradually adopted a revised system of national accounts, in which a new concept, gross national income (GNI), replaced GNP. While GNP and GNI are almost identical as measures of national income, rich countries' GNI tends to be marginally higher than GNP and the new system depresses very slightly their ODA/GNI figures. Since the difference is usually minor and most OECD countries no longer calculate their GNP figures, donors have generally accepted that the old 0.7 percent target is to be understood as a proportion of their GNI instead of GNP.

[5] UN General Assembly resolution 2626 (XXV), October 24, 1970, para. 43; Report for the International Conference on Financing for Development, Monterrey, Mexico, 18–22 March 2002. A/CONF.198/11, United Nations, New York, 2002, para. 42; Net ODA from DAC countries from 1950 to 2003, OECD.

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[7] Cf. "Do Both Things: Root Out Terrorists and Overcome Poverty," International Herald Tribune, Jan. 31, 2002; "Prodi Urges More Aid to Bridge North-South Global Divide," International Herald Tribune, Dec. 3, 2001; "Boost US Foreign Aid, Big-Time," Christian Science Monitor, Dec. 13, 2001; "Britain Urges the US to Expand Worldwide Antipoverty Programs," New York Times, Dec. 18, 2001.

[8] Radelet 2003, p. 108; Robert Looney, "The Role of Foreign Aid in the War on Terrorism," Strategic Insights 6/2002, http://www.ccc.nps.navy.mil/si/july02/aid.asp.

[9] Preliminary Data on Net Official Development Assistance in 2004, OECD; Net ODA from DAC countries from 1950 to 2003, OECD.

[10] Jens Martens, Rethinking ODA: Towards a Renewal of Official Development Process,

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[11] Report for the International Conference on Financing for Development, Monterrey, Mexico, 18–22 March 2002, para. 42; Investing in Development: A Practical Plan to Achieve the Millennium Development Goals, Millennium Project Report to the UN Secretary-General, 2005, pp. 250–252.

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