

Ireland's Official Development Assistance 1987

Department of Foreign Affairs, Dublin, 1988

The ODA annual report, like the ODA programme, began to shrink in 1987. The 1987 report dispenses with the theme essays which gave bulk to previous reports and the commentary in many of the regular sections is more clipped. The graph in the introduction which traces Irish ODA as a percentage of GNP suggests why: 1987 shows the first substantial downturn in ODA commitments since the programme began in 1974 (apart from the blip in 1980) — ODA dipped to 0.226% of GNP in 1987, compared to 0.250% in 1986, thereby returning to the ODA/GNP ratio of 1984. The 1988 allocation is likely to emerge at around 0.18% of GNP, bringing it back to the levels of early 1980s. Thus last year and this year have witnessed the obliteration of years of steady growth in the programme and have punctured the optimism of the mid-1980s which emerged from government commitments to steady expansion.

The many effects of this reversal of fortunes on the programme—the dispersal of the corps of skilled staff in the ODA section in the Department of Foreign Affairs, the scaling down or abandonment of networks built up over the years in developing countries, the dashed expectations of those at the receiving end of projects that have been killed off in gestation—are hard to imagine and the 1987 report, as might be expected of a government document, does nothing to enlighten us. Rather it preserves an air of stony impassivity in the face of adversity. The foreword by the minister of state responsible for ODA, Mr Sean Calleary TD, states simply that the reduced budget is sufficient to maintain a “basic programme” and “will cover all commitments entered into”. Otherwise the effects of cutbacks are passed over as quickly as possible. Thus the farcical foray in the Sudan, one of the four priority countries and now a major disaster area, where a Development Cooperation Office was opened in late 1986 only to be given the order to close down within a matter of months, gets only a single sentence in a page-long account of the achievements of the ODA programme there.

Thus the 1987 report is notable as much for what goes unsaid as for what it covers. Nevertheless, it has some interesting developments to report on, even if these too must have an uncertain future. One is the strengthening of the Planning and Evaluation Unit established within the programme in 1986. There is brief mention of the work of the Unit in the report though disappointingly little information on findings. We will wait with interest to learn how it fares in 1988 and what judgements it makes on the current state of the programme (if indeed it gets the opportunity to make any and if we get the opportunity to hear them). Another item of interest is the follow-through on the Women in Development (WID) guidelines adopted in 1986. This follow-through took a number of forms, including a WID study in Lesotho intended to guide future bilateral projects. Here again, information on findings is referred to but not detailed and sadly there is no promise of future publication. The other main WID activity involved participation in three ILO projects (one in India, two in Africa) on women's employment. These developments represent a welcome departure in the

overall programme and it is earnestly to be hoped that they manage to flourish even in the present harsh climate.

It is hard, though, to read this report without a feeling of depression. Aid budgets in many countries are suffering the pressure of domestic spending cuts but the present withering onslaught on the Irish aid programme would be hard to match. It will indeed be difficult for the authors of these reports to present the same brave face in next year's issue unless some light shines on the horizon in the form of a respite for ODA in the forthcoming government expenditure estimates for 1989.

Tony Fahey

Development Cooperation

Development Assistance Committee 1987 Report, OECD, Paris, 1988

“Aid agencies are only catalysts. But they are catalysts in a struggle which on a global basis we have so far been winning” (p.31).

This quotation indicates the generally positive tone adopted in the DAC 1987 Report, although such a tone is not unexpected since the Development Assistance Committee (DAC) of the OECD comprises representatives of Member States whose main purpose is the promotion of a coordinated approach to development assistance and the monitoring of their aid performance.

The good news in Africa is that in 1985 and 1986 food agricultural production once again outpaced population growth and agricultural growth was expected to continue in 1987. However, the fact that terms of trade worsened by 30% more than offsets this gain.

The yearly report, published by the DAC, provides statistics and commentary on the year's aid performance of all donors both members and non-members, providing points of comparison and evaluation with particular respect to the volume, terms, conditions and geographical and sectoral distribution.

The 1986 figures show a worrying decrease of total financial resource flows of 17% to developing countries including a fall in aid of 2% and what is considered a more significant fall of about 9% in official development finance. This has, however, been explained by the unusually high level of aid in 1985. Overall aid flows remain roughly stable at around \$35 billion. The contraction of private flows to developing countries has been sustained, underscoring the renewed and increased dependence, particularly by the LLDCs (three of which are Irish priority countries) on official development finance (ODF). ODF is now playing a larger role in total financial flows to developing countries than at any time since the 1950s.

Throughout the Report there is repeated encouragement of DAC members to use their ODA to support structural adjustment and policy reform initiatives. Members are urged to reassess the value of project-based assistance and to move instead, where they are not already doing so towards provision of quickly disbursable non-project assistance in support of host countries' own attempts at structural reform. Most DAC members it is reported have moved in this direction, while 29 African countries now have some form of structural adjustment programme underway.

The special needs of low income countries are noted and the role and performance of the multilateral agencies is discussed. Their leading role in supporting structural adjustment and policy reform is acknowledged, particularly the IMF and the World Bank. Some criticism is voiced of the effectiveness of multilateral agencies, particularly of the UN system, and there is a call for greater rationalisation of the administrative structures of these bodies and also for increasing coordination of aid policies. This latter issue is regarded by the DAC as the most urgent issue for multilateral and bilateral agencies alike. It is argued that the “multiplicity of aid agencies and practices is imposing unacceptable burdens and inefficiencies on recipient economies” (p. 141).

The strategy adopted by the DAC members in respect of improved aid coordination generally is to look to recipient led aid management coordination which in turn it is hoped will lead to a much greater level of coordination between multilateral and bilateral donors, and between the bilateral donors themselves.

The Report also notes what is regarded as an important shift in burden sharing of contributions to multilateral agencies from the US to Japan.

Progress is reported in two key areas of DAC activity during 1987. First, a new set of DAC guiding principles has been agreed for associated financing and tied and partially untied official development assistance. It is now no longer sufficient for a member to have an absence of formal tying in order to classify a transaction as untied. In order to comply with these new guidelines the donor is obliged to inform the recipient of the countries which are eligible for procurement and these must include all OECD countries and substantially all developing countries.

As part of the effort by the DAC Expert Group on women in development to have women more involved in the development process, a framework for measuring the application of gender activities in the DAC statistical reporting tables was under development at the time the report was written. The Expert Group on women in development has been working closely both with the statistical committee of the DAC and also its expert group on aid evaluation. The findings concerning aid agency activity on the question shows that while measures have been taken they still fall far short of what is required to fully involve women in the development process. A report prepared for DAC synthesising the findings on the activities of aid agencies has identified a number of ongoing problems, i.e. lack of specific attention to target populations, gap between development policy and practice, absence of women in the gender composition of evaluation teams, lack of baseline information.

Finally, in relation to DAC commentary on Irish aid performance, in its 1986 review, Ireland was urged to work toward further sustained increases in what was termed Ireland's "presently quite modest aid Programme", although noting the then stated Irish intention of deferring movement towards the 0.07% target until measures to improve the Irish economy had taken effect. It is likely that the next DAC report will regard the substantial decrease which took place in 1987 with some misgivings. The Report also monitors the compliance in 1985 and 1986 of member countries with the DAC Terms Recommendations which calls for at least 86% grant element and a requirement to be within 25% of the DAC average in volume. Ireland has a 100% grant aid programme but fails the volume test in company with Austria and the US.

Paula Clancy

World Development Report 1988

World Bank, Oxford University Press for the World Bank, New York/Oxford/London, June 1988

The *World Development Report* has established itself as one of the indispensable volumes in the annual cycle of commentary-analysis-prescription at the global level. This is the eleventh in the series and keeps to the well-proven formula. It is made up of the usual three parts: Part I reviews recent trends in the world economy and their implications for the future prospects of developing countries; Part II is an in-depth examination of some particular factor affecting development; and Part III provides a comprehensive set of social and economic indicators for over 100 countries.

The special topic addressed in this volume is the role of public finance in development. It is a matter of fundamental importance in any development strategy but, although an extensive body of analysis has been developed—well represented by the excellent selected bibliography of this section—it tends to get sporadic attention in the wider debates. Given the questioning and shift of emphasis about the role of government and fiscal spending/finance that has been occurring in developed countries, this section is also essential reading from a developed country viewpoint for its comprehensive and coherent survey of the field.

Public Finance in Development

The immediate and overwhelming impression given by this section is that not only are the problems arising from surging public expenditure, temporarily financed by loans but with severe tax implications, as much a feature of developing countries as of developed countries but also that very much the same thinking informs attempts at improvement in both types of country. Of course, one obvious reaction to that impression is to regard it merely as another manifestation of 'western' bias at the World Bank. It may well be that.

But it may also reflect a recognition—to some extent implicitly and even, perhaps, reluctantly—of some basic facts of economic life. When one admits that the economic storms of the last decade or so exposed the practical irrelevance of the ideological niceties of much left-right politicking, giving us the spectacle of socialist governments behaving like clones of the dreaded thatcherites, the impression is not easy to dismiss or ignore. That makes this part of the Report, done with the standard thoroughness of the World Bank team, virtually a primer for any country reader on the issues, practices, analysis and policies relating to the place of fiscal activity in economic growth and distribution of the social product. Indeed, from an Irish viewpoint, in the midst of our long-running fiscal crisis, there has been nothing as good as this and it should be the required reading for all students of our crisis.

The topics making up this part are examined in eight chapters as follows:

(1) The "role of public finance in economic development" covers patterns of public finance and evolving views of the public sector as well as proposing what is called a "pragmatic approach to public policy" which underpins the rest of the survey;

(2) In looking at 'fiscal policy for stabilisation and adjustment' the relationships between fiscal deficits and macroeconomic performance—growth, inflation, external balances and capital flows—are explained. It is here that the facts of economic life that make nonsense of much ideological-political shouting worse than irrelevant begin to bite:

The developing countries face a fiscal dilemma. On the one hand, departures from prudent fiscal policy have helped to create economic crises involving excessive debt and high inflation. Fiscal austerity in these circumstances was unavoidable. On the other hand, it is essential to restore growth, incomes and employment. Several of the worst affected countries are in depressions as severe as the Great Depression of the 1930s.

One of the most important lessons from this situation is that overspending and unsustainable growth carry a high cost. Countries that followed stable macroeconomic policies were hurt far less by the turbulence of the 1980s . . . Sound public finance—more perhaps than any other area of policy—offers opportunities to reconcile lower public deficits with long-term economic growth.

(3) "Reforming tax systems" is concerned with teasing out approaches to widening the tax base, taxation versus user charges, direct versus indirect taxes as well as tax administration and reform to contribute to resolving the public deficit crisis on the revenue side in a way that is conducive to economic recovery.

(4) On the spending side, "improving the allocation of public spending" reflects the moral responsibility, not explicitly noted, that if one, i.e. a government, is going to confiscate through the fiscal-monetary system a part of someone's income there is an obligation to use it wisely and fairly. While it covers all the usual important aspects, it is here that a matter sketched somewhat lightly in the first section—"public interest" versus the "private interest" perspectives on the nature of government—has led to an important weakness. It almost opened the joker's box: when it is recognised that politicians and bureaucrats are basically ordinary people, and, like any other person, pursue their personal welfare—as they perceive it—within the incentive framework in which they work the whole matter of "policy" has to be approached very differently. It is a widely rejected axiom—especially by politicians and bureaucrats! Had the World Bank team faced up to the *fact* that it is motivating frameworks and not people who are different (in this sense) this chapter would have had a sharper focus but the overall study might have had to be less "pragmatic".

(5) "Spending priorities and revenue options in selected sectors" deals with the main issues and options of the education and health, urban services and rural infrastructures areas which are of fundamental practical importance in development.

(6) In "financing local government" the patterns of subnational finance, fiscal decentralization and strengthening and improving local government administration are brought together with a view towards improving allocation efficiency to promote development.

(7) An agenda for reform is proposed on the basis of reviewing how state-owned enterprises interact with the public finances in "strengthening public finance through reform of state owned enterprises."

(8) "Directions for reform" brings together the broad themes coming through from the specific areas analysed.

A short summary could not begin to convey the breadth and depth in the 177 pages, including an overview, statistical appendix and bibliographical notes, on this topic. As readers of earlier volumes will know, a feature of this section is the incredible amount of detailed and thought-stimulating information that is imparted along the way.

The world economy

In bold strokes, this part — aptly entitled "Opportunities and Risks in Managing the World Economy"—sets out, concisely as usual, the state of the world and the prospects as they appear for the developing countries. In summary, the state of the world economy is fairly fragile, although it weathered the stock exchange collapse of last year reasonably well, and, while short-term prospects are reasonable, it is still faced with huge international payment imbalances and volatile financial markets due to lasting divergences in the macroeconomic policies of the leading industrial countries. Then the warning: "Without significant changes in these policies the present economic uncertainty would soon be followed by a worldwide recession."

Three issues are highlighted for attention:

- gradual reduction of external imbalances to a sustainable level by leading industrial countries;
- policy reform designed to advance development prospects, even if the international environment is unfavourable, by developing countries;
- reduction of net resource transfers from developing countries.

Having shown that the outlook for developing countries remains worrying, especially for those with acute debt problems, it concludes by warning that the outlook for them depends critically on their own domestic policies. That is the cue for discussing "the role public finance can play in supporting effective adjustment over the short and medium term and in setting the stage for successful long-term development".

World development indicators

The last part, as in previous issues, is a large collection of quantitative data on diverse aspects of the well-being of people in developing countries with an introduction including an illustrated overview, technical notes and sources. The data tables are largely as before, but a new table, 'Women in Development' which provides indicators on women's comparative demographic status and access to some health and education services is noteworthy and welcome.

Connell M. Fanning

Other Reports of Note

The Least Developed Countries 1987 Report, United Nations Conference on Trade and Development, New York, 1988 (202 pages plus 110 page statistical Annex)

This report reviews recent socio-economic developments in the 40 Least Developed Countries and progress in the implementation of international support measures for these, the weakest partners in the international community. In 1981 the international community adopted a Substantial New Programme of Action (SNPA) for the Least Developed Countries. The Report's verdict on the current situation of the LDCs is disappointing.

"The adverse international economic environment of the 1980s has had profound implications for the economic development of the LDCs. Their serious economic and social problems have been aggravated, and the modest gains of past economic development eroded (cf. Chapter 1). Most LDCs have had to cut back imports, particularly of capital goods and intermediate products, to abandon national development programmes and to undergo a process of forced adjustment with austerity. The ensuing fall in investment, the deterioration of productive capacity and physical infrastructure, have impaired the LDCs' ability to resume growth and development and to meet the basic needs of their population. At the present time, more than six years after the SNPA was adopted, LDCs are in many crucial respects, in a worse position than they were in 1981." (pp.4-5)

The report documents recent socio-economic trends in the LDCs, policy developments and international support measures. It also selects a number of issues for special consideration i.e. population, mobilisation of the labour force, eradication of illiteracy, post-primary schooling, health and nutrition.

Part Two of the report looks at developments in the economies of individual LDCs with a three page report on each of the 40 countries. The 110-page Annex provides 57 tables of basic data on the LDCs.

First Report on the World Nutrition Situation, United Nations, November 1987 (66 pages)

This Report was prepared by the Administrative Committee on Coordination — Sub-Committee on Nutrition (ACC/SCN) which brings together 12 UN agencies in order to harmonise their nutrition policies and activities. The objective of the report is "to provide an agreed basis for raising awareness of malnutrition — its extent, severity and trends — to

advocate that increased attention be given to preventing this extensive and serious human problem.” (p.i) The first report provides information on trends in nutritional indicators from 1960 to the most recent year available, usually 1985. It reports that in most parts of the world, nutrition has improved over the last 25 years, but that sub-Saharan Africa has suffered long-term declining food availability and increased malnutrition with total numbers of infant and child deaths thought to be still rising, in contrast to most other regions.

The core of the report gives estimates of food availability, underweight children, and infant and child mortality by country groups, with particular reference to Africa. The “summary” promises that “in updating for future reports more emphasis will be given to causal and associated factors” (p.iii).

The State of the World's Children 1988, United Nations Children's Fund (UNICEF), Oxford University Press, 1988 (86 pages, Stg£2.95 paperback)

The report begins with the sombre facts: “One death in every three in the world is the death of a child under the age of five. And each week that goes by, more than a quarter of a million young children still die, in the developing world, from frequent infection and prolonged undernutrition” (p.1). Of the 14 million child deaths each year in the developing world approximately 10 million are from only four major causes and all are now susceptible to effective low-cost actions. It goes on, more optimistically to point out that in the 1980's promotion of low cost ways of protecting children's lives and growth is preventing approximately 2 million child deaths each year. Immunization and Oral Rehydration Therapy have been the two principal weapons. Progress is threatened however by economic recession and adjustment policies which weigh most heavily on the poor. ‘Adjustment with a human face’ depends on renewed commitment to the poorest and renewed support from the industrialised world.

The report documents progress in making health knowledge accessible to parents in the developing world. The text is interspersed with Tables and Panels and Part II of the Report presents economic and social statistics on the nations of the world, with particular reference to children's well-being.

Third World Affairs 1988, Third World Foundation for Social and Economic Studies, London 1988, (552 pages, Stg£15.00 paperback, Stg£20 hardback)

Third World Affairs is published annually in December to discuss the

forthcoming year as well as the significant events of the past year. The 1988 issue contains 44 articles covering the following 9 topics: Terrorism, Lebanon, Drugs, Exile, Censorship, Succession in Asia, Global Economy, The Pacific Age, and Ocean Affairs. The opening article on "International terrorism: What is the remedy?" is by Noam Chomsky. The articles on the Global Economy are "The Asian Debtors" by Cheryl Payer, "Heterodox stabilisation policies in Argentina, Brazil and Peru" by John Crabtree, and "Africa's conjuncture: from structural adjustment to self-reliance" by Timothy M. Shaw.

In addition to these 44 articles the volume includes two regular features. The first is a "Disaster Monitor" which includes a table detailing disasters worldwide over a one year period by country, type, numbers affected, killed, and explanatory comment. It contains six "Disaster Issues" and two pieces on "The Relief Network in Action" as well as an overview article.

The second regular feature is on "Cinema" and contains four articles on aspects of cinema in Nicaragua, El Salvador, India and China.

The book review section covers 58 titles on topics including Central America, Third World Naval Power, Environmentalism and South Africa.

World Military and Social Expenditures 1987-88, Ruth Leger Sivard, 12th Edition, World Priorities Inc., Washington, 1987, (US\$6.00, 56 pages)

The purpose of this annual report is "to provide an annual accounting of the use of world resources for social and for military purposes, and an objective basis for assessing relative priorities. In bringing together military costs and social needs for direct comparison, the report . . . (hopes) to focus attention on the competition for resources between two kinds of priorities" (p.4).

The report documents "the dynamics of the Arms Race" in terms of budgets, trade, aid, military bases, technology and capacity to kill. It then documents the human costs in terms of economic underdevelopment, social neglect, political repression and wars and deaths. It discusses the INF treaty which it regards as "a genuine achievement". It devotes a chapter to "Priorities USA" detailing military expenditure and setting it alongside socio-economic needs.

A statistical annex provides data on military and social trends, comparative resources (breakdown of public expenditure) and a ranking of countries' military and social indicators.

The *SIPRI Yearbook 1987 World Armaments and Disarmament* (Oxford University Press 1987, 495 pages IR£37.00) is the seminal source on these issues. The Leger Sivard report is a more modest exercise but a very useful source particularly for contrasting military expenditure and human need.

Trade and Development Report 1988, United Nations Conference on Trade and Development, United Nations, New York, 1988, (313 pages)

Based on its analysis of "Debt, Payments Imbalances and the Growth of the World Economy" which comprises Part 1 of the Report, the UNCTAD Secretariat calls for a concerted once-for-all reduction of at least 30% of the debt owed to commercial banks by the most heavily indebted developing countries. Such a step is necessary, the report argues, if debtors are to have a chance to grow out of their indebtedness, and given that banks have failed to respond to earlier strategies under which they were supposed to step up new lending to these countries.

The four chapters of this part of the report look at the current trends and outlook for all the main groupings of countries both developing and developed; unpredictable movements of economic indicators such as interest and exchange rates, commodity prices etc.; trade imbalances and policies in the developed market-economy countries; and debt and development.

Part Two concentrates on "Services in the World Economy" with six chapters dealing with the growth of services in developed market-economy countries; the strategic role of services; services in the economies of the socialist countries of Eastern Europe; services in the developing countries and service strategies for development.

In addition there are seven annexes including a statistical annex.

Mary Sutton