Aid continues to fall. From US$ 55.4 billion in 1996, global humanitarian assistance plunged to US$ 48.3 billion in 1997. Aid now amounts to little more than one-fifth of one per cent of donor GNP – the lowest ever.
Caroline Hurford/ International Federation, Afghanistan 1998.

Chapter

7 Global aid reaches a new low

According to reinsurance specialist Munich Re, 1998 was the worst year on record for the sheer number of natural disasters. And most destruction to lives and livelihoods was in the developing world. Yet despite this, international aid flows continue to plunge. The richest countries are becoming less generous as the planet's poorest become more threatened by environmental change and its associated hazards.

Such hazards are neither entirely natural nor unpredictable. The deadly twins El Niño and La Niña, and their likely legacies, were spotted by scientists up to six months in advance. Floods and landslides in Asia, hurricanes in the Caribbean – these are perennial events. And an insidious combination of human-driven climate change, environmental degradation and population pressures to occupy once-marginal land is throwing millions more into the path of potential disaster. United Nations (UN) estimates, averaged over the last decade, suggest that natural disasters kill around 128,000 people and affect another 136 million every year.

Natural catastrophes, however, still provoke 'knee-jerk' responses from donors and humanitarian agencies alike. A silent, ongoing calamity like the malnutrition and disease afflicting millions of Russians – precipitated by poverty, savage winters and institutional collapse – attracts very little cash or attention. Meanwhile highly publicized disasters like Hurricane Mitch or the earthquakes in Afghanistan generate quick and generous responses from the media-driven North. While these responses have undoubtedly saved lives, they can, ironically, be too much too late.

A recent evaluation of preparedness and response to Hurricanes Georges and Mitch found that "international resources often arrive too late to be of assistance during the immediate post-event phase." And foreign medical teams jetting in to help the sick and injured actually placed "an additional burden on the health institutions [of the affected countries] during the most critical time of the response." Aid given was sometimes misdirected or even detrimental, because local communities were not sufficiently involved in needs-assessment or response, and coordination between affected countries, international agencies and donors was "not adequate."

New solutions are needed. More money spent before disaster strikes – in strengthening the emergency preparedness and response capacities of both international agencies and hazard-prone countries – would mean less lives lost and fewer donor funds wasted in the aftermath. Yet overall spending on both emergency aid and development assistance keeps falling. And despite pledges from G7 leaders at the 1992 Earth Summit to commit 0.7 per cent of gross national product (GNP) to overseas aid, in 1997 they managed an average of just a quarter of one per cent. What will it take to reverse this decline?

Shallower pockets and shrinking aid budgets

The relentless decline in aid volume seen since 1992 continued into 1997. From US$ 55.4 billion in 1996, global aid fell by US$ 7.9 billion to a 1997 total of US$ 48.3 billion – a fall in real terms of 5.8 per cent. The Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC) has described the decline as "discouraging and frustrating".

The priority which DAC donors give to aid spending as a share of the government budget varies significantly In the Netherlands, aid amounts to almost six per cent of central government spending, whereas aid is less than one per cent of the US government budget. Interestingly, opinion polls in the mid-1990s show that Americans think aid takes up around a quarter of federal spending. On average DAC donors allocate 1 4 per cent of government spending to aid. In 1992 when overseas development assistance (ODA) aid peaked, the average spent on aid was more than two per cent of government budgets, and over the period 1975 to 1985, the figure remained steady at an average of 1.8 per cent.

To give some idea of the scale of the fall over the 12-month period from 1996 to 1997, the US$ 7.9 billion cash decline is more than the entire aid budget of France and Spain combined. It was greater than the bilateral aid commitments made by all DAC donors to sub-Saharan Africa in 1996. It was only a little less than all the money committed by donor countries for emergencies, basic health and basic education in 1995.

Aid in 1997 amounted to just 0.22 per cent of donors' GNP, compared to the UN target figure of 0.70 per cent. This is the lowest level ever – down from 0.25 per cent GNP in 1996 – which itself was a record low. If donors were to achieve the target for aid of 0.70 per cent of GNP, total ODA would be around US$ 155 billion.

Private flows to developing countries, mostly targeted on a very few recipients such as China, grew fast during the 1990s, reaching a peak of US$ 286 billion in 1996. But, in 1997, these flows fell back sharply, for the first time this decade, to US$ 206 billion. Data on aid flows from non-governmental organizations (NGOs) is incomplete, but the DAC reports that grants by NGOs totalled US$ 4 6 billion in 1997, about ten per cent of the ODA total.

During the 1990s, the aid performance of individual donors has fluctuated quite dramatically year on year. Some examples are shown in figure 7.1.

Exchange-rate movements, irregular payments to multilateral organizations and one-off factors such as the progression of Israel to the status of a country no longer eligible for ODA, all contribute to these short-term variations. But looking at the picture over five years, the overall impact has been strongly negative. Between 1992 and 1996, net ODA fell 16 per cent in real terms, followed by a further drop of seven per cent in 1997

Countries that depend on aid

The relative importance of aid and private finance to recipient countries varies substantially. For the 48 least developed countries (LDCs) as a whole in 1995, aid represented one-fifth of gross domestic product (GDP), whereas private finance made up only 1.4 per cent of GDP. For other low-income countries, aid and private flows both averaged 1.5 per cent of GDP. In heavily-indebted poor countries, private flows were negligible – while aid represented 11.3 per cent of GDP.

Within sub-Saharan Africa, dependence on aid in certain countries is high. Over 1995-96 for instance, aid was more than a fifth of GNP in Zambia, Tanzania and Eritrea. But aid dependence can change substantially over time as a result of emergencies or changes in donor approach Humanitarian crisis caused Rwanda's aid to rise from one-sixth of GNP in 1990-91 to over a half in 1995-96. But different sorts of crisis can also result in reduced aid. For example, the OECD notes that in Somalia, Sudan and the Democratic Republic of the Congo (former Zaire), the recent "dysfunctioning of the state made it difficult or impossible to deliver effective aid."

Looking in more detail at aid performance, some very clear points emerge. The first is the consistently strong performance of the Scandinavian donors and the Netherlands on aid volume. Denmark has been the most generous donor for the last three years giving around one per cent of GNP Norway Sweden and the Netherlands have all easily exceeded the UN 0.7 per cent target for many years.

Some of the smaller and newer DAC donors, such as Ireland, have been making significant efforts to increase their aid levels. Ireland Luxembourg, New Zealand and Portugal all recorded substantial increases in 1997. Aid from Australia, Austria, Finland and Spain also increased. But given the sheer size of their economies and populations, it is the G7 donors whose aid performance has most impact on global aid flows. Since the 1992 Earth Summit, when most G7 heads of state reaffirmed their commitment to the 0 7 per cent target, aid from the G7 has fallen from around US$ 53 billion to US$ 37 billion in 1997 (at 1996 prices and exchange rates).

Donors have often tried to justify aid cuts over the last five years by referring to the overriding need to reduce budget deficits. The implication has been clear – that once budgets are brought back on track, aid can rise. In fact, as the DAC has noted, aid has borne a

Donor	1994 to 1995	1995 to 1996	1996 to 1997
Canada	- 7.2	- 14.8	+ 15 0
Italy	- 46 2	+ 35 0	- 43.7
Japan	+ 1 1	- 24 7	+ 9 6
United States	- 28 2	+ 24 8	- 28 1

***Figure 7.1* Table of annual percentage changes in ODA in real terms for selected donors. Changes in ODA have more to do with the national political climate than they do with the ability of developed countries to give or the toal needs of developing countries for assistance.** *Source: OECD DAC.*

disproportionate share of budget cuts in most countries. And despite the fact that OECD countries have reduced their budget deficits from 4.3 per cent of GDP in 1993 to 1.3 per cent of GDP in 1997, aid volume still seems to be heading inexorably down.

Experience from Canada and the US illustrates the extent to which political explanations for aid cuts need to be treated with caution. The recent steep decline in US aid was at least in part due to congressional concern to cut the budget deficit. The US budget is now in surplus, yet there is no sign that the fall in aid will be reversed. US aid fell in real terms by an average annual rate of 4.1 per cent over the period from 1985 to 1995. In 1997 alone, the US cut aid by 27 per cent to just 0 09 per cent of GNP.

US aid, as a percentage of GNP, is now half what it was a decade ago. Yet the US has chaired the DAC since its inception, marking strong US commitment to development cooperation from its beginnings in the 1960s to the early 1990s, when the US lost its position as the world's largest donor. Little surprise now that a European state will chair the DAC from 1999, a change which seems to confirm the loss of US leadership in the area of global development cooperation.

Over the period from 1993-94 to 1998-99, the Canadian aid budget took more than its fair share of cuts – falling twice as fast as the federal budget as a whole. Canada has reduced its

Box 7.1 Aid from non-DAC donors

In addition to the OECD DAC members, there are a number of other aid donors, particularly the Arab states Reported non-DAC aid from European, Asian and Arab donors amounted to the equivalent of two per cent of total DAC ODA in 1997.

While some non-DAC donors have global scope, most are regionally based and concentrate on projects rather than programmes. Some, like the Czech Republic, specifically state humanitarian aims – alleviating the consequences of natural disasters or armed conflicts Others, such as Greece, include emergency assistance as a classification. Data from a limited number of non-DAC donors is reported annually and dialogue between DAC and non-DAC donors was initiated at a forum in Mexico in January 1997.

Reported aid from non-DAC donors has declined during the 1990s from US$ 1 5 billion in 1992 to just one billion dollars in 1997. This is accounted for by the reductions in aid from Saudi Arabia, Kuwait and the United Arab Emirates from 1994 onwards. Arab donors' share of non-DAC aid has fallen from 74 per cent in 1992 to 59 per cent in 1997.

Donor	1994	1995	1996	1997
Czech Republic	25	–	–	–
Greece	122	152	184	173
Iceland	6	–	–	–
Korea	140	116	159	186
Turkey	58	107	88	–
Kuwait	555	384	426	373
Saudi Arabia	317	192	327	235
United Arab Emirates	100	65	31	–
Taiwan	79	92	89	65
India	28	–	–	–
TOTAL	1,430	1,108	1,304	1,032
TOTAL DAC ODA	59,152	58,926	55,438	48,324

US$ millions. Current prices and exchange rates. Source: DAC Development Cooperation Report, 1998.

budget deficit more quickly than expected, but recent increases in Canadian aid are not on the scale needed to attain former levels.

Whilst in real terms Canadian aid is reported by the DAC to have risen by almost 21 per cent from 1996 to 1997, the picture may look better than it is, since the 1996 and 1997 figures were distorted by the timing of payments to the World Bank. Estimates by Canada's North South Institute show ODA commitments falling from 0 35 per cent GNP in 1996-97 to 0.26 per cent GNP in 1998-99 – compared to an average of around 0.45 per cent in the early 1990s. However, there may be room for optimism. The North South Institute recently suggested that "political will appears to be shifting towards the revitalization of development funding."

Of the G7 donors, while France is reportedly committed to keeping its aid at a high level, only the UK seems to have set a path for significant aid growth. In line with the UK government's commitment to reverse the decline in aid, new plans envisage extra spending of around US$ 2.6 billion over the next three years – a real-term increase of almost nine per cent which should lift UK aid from 0.26 per cent GNP in 1997 to 0 30 per cent in 2001. Japan, the world's largest aid donor, has been cutting its aid programme since 1996. The budget for 1998 was cut by 10.4 per cent and further cuts will be made until 2000.

Key ideas shaping the thinking of donors

Since 1996, an important reference point for donors has been the development strategy set out in the DAC's *Shaping the 21st Century: the Contribution of Development Cooperation* The strategy sets ambitious goals to be reached by 2015 or before (see the *World Disasters Report 1998*) and is based on the conclusions of international conferences in the 1990s as well as the experience of multilateral agencies and the expressed aspirations of developing countries.

During 1998, a working set of core indicators was developed through a collaborative process involving DAC donors, developing countries, UN agencies and the World Bank. Twenty-one indicators were identified to help measure progress towards *Shaping the 21st Century* goals. Amongst them are:

- child malnutrition;
- prevalence of underweight children under five years old;
- net primary school enrolment;
- ratio of girls to boys in primary education;
- infant and under-five mortality rates;
- maternal mortality rate;
- contraceptive prevalence rate;
- population with access to safe water; and
- GDP per unit of energy use

Whilst these indicators are necessarily quantitative, the DAC has been at pains to stress that its strategy also aims to improve the elements of development less easy to quantify encouraging safe, stable, sharing societies and the strengthening of poor and disadvantaged people. Explicit in the strategy is an understanding that focus on the specific indicators must be matched by attempts to ensure the broader economic and political policies of OECD countries are more in line with their development policies.

This partnership approach has implications for the management and prioritization of governance, peace-building and conflict prevention programmes. Some donors are concerned by agencies' continued categorization of peace-building and conflict prevention as part of