Aid to Developing Countries: the Importance of the Human Factor
A presentation of new trends and best practices
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Ladies and Gentlemen, distinguished colleagues,

It gives me great pleasure to take part in this discussion tonight, and I thank again Angelo Sala and other officials of the Crossroads Cultural Center for kindly inviting me to take part in it. Thank you also to the World Youth Alliance, the ICO Center and other co-sponsors, and to Holy Family Church parish for allowing us to be here.

As you all know, the subject of aid is very vast, so it's good that we are focusing our discussion on the "human factor", as well as on new trends and best practices. But before we get to these specific aspects, perhaps it's good to recall a few basics –and then we can move on to the ones that most interest us today.

When did aid (or ODA) become a topic for international discussions?

Even though countries have given "aid" to other countries all throughout history, it has not always been called by that name. Much less has it been a topic for discussion and negotiation. Up until half a century ago, it was viewed as a tool of foreign policy that states could use, at their own will and discretion, to further their own interests, without the need for any "accountability" of any kind.

It was only in the 1960s, when the subject of development became both an established matter of study and a topic for discussion (and negotiation) among sovereign states that we see the issue of foreign aid being identified as such and coming to the surface. In fact, it was given a formal name: Official Development Assistance (ODA), to distinguish it from other types of international financial movements, such as public and private lending, direct foreign investment and other forms of capital flows.

The subject of ODA quickly rose to the top of the agenda of "North-South" discussions, with developing countries asking for more aid in order to help them with their development plans and objectives. At the second UNCTAD conference held in New Delhi in 1968, the famous "0.7% target" was agreed upon (with the reservation of a few countries, in particular the United States). This target calls for developed countries to provide in foreign aid an annual amount equivalent to at least 0.7 per cent of their Gross Domestic Products. The target has been reiterated many times, but so far only been reached by a handful of countries, particularly from the northern parts of Europe. The EU as a whole has recommitted to meeting it.

But, even though the "0.7 target" is still not universally accepted, nobody disputes any longer that aid is a legitimate subject for discussion, and that both recipients and donors should have something to say about it – both in terms of its quantity and its quality.

More importantly, aid is no longer seen as an exclusively "foreign policy tool" to be used at will by donors to further their individual foreign policy agendas -- but also as a duty to contribute to the common good of the international community. More about this later.

What is different about discussions on aid today?

In the 1950s, 60s and into the 70s, ODA was seen by many as the subject for discussion between developed and developing countries. It was really only around the middle of the 70s –1974, to be precise—that developing countries pushed in the U.N. for a "New International Economic Order" that would have, as one of its components, the subject of increased aid – but this was only one of many other subjects to be covered in the agenda, such as the increase in trading opportunities, improvement of the terms of trade, relief of foreign debt, regulations on the behavior of multinational corporations and foreign investment, and reform of the whole structural and institutional "system" of international economic and financial relations – the so-called international financial architecture.

As those of you who have been following this subject closely know very well, this same broad agenda has continued to dominate economic North-South discussions to our day. Why? Because the problems have not been solved yet. They are still there – in fact, in many cases they have become worse (the best example being the dysfunction of the international economic and financial system). So in the Monterrey FfD Conference in 2002, we were talking about the same things being raised 30 years before in the context of the NIEO. And the same can be said of the Millenium Summit of 2000 that gave rise to the MDGs, and to several other conferences that have taken place in this past decade. The subjects may be formulated slightly differently, but they are essentially the same.

So ODA today is discussed within that broader agenda that makes up "international cooperation for development". Though a very important one, it is only one part of it.

How is the importance of the human factor increasingly acknowledged?

One very clear sign of how the importance of the human factor has acquired more and more recognition is the fact that we no longer rely on purely "economic" indicators of development –such as the traditional GDP per capita—but have constructed other ones, that try to bring those other social and human elements in. The first that comes to mind is the "Human Development Index" devised by UNDP, now issued in their annual Human Development Report. The HDI tells us not just about economic wealth, but also brings in subjects such as education (literacy rates) and health (infant mortality). Many see it as a tremendous step forward and it's increasingly used as a reference point by both by aid donors and recipients. There are other indicators, such as the Gini coefficient, that can be used to tell us about the effects of aid on income distribution, a very important subject.

Perhaps the most important evidence that the world has moved to a more "human" conception and definition of development is the adoption by the UN of the Millenium Development Goals (MDGs) in 2000. As you know, the MDGs in fact are all centered on human and social variables, so they are a far cry from just concentrating on the growth

of GDP per capita. Sadly, we are far from achieving them by 2015, as had been hoped. Estimates have in fact been made about the aid "deficit" – i.e., how much more ODA would be required in order to meet the MDGs 2015 target; these estimates range from $100 to $200 billion per year, or more. So, even if aid by itself will not bring about the MDGs, the MDGs will not happen if there is not sufficient development assistance.

Making sure accountability works on both ends

Another important development of the last several years has been the evolution of the concepts of aid quality, effectiveness and accountability. It is widely accepted that the amount of aid in itself will not do the trick – it's also the quality, the conditions, the targeted programs, the means of delivery, the agencies responsible for it (at both ends), and their control, monitoring and accountability. Donor countries themselves had already set up a "forum on aid effectiveness" through the OECD's Development Assistance Committee (OECD-DAC), which has also reached out and included recipient countries.

More recently, an important step was taken, at the 2005 UN World Summit, to set up within the ECOSOC a "Development Cooperation Forum" that would perform similar functions, but in a more universal setting. The DCF meets every other year and so far seems to be yielding positive results, which countries can translate into concrete policies. A central element of this project is the emphasis on the concept of *accountability* – that both donors and recipients have to be accountable for what they give, on one hand, and for what they receive, on the other. Working together, this task can be made much easier.

The importance of coordination

There are too many, well-known stories of significant aid money having gone to waste because of bad management, lack of coordination or –worst of all—corruption. Some "enemies of aid" use this as an excuse to argue for decreased aid budgets and activities. But the truth is that, as in anything else in life, mismanagement, waste and corruption can occur at any link of the process chain, but this should not lead us to throw aside what is essentially a good and noble endeavor. What must be done is to improve the mechanisms for coordination, control and monitoring -- and this is being achieved with much success. Again, donors and recipients working together seem to be the key to make this happen.

Coordination has been complicated with the tremendous growth in the number of donors, bilateral and multilateral, public and private, governmental and non-governmental, who engage in foreign assistance activities, particularly in countries affected by chronic poverty or stricken by man-made or natural disasters. The UNDP has come to play a central role in helping provide this coordination function, so much so that what used to be called the UNDP Resident Representative is now called the Resident Coordinator; and, at UN headquarters level, a "UN Development Group" has been operating for several years.

But the great number of "non-conventional" entities –such as NGOs—who are now active players in the aid-providing field pose additional challenges. Haiti is a good case in point. Many coordination problems were reported after the terrible 2010 earthquake.

By the way, a very active and efficient NGO player in the aid field is the one represented here tonight: AVSI. As we will soon hear, AVSI does wonderful work all over the world.

New and emerging categories in the field of aid

Just as there are new players in the non-governmental field, there are also new official aid donors, drawn mainly from the developing world. Countries that were recipients until very recently – such as China, South Korea and Brazil – have become important donors. Foreign aid given from one developing country to another forms part of what is more broadly termed "South-South Cooperation", which can encompass many other activities, such as trade, investment, finance and social and cultural exchanges. China is now one of the most important donor and investor countries in several parts of the developing world.

Another area that has garnered a lot of increased attention in recent years is that referred to as "innovative sources of finance". This includes things such as internationally-levied (or internationally-coordinated) taxes on foreign exchange transactions, carbon-products consumption, purchase of airline tickets and credit card charges which can then be pooled and used to finance different development objectives and programs. Many of these ideas are controversial and still under intense discussion, and estimates range widely on how much additional money could be raised from these sources, depending on their specific type and breadth of application. But there is no doubt that, if used effectively and widely, innovative finance could be extremely important in supplementing traditional-style ODA.

There is a "Leading Group on Solidarity Levies", made up of several dozen countries, to further explore different possible mechanisms of innovative sources of finance and its work has already greatly influenced aid discussions in the UN and other global forums. The innovative finance mechanisms already in place have been geared to development programs in the field of health thus helping put a more "human face" on the topic of aid.

How do we make sure aid gets to the people?

No matter where the foreign aid comes from –whether it's governments, international agencies, NGOs or even individuals—if we want to bring out the "human factor" of aid, it is crucial to make sure it reaches those for whom it is intended: the people themselves. This of course has a lot to do with the subjects of effectiveness, delivery, control and coordination referred to earlier. But it also touches upon other aspects, for example, the principles of "small is good" and subsidiarity. The positive experiences of micro-credit teach us that when you work with individual people, even if it is with small projects and small amounts of money, it can yield surprising and multiplying results. The same can be applied to aid. When people in a town, a village, a community can "touch and feel" the assistance and are made partners in its delivery and its putting into use, they will probably treasure it more than when big amounts are allocated by more impersonal, distant forces.

The principle of subsidiarity –very important in Catholic Social Teaching—should thus be applied as much as possible to the foreign assistance domain, if we want to put in that human face. It is fine –and necessary—to provide aid for those big development projects

that can only be accomplished at a large, national level: dams, roads, airports, steel mills. But it is also very important to work at the local level with smaller-scale development projects that are usually rich in jobs creation, transfer of technology, and building skills.

The ethical dimension

I would like to close on that subject -since we are after all in a Catholic setting- referring to other principles of Catholic Social Teaching applicable to our subject tonight. Catholic Social Teaching tells us that there is something called the "common good" to which all men and women are called upon to contribute, and that a guiding principle for the nature of that contribution should be found in the simple tenets of social justice: those who have more, have a greater responsibility toward the common good than those who have less. This principle, even if called by different names, is by and large accepted and applied in most countries of the world today. But we still have not been able to get it accepted at an international level. We have to work hard to propagate the concept that just as there is a national common good, there also exists a universal common good, for the whole human family. Just as the rules of social justice apply within the boundaries of a given country, they should also apply across national borders, to the whole international community.

When we do that, then the whole discussion on foreign aid takes upon an entirely new, and more human, meaning. We are no longer talking of aid because it is in my or your "interest" to provide assistance to more needy countries, but because it is our *moral obligation* to do so, notwithstanding all the problems it may have. Not providing foreign aid because there may be cases of waste and corruption here or there is tantamount to not paying taxes because some people make wrongful use of welfare benefits and services!

Finally, the Church's Social Teaching –including particularly the last encyclical *Caritas in Veritate*—tells us that the application of justice alone will not suffice to bring about a truly better, more solidary, more human, world. In addition to justice, we need charity. Not charity with conditions and hidden agendas and other strings attached – but authentic charity, true love of the fellow man and of his condition, which can be improved with our assistance, even if it's just "one person at a time" – one project at a time. Furthermore, in that Encyclical, Pope Benedict XVI introduces the beautiful concept of "gratuitousness" – of how, just as God has given the elements of our existence as gifts to us, we, too, should be open and willing to explore ways of giving freely to others, even things not normally thought to be "for free". Just this week, the Pontifical Council on Justice and Peace issued another tremendously important document on the "governance" world economic and financial systems, in which it talks, among other things, of the need for a new "ethic of solidarity" among nations. These are concepts whose profoundness most of us have not yet fully grasped –and which clearly have great relevance to the whole subject of aid.

Aid, and its "human factor" cannot be discussed in purely material and utilitarian ways. The moral component must be brought in. The lack of this ethical approach is what has so often led us to dead-ends in the debate. Let us try to remedy that as much as we can. Thank you very much.