Chapter 1
Introduction

1.1 Aim of the Analysis

With 1.2 billion people – about a fifth of the world’s population – living on less than a dollar a day in extreme poverty and nearly half the world’s population earning less than two dollars a day\(^1\), lacking essentials like food, shelter, adequate health and education, poverty remains a great – possibly the greatest – problem of our time. Some progress has been achieved over the last 40 years regarding life expectancy and health\(^2\), but the figures given above show that a lot more work needs to be done. How this should be achieved lies at the heart of development economics.

A series of new strategic proposals have been devised by development agencies during the last two years to tackle this question and to provide answers for the conditions and measures most conducive to reducing poverty. This treatise focuses on their content. These strategies aim at providing a framework that helps to reach the target of halving the proportion of people living in extreme poverty by 2015\(^3\); which requires progress at a much faster rate than has been achieved in the past\(^4\). The measures proposed on both national and international levels share a number of distinct elements common to all strategies, which indicate a consensus about how poverty could be reduced.

This consensus – its development, content, derivations and consequences for the development practice – shall be the concern of this thesis. It will help depict the main features that are common to a set of newly devised development strategies\(^5\) and help to expand the knowledge about these very recent strategies, some of which are still in the discussion phase even now. It is attempted to use the most broadly-based and perceptive analysis of each topic at hand in this synopsis and to present it as comprehensively as possible, while retaining a concern for all voices on the subject, so as to ensure overall agreement on the viewpoints presented. Those points that remain vague, unclear or inconsistent are scrutinized and alternatives and extensions are presented wherever possible. The analysis thus presents and questions the current consensus that can be inferred.

\(^1\) See World Bank (2000a), p. 3.
\(^3\) This goal is enshrined in the World Development Targets and is agreed upon by all OECD member countries.
\(^4\) The progress in reducing poverty until the year 2000 is estimated at only one third of the required rate to reach the International Development Target for Poverty Reduction for 2015. See KfW (2001a), p. 18.
\(^5\) The strategies include viewpoints of the World Bank and of the British, German and Swedish governments, plus their development organizations.
from these common points in a set of development strategies. The evolution of this consensus from the 1950s to the present is presented to indicate the perspectives that led to its emergence, in order to make today's consensus more accessible.

Common points do not pervade the entire work in this area. A number of different accentuations remain within the consensus that are important to notice, since they shed light on those areas where full agreement has not yet been reached, or where new ideas have not spread into mainstream thought. Another concern of this analysis is to provide an overview of the distinctions between strategies. Differences between strategies can indicate the benefits of greater specialization, but they can also create obstacles towards the commitment to cooperation, which is one of the pillars of this new consensus and thus worthy of consideration. New ideas from individual agencies are discussed regarding their validity and effectiveness for reducing poverty.

Reducing poverty is more than just a theory. Its effects are very real and important for those who are affected by it. Even though a general consensus can be found on measures that are conducive to achieving these effects, procedures on how to operate and implement them remain ambiguous. One aspect of the actual work of development agencies, viz., the task of impact measurement, has been analyzed in order to gain some insights on these issues. How the practical concern of monitoring aid effectiveness is currently handled, how this corresponds to the demands of the new strategic direction and what could be changed to focus monitoring more on the dimension of reducing poverty, are the concerns of the empirical study on the German Financial Cooperation that complements this analysis. The answers that it provides can aid the process of translating new strategies into concrete action; with the aim of making development cooperation even more effective and responsive to poor people's needs.

It is the author's hope that this analysis will provide a useful review by portraying the extending and changing area of strategies for poverty reduction and by clarifying those parts that are reinforced by a series of strategies, as well as those that currently remain singular opinions. This analysis is coupled with the intention of indicating ways for practical implementation. Reflection and criticism of the presented strategic proposals and the exploration of areas for improvement round off this aspiration.

This study addresses an audience of politicians, administrators and scientists who deal with the evaluation and formulation of poverty reduction policies, of practitioners who apply these strategies in development cooperation agencies and of people generally interested in strategies for international development.
This composition provides a review of the current developments regarding methods of reducing poverty, which might be beneficial to those readers who formulate policies or research this topic. It also indicates areas where further agreement needs to be reached, where incongruities in the argumentation need to be resolved and where there are shortcomings in current strategies that require further investigation.

Differences between the presented concepts are valuable for the practitioner to note, since the need for closer cooperation and coalitions in development assistance could be undermined if these differences are not openly discussed and resolved at a national, program or project level. This analysis also points out the practitioner’s issues on which agreement has been reached internationally and the scope of such agreements. These factors permit an assessment of the way in which the methods and implementation mechanisms of development cooperation will most likely evolve over the coming decade. Knowledge of these trends might give guidance on the direction in which development agencies could intend to position themselves today.

For the general public the topic of international inequality and measures of development cooperation have reached high attention after the tragic terrorist attacks on New York in September 2001. It has been argued that discontent potentially driven by poverty might have provided the grounds for the recruitment of terrorist activists and for an environment that silently tolerates them. If this holds true, it makes the reduction of poverty the more urgent. Still this book does not attempt to analyze the consequences of the attack for development cooperation as this is still too speculative, nor do the strategies presented reflect these events.

Nevertheless this book provides valuable insights for the reader who wants to judge future developments in this area on an informed basis. Chapter two includes a short overview over the recent history of development cooperation and presents in detail the current donor views in this area, providing the reader with a thorough picture of the current paradigm in international development that will serve as the baseline for any new developments.

1.2. Examination Procedure

This thesis focuses on official developments assistance (ODA) and the strategies pursued by bilateral and multilateral development organizations, especially those of the World Bank and the governments and development agencies of the United Kingdom (UK), Germany and Sweden. The charitable organizations of civilian society are only considered when they are integrated

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1 See Wieczorek-Zeul, H. (2000a)
2 Regard for example the expression of Ingeborg Schäuble, head of the Welthungerhilfe: "Terrorism is not immediate consequence of hunger and poverty, but hunger and poverty provide fertile grounds for terrorism", as cited in FAZ (2001a). (Translation by the author).
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into the strategies of public development institutions, since their contributions – important as they are – constitute only a small portion by comparison with ODA.1

Conversely, foreign direct investment and private capital flows outweigh ODA by a ratio of nearly five to one2 and they significantly contribute to the growth and employment in some countries. Yet, to consider both private capital flows and ODA would go beyond the scope of this thesis. Private capital flows are presumably guided primarily by the search for the most profitable return on investment at a given level of risk3. Increasing risks demand a premium on this return, under the usual assumption of investors who are averse to taking risks. The expectation of political, social, exchange rate, protectionist and other risks – as well as expectations of the investment's income-earning potential – can be seen as being strongly dependent on the successes in social, economic and political terms that have already been achieved by a developing country. Private capital flows are currently available mainly to semi-industrialized countries4 and even then only to certain sectors, due to these reasons. The aim of most organizations providing ODA is to help nations by creating favorable conditions for national, private economic activity and foreign investment. This concern for the alteration of circumstances rather than responding to them is a far more proactive attempt and it shall be the concern of this study. Private capital flows are taken into account if the policies of the development agencies explicitly aim at stimulating them.

Having introduced the chapter topics, the strategies considered for investigation in this study are given in the remainder of this chapter, after a short explanation regarding the motivation for choosing them. Subsequently, an introduction into the subject of poverty reduction is provided in a discussion about the value of reducing poverty as the main goal of development assistance.5 The role of poverty reduction is investigated in the light of other relevant and potentially conflicting developmental goals to the donor countries.

In the second chapter of this thesis, importance is placed on the evolution of today's overall consensus about the means to reduce poverty and on the general content of this agreement. The development of today's consensus is exemplified by an analysis of the ideas that most influenced the World Bank's strategy on poverty reduction, as one of the leading development organizations. The different emphasis on neoclassical or structuralistic elements which determined

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1 E.g. in Germany the private development contribution has been stable, at around one tenth of the public contribution. See Ashoff, G. (1996), p. 65.
3 For an expansion of this point in the context of investment in Africa see Hernández-Catá (2001), p 31.
5 The strategies reviewed for this analysis strongly favor this opinion.
the agenda for reducing poverty over the last four centuries and the learning process that led to the accord we see today, are highlighted and placed in the context of their time.

The following discussion concerns the content of today’s generally accepted view of effectively reducing poverty. A short analysis of the definition of poverty that has been broadened beyond the income aspect is presented. Then, an investigation of national policies and conditions conducive to reducing poverty is undertaken on the basis of shared views of the contemplated donor agencies. The proposals at national level are presented according to their relevance for the economical, political and protective environment in the developing country.

The analysis of necessities at the national level is followed by a discussion of proposals for an international framework that is favorable to the reduction of poverty. This international institutional framework shall as a first step be examined regarding trade, finance and the environment and their impact on poor countries. The views on interactions of donor countries with the developing countries and with each other shall be highlighted as a second step. The measures that the donor agencies themselves can pursue to decrease poverty’s prevalence is discussed in this context. The chapter is concluded with an investigation of problems that are currently still unresolved and by an outline of reforms that are based on the new understanding of poverty already been brought about.

After dealing with the commonalities that dominate the current discussion on poverty reduction, the aim of chapter three is to highlight the accentuations that differentiate the positions of four donor strategies: those of the World Bank, the United Kingdom, Germany and Sweden. This shall serve to illustrate those aspects that have either not found overall agreement by these donor agencies, that have not found their way into the general consensus or that receive especially strong support in one strategy in comparison to the others. Thus, those points receive attention, which have not yet been embraced to the same degrees by the various strategies and are potential causes for conflict or for reevaluation. These ‘specialties’ are assessed in regard to their merit for poverty reduction and to the reasons why they have been included in a donor’s strategy where inferable by the donor’s history. Concluding, the implications of these differing accentuations for donor co-ordination and specialization are discussed. The motivation for the choice to regard the four above mentioned development organizations and their strategies is provided in the next sub-chapter.

Following the analysis of the differing emphasis and accentuations of these four strategies, in chapter four the focus is placed on the current praxis of impact evaluation as it relates to the new consensus. To illustrate the current situation, a selection of 75 completed projects of the German financial cooperation are analyzed in regard to the emphasis placed on poverty reduction in their final
evaluation process. Descriptive methods as well as regressions and multivariate correspondence analysis were deployed for this purpose. Since improvements will be necessary to fully live up to the aspirations of the new strategies in the practical evaluation praxis, suggestions to reach a stronger poverty focus are presented.

Chapter five concludes the treatise with a short synopsis of the conclusions.

It should be pointed out that the newly formulated strategies investigated in this analysis have inherent potential to achieve real advances in poverty reduction in that they incorporate a broad view of poverty, integrate social, political and economical aspects, aim at refocussing the development efforts and foster international cooperation. Especially important is the potential for new institutional and individual commitment, bringing poverty reduction to the top of the political agenda and aiming at keeping it there. If the new strategic orientation leads to a measurable improvements in reducing poverty, the support for initiatives will increase and the efforts brought up currently might be sustainable for a lasting period of time. This would provide fertile ground for long-term, substantial progress for the situation of the many people still living in deep poverty. Since this potential of the new strategies is acknowledged by the author, the criticism presented in some parts of this thesis is aimed at reflecting and enhancing parts of the current strategic proposals, and is by no means directed to undermine the value of the new strategies as a whole.

1.3. Strategies Reviewed in the Analysis

This thesis focuses specifically on the strategic positions of the following organizations: the World Bank, the Department for International Development (DfID) of the United Kingdom (UK), the Ministry for Economic Cooperation and Development (Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung, BMZ) of Germany and the Swedish International Development Agency (Sida) as well as the positions presented by the governments of these countries in regard to development. All of these agencies have a strong focus on poverty reduction in their recent strategies. The bilateral agencies are chosen deliberately to be EU countries due to the high need for cooperation in this framework which makes agreements more noteworthy and differences more conflict-prone. The choice of these agencies shall be briefly motivated here:

The World Bank has taken a leading role in the fight against poverty for years and exerts large international influence due to the magnitude of its operations and the experience it has accumulated. Every decade the World Bank\textsuperscript{1} dedicates one World Development Report (WDR) to the topic of poverty reduction. The

\textsuperscript{1} For a more in-depth discussion of the background of the World Bank see chapter 3.2.
WDR 2000/2001 on this topic received worldwide attention because of the departure from the approach to poverty reduction pursued by the World Bank in the 1980s and early 1990s. The integration of social and economical policy into a single strategy, and also the broadening of the definition of poverty and the incorporation of political and legal considerations mark the main new themes. Its assertion that a sound structure to reduce poverty rests on the three pillars of opportunities, empowerment and security for the poor has influentially shaped the way poverty reduction is currently seen. It has even found its way into the strategies of DfID, into the German action program for poverty reduction and into the guidelines of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). Due to this influence the position of the World Bank as presented in the WDR 2000/2001 has been included in this analysis.

The Department for International Development has published an extensive amount of material on poverty within the last four years, starting with the first White Paper on International Development in 1997. In this paper the newly elected Labor Party confirmed its commitment to poverty reduction. The determination of the government was underlined by DfID’s new strategy for poverty reduction laid down in great detail in nine consultation documents for public debate in 1999/2000. The detail of the analysis, the concern for measurability of results and the focus on concrete steps for action provide a broad basis for analysis and its implemented actions have already served as an example for other agencies. The recently published Second White Paper on International Development with a focus on globalization is covering a field not yet deeply analyzed in most donor strategies and provides additional insights. The richness of the material presented serves as a reason to include these positions of DfID and the UK government into this analysis.

The position of the German government and with this the position of the BMZ presents possibly the most current view of poverty reduction. The action

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1 World Bank (2000a).
7 UK government (1997).
8 DfID (1999 a,b) and DfID (2000 a-g). The documents regarded are in the discussion phase. Some have been finally released, yet too late to be incorporated into the analysis. Since the differences between the discussion version and the final version are small, this analysis claims to correctly portray the views currently held by DfID.
9 E.g. the exemplary character of the new orientation of the British export credit security scheme ECGD was noted in the draft for the German action program, BMZ (2000). (The final version, BMZ (2001a), does not contain this element any more).
10 UK government (2000).
program on poverty reduction\(^1\) of the German government, which portrays its most recent strategic view on poverty reduction and has been used in this analysis, has just passed the consultation stage and was released in May 2001. This comparably late formulation of a strategy has the advantage that the positions of other agencies are already known and it is already perceivable that this strategy will deliberately depart from some generally agreed principles such as the reduced funding for threshold countries. Thus, additional insights can be expected from its analysis. The inclusion of the German position is also of interest because of Germany's changed political situation and its increased awareness of its influence after the reunification and its potential impact on development-strategy formulation. This position also takes into account the view of one of the world's largest donors.

This is contrasted by the **Swedish position**, which reflects the considerations of one of the smaller donor nations. As a group, they make up a broad share of the European development assistance. Sweden's tradition of reaching and superceding the limit of 0.7% ratio of official development assistance to BSP\(^2\) laid out by the UN General Assembly and confirmed at the Rio conference shows its strong commitment to development assistance. Its emphasis on poverty reduction was reinforced already in 1996 by a poverty reduction action program\(^3\) that serves as the main document for this analysis alongside its more recent Programme for Global Development\(^4\). Both programs do not share the unorthodox views Sweden held in the past\(^5\), yet points out some original thought regarding research and higher education, which provide interesting contra points to the other strategies.

The material recently published by the World Bank and the UK that has been analyzed for this thesis is far more extensive than the programs recently published by Swedish and German agencies. Therefore the former have naturally presented some themes in more detail. Since the analysis of the overall consensus takes the most in-depth and most appropriate statement as reference, the World Bank and UK strategies are stronger represented in chapter two in terms of references.

\(^1\) BMZ (2001a).
\(^4\) Sida (2000 a-k).
\(^5\) Sweden has had a history of strong opposition to generally accepted methods of poverty reduction, which peaked in the 1970s with a proposal of a third way between capitalism and communism and has turned in a more conformational direction with the breakdown of communism. See Lembke, H. (1996), p. 191-194.
1.4. Poverty Reduction vs. Other Development Goals

To provide a start into the topic at hand this analysis will begin by critically assessing the role of poverty reduction in the new strategic proposals. The aim to reduce poverty lies at the heart of many organizations in the field of development cooperation. The World Bank’s “mission to fight poverty with passion and professionalism, putting it at the center of all (... its) work”\(^1\), states this point as clear as in the UK position ‘to focus all our development effort on the reduction of poverty’\(^2\). Similar statements build the basis for the Swedish\(^3\) position, and are spread even further for example in the programs of the EU\(^4\) and the DAC\(^5\). Even though this position is less pronounced compared to the other strategies\(^6\), the German action program also acknowledges poverty reduction as an important part of the overall German political agenda and as an overarching goal for development assistance\(^7\). These pronouncements necessitate a reflection on the justification of placing poverty reduction at the center of development cooperation and the implications of this approach.

First it has to be established that poverty reduction is a goal worth pursuing in development cooperation. Therefore it has to be acknowledged that moral responsibilities arise for individuals, while the government’s responsible for development cooperations can be viewed as that of an agent who is supposed to act in the interest of its population as its constituent. For the individual, the point for a moral obligation for helping the poor can be drawn out of religious as well as ethical considerations, even though the emphasis shall be placed mainly on an ethical viewpoint here.

The contrast of 1.2 billion people living on less than one dollar a day\(^8\) and almost half the world’s population on less than two dollars a day\(^1\) to the average

\(^1\) Wolfensohn, J. (2000), p. V.
\(^3\) “Reducing poverty is the overriding goal of all Sida’s operations”. Sida (2000a).
\(^4\) See EU (2001).
\(^6\) While in other strategies, e.g. DFID’s, this point is drawn continuously and presented as the center of all its work, the German action program mentions the overarching position of poverty reduction only in one occurrence. See BMZ (20001a), p. 6. Nevertheless the establishment of an action program for poverty reduction on the governmental level rather than on the level of the ministry points at the fact that poverty reduction receives some attention in the overall debate in the Germany. Also the German Minister for Economic Development and Co-operation points at the foremost priority of poverty reduction in the German Development cooperation. See Wieckzoreck-Zeul (2000b).
\(^7\) See BMZ (2001a), p. 6.
\(^8\) Dollar terms as part of poverty definitions refer throughout the text to Purchasing Power Parity conversions with the base year 1993 and might be slightly rounded. See exact definition on p. 42.
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income of $69 e.g. in Germany\(^2\) shows a disparity which cannot be reconciled with a religious philosophy of sharing\(^3\). Nor can it be reconciled with ethical considerations such as those developed by Rawls, who utilized the concept of the veil of ignorance in explicating his ideas.\(^4\) In short: From under a veil of ignorance, with no idea about which life will be one’s own destination, one presumably would choose an income distribution where no one lives in extreme poverty to avoid the chance of having to live this life. Rawls goes even further in his difference principle to conclude that social and economic inequalities are to be arranged so that they are to the greatest benefit of the least advantaged. Following Rawl’s theory, there is a moral obligation for poverty reduction.\(^5\)

Aside from purely moral-oriented demands, poverty reduction can also be pursued because of mutual benefits for developing countries as well as industrialized countries, enabling a situation of cooperation in which the interests of both industrialized and developing nations can be better realized jointly\(^6\). While the benefits of development and poverty reduction are evident for developing countries\(^7\), benefits also result for developed nations when conflicts are reduced and social tension released through improvements of the situation of the poor population.

The prosperity of the industrialized nations can be broadly defined as the availability of private and public material goods and intangible goods. Cooperation with developing countries can lead to greater productivity through specialization, thus increasing prosperity in terms of private goods. Economic development provides the developing nations with the skills, infrastructure and capital to use its productive forces efficiently. This enables them to participate meaningful in the international division of labor.

In the case of global public goods such as the availability of tropical rainforests necessary to stabilize the global climate, development cooperation can lessen the tension on these resources by compensating the developing countries.

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\(^1\) See World Bank (2000a), p. 3.
\(^2\) See World Bank (2000a), p. 274. (Value of 1999, which does not incorporate Purchasing Power Parity and has been converted from years to days by division of 365.)
\(^3\) For the Christian viewpoint see e.g.: ‘Give to him that asketh of thee and from him that would borrow of thee turn not away.’ The Bible, Matthew 5,42; ‘And do not forget to do good, and to impart; for by such sacrifices God’s favour is obtained.’ The Bible, Epistles to the Hebrew 13,16 or the simile of the ‘Good Samaritan’.
\(^5\) For a discussion on the applicability of Rawl’s theory to the ethical considerations in international contexts, see Beitz, C. (1979). He justifies the interdependencies of actions in the international context, which build the basis for the application of Rawl’s theory. Based on this he uses the concept of the veil of ignorance to conclude that the income differential for individuals in rich countries is only justified as long as it is used for the improvements of the situation of poor individuals in poor countries.
\(^7\) Even though the benefits to the ruling social elite are debatable and require further conditions. See Sautter, H. (1999), p. 23 – 25.
nation. As for intangible goods such as external peace, security from terrorism and protection of human health, developing countries play a major part in providing these goods and can be encouraged to this end by development assistance.

Poverty reduction plays a key role in the provision of benefits for developed countries\(^1\), since it enables the poor people to participate in global specialization, and in the provision of global public goods. The reduction of poverty lessens the need of poor people to exploit scarce natural resources for pure survival, and contributes to intangible goods by lessening social tension. Thus the point can be made that poverty reduction is valuable also under the considerations of mutual benefit\(^2\).

The same considerations that point at poverty reduction as a goal for the mutual benefit of industrialized as well as developing nations already hint at the fact that poverty reduction might not be the only goal worth pursuing in development cooperation. For example, environmental concerns might warrant the compensation of medium-income inhabitants in the rain forest areas. Viable aims other than poverty reduction are for example the six goals laid down by the Swedish parliament for development cooperation: economic growth, economic and social equality, economic and political independence, democratic development, environmental quality and equality\(^3\). The German action program for poverty reduction refers to four dimensions of sustainable development: social justice, economic efficiency, political stability and ecological equilibrium\(^4\).

Goals that might contribute but are not limited to poverty reduction appear throughout the observed donor strategies. They include democratic development; human rights, equality and social justice; peace and international stability; prevention of migration; environmental concerns; and growth. Additionally, national political considerations such as extending trading opportunities\(^5\) or the political sphere of influence have historically played a role

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\(^1\) The benefits for developing countries are obvious in terms of better life for its citizens.

\(^2\) It has to be mentioned here that the mutual benefits are seen to arise only by committing to self-imposed obligations by the industrialized as well as the developing nations to make cooperation worthy in the eyes of both parts. For developing countries these include e.g. the rule of law, monetary and fiscal stability, reduction of protectionism, sustainable resource management and provision of health and education to the poor. For industrialized nations these include open foreign trade policies, promotion of financial stability and non-distorting agricultural policies. (For a deeper discussion on this see Sautter (1999), p. 25 – 27.) As will be seen in chapter two, these are among the demands included in the strategic proposal


\(^4\) See e.g. BMZ (1997), p. 5.

\(^5\) Notably this is still a strong reason justifying the Swedish development assistance. See Sida (2000c).
in development assistance and are likely to continue to be influential.\(^1\) In most recent strategy papers these goals are refuted, as they are seen as counterproductive to development efforts.

These goals might also be interrelated to one another and to the aim of poverty reduction in mutual conducive or disadvantageous ways. The value of many of these concepts cannot be denied, as for example environmental concerns aim at securing our future survival and human rights build the foundation of our understanding of a fair society. These are by themselves valuable goals independent of the existence or absence of poverty.

Modern poverty reduction strategies which place poverty reduction as the main objective of development cooperation reconcile this single objective with the pursuit of the above mentioned other considerations (which will be referred to as secondary or auxiliary goals in the further text\(^2\)) by subsuming these as integral parts of poverty reduction\(^3\). In the cases of human rights and social justice this is achieved by broadening the definition of poverty to integrate the lack of political participation and exclusion from social life. For the other concerns, it can be shown that their pursuit – except for national political considerations – contributes to a degree also to the reduction of poverty\(^4\). Thus, the aim to focus all activities on poverty reduction is assumed to be reconciled with the pursuit of other objectives.

The current approach to reconcile various goals of development assistance has two disadvantages that have to be taken seriously: The inhibition of change and the delusion of accountability. The assumption behind this criticism is that the pursuit of other goals besides poverty reduction leads only in part to a reduction in poverty while other parts (or projects) do not contribute to this but serve a cause on their own behalf. Figure 1 illustrates this point simplistically\(^5\). The dark shaded area marks those projects that serve poverty reduction as well as environmental or peace concerns. The entire shaded area shows those projects that do not have to cope with conflicting goals, while all projects or parts of projects that belong to the uncolored areas are conflicting in the way that they

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\(^1\) See e.g. Ashoff, G. (1996), p. 67 and 75 for remarks on German national political goals of development co-operation in regard to political ambitions against the accreditation of the DDR and regarding economic opportunities prior to the reunification.

\(^2\) ‘Secondary’ and ‘auxiliary’ are used here to describe the view expressed in most strategic papers and is not intended to reflect the opinion of the author on the value of these goals in their own right.

\(^3\) In figure 1 this would mean to extend the circle for poverty reduction to encompass the circles for the other goals, in this case environmental goals and concerns for peace and democracy.

\(^4\) E.g. aims to protect the environment can also improve the living conditions of the poor. This argument will be taken up later in this chapter.

\(^5\) The scale of the circles, their proportion to one another and the proportion of the overlapping zones to the non-overlapping zones are stylized and will vary by country or by region.
contribute to a worthy goal but do not yield maximum benefits to the poor population. To make the interpretation of the figure more realistic, the white areas can be interpreted as those projects where the impact on poverty reduction is lower than for projects in the colored areas. Therefore they should not be conducted, even though their impact on one of the non-poverty dimensions might be large.

**Figure 1: Poverty Reduction and its Interaction with Other Developmental Goals**

While the new strategies try to subsume all goals under the heading poverty reduction (in the figure also the non-colored areas) a strict limitation of poverty reduction as the goal of development assistance necessary limits the range of projects pursued to those with the highest impact on the reduction of poverty alone (only the shaded areas in the figure). This inherent conflict in using poverty reduction as the main goal while retaining all other goals has not been adequately addressed in the new strategies.

**Environmental considerations** make a strong case in this point. While it is undeniable that projects related to combat desertification have a strong impact
on the poor inhabitants of marginal land and inner-city smog reduction measures will reach the urban poor (as well as the non-poor), this connection becomes far less stringent when looking e.g. at biodiversity\(^1\), as shall be shown with a short example:

In a dam project in Africa the preservation of a frog species living alongside the river has associated costs ranging at six million dollars. Due to the convention on biodiversity, the donor community is willing to preserve this species at a cost of six million dollars. In this fictitious example based on a real case it is hard to believe that the six million dollars spent on the preservation of this frog species have an impact on poverty reduction. Neither the option of potential use of the frog’s genes, cited regularly as a reason to preserve biodiversity, nor the preferences of the local population, least the preferences of the poor, will justify the costs. The costs incurred\(^2\) are due to the legitimate will and preference of the western civilizations to protect the global environment, which the western world can pursue due to their relative prosperity\(^3\). Since these six million dollars will have hardly any effect on the poverty situation in the recipient country even in the long run, these costs should not be attributed to poverty reduction.

This example portrays an extreme view. Most real cases in development cooperation are less obvious in regard to their direct and indirect, short and long-term benefits for the poor people. Still, the general point of the example remains relevant for these projects as well. Not all projects conducive to the pursuit of secondary goals necessarily help in reducing poverty. Therefore, the assumption that poverty reduction, promoted as the overarching goal of development cooperation, can be pursued by aiming also at auxiliary goals only holds true for a certain portion of projects aimed at secondary goals, while for other projects the impact of poverty reduction remains low despite their value for secondary aims. To be able to make any meaningful distinction at all on the impact of projects on the poverty dimension, the current discussion claiming the value of many auxiliary goals on the poverty dimension has to be extended to a discussion about the criteria that describe a projects impact on poverty. This will help in judging the relevance of projects and in preventing the mislabeling of projects as reducing poverty when they in fact serve mainly other purposes.

\(^1\) The CDB convention on the biological diversity has been accepted in its own right by most donor countries.

\(^2\) The costs of preserving the frog species, not of building the damn that might bring the desired effect in poverty reduction.

\(^3\) The benefit of the existence of the frog species to the western world will be less than the benefit for the local community due to the remoteness of the western population to it, but the utility of the money forgone by the western society is considerably less due to saturation effects of the benefit of money. Therefore the cost-benefit calculation for the western society might prove positive while the cost-benefit calculation of the extremely poor local population will be negative. The poor will likely use the money towards some more immediate aid.
If it can be accepted that the pursuit of secondary goals does not necessarily contribute to poverty reduction, and if we accept that poverty reduction should serve as the central goal of development cooperations, **projects that do not contribute considerably to current or future poverty reduction cannot be pursued given the premises.** If all projects currently pursued under any of the secondary goals can be continued or extended on the basis that the secondary goals necessarily contribute to poverty reduction, the reform-oriented potential of the new initiatives is severely limited. If poverty reduction is sincerely believed to be the challenge to be tackled in the next decade, each development project has to be assessed in regard to its impact on poverty reduction. Due to limited resources those projects with the highest contribution to poverty reduction have to be pursued, while taking into account the long-term effects, indirect effects and the synergies of projects.

Next to inhibiting reforms the realization of non-poverty focused projects also reduces the accountability of the development organizations to its constituents. Concerns about the effectiveness of developmental assistance have led to public reluctance to provide the necessary funds. Projects not aimed at poverty reduction constitute costs without measurable benefits in this respect and therefore dilute the picture.

This assessment allows two possible ways to cope with the situation. First, poverty reduction could be placed as the overarching goal with the consequence of eliminating all projects that do not contribute to this single goal. Such a strategy has the advantage of a strong focus, simplifies the cooperation between donors and uncompromisingly tackles one of the greatest sources of injustice of our time. Out of moral considerations this might be the appropriate solution for some people, maybe a majority of them, which would in turn justify this approach for an industrialized country’s government. If such a strategy is pursued, it should be done deliberately and with knowledge of the consequences, free from all forms of delusion of this goal and knowing that other goals will not be attainable if they are not contributing to poverty reduction, yet also knowing that this will be the only way to minimize poverty. This approach has the disadvantage of tackling mainly one problem – poverty reduction - while considering the others only as long as they contribute to the primary goal.

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1 This holds true by definition, since projects under this strategy are assessed only in regard to their impact on poverty. This impact needs to be broadly viewed to include projects directing money to other sources, maybe even to the middle or upper income groups, if that is seen to indirectly be of most benefit to the poor people. Thus, the choice of the aim does not easily hint at the strategy to be pursued. Nor does it provide any guidance on the time frame to be used in maximizing the impact, so that trade-offs between projects resulting in immediate but vanishing impact on poverty and projects contributing to the reduction of poverty in the long term is not resolved. The discount factor placed on a delay of betterment of their situation by the poor themselves might be of guidance here.
A second way that allows for a minor integration of other development goals while retaining a high degree of focus could be described as minimum-acceptable poverty focus. A strategy with this orientation would establish poverty reduction as a main goal with a certain minimum degree of contributions going to this goal\textsuperscript{1}. Additional secondary goals that are considered as especially important can then be stated and pursued even if the associated projects do not contribute primarily to poverty reduction. They are financed from the remaining funds not designated exclusively to poverty reduction. These funds should be accounted for separately to enable a better transparency of inputs and outputs of development assistance. Since other issues than poverty reduction especially concerning the environment are also pressing, this second approach seems to be the more practical solution.

This allowance for other goals besides poverty reduction will also help to avoid a credibility trap, in which the development agencies promise poverty reduction to its citizens while they themselves cannot (or can only marginally) influence the success factors of the promised outcomes, since these are mainly determined by the policies of the autonomous governments of developing countries\textsuperscript{2}. If poverty reduction fails to manifest as promised due to uncontrollable decisions of third parties - despite high efforts of the development agencies – the credibility of the agencies is strongly reduced and the willingness of their constituents to commit resources to the purpose of poverty reduction will likely tend to decline\textsuperscript{3}.

Except for a stated minimum contribution to poverty reduction the Swedish International Development Agency (Sida) has embraced the second way\textsuperscript{4}. In the selection of its projects their ‘impact on poverty is the main criterion’\textsuperscript{5}, while ‘in exceptional cases projects (...) which do not have any demonstrable connection with poverty reduction’\textsuperscript{6} can also be supported if they are otherwise strongly motivated. These will be accounted for in a separate category.

This approach is no panacea to all problems, as it might be difficult to quantify exactly the effect of projects on poverty reduction and on other matters in advance, especially for long term, structural oriented projects. A move away from structurally oriented projects towards short-term self-help oriented approaches only because of measurability problems would be counterproductive. On the other hand, given the premise that poverty reduction has already been agreed upon as the primary goal, this framework takes the consequences that follow from this premise seriously. The limited amount of resources available for development cooperation will in all cases demand a

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\textsuperscript{1} E.g. 90\% of all ODA funds has to go into poverty reduction.


\textsuperscript{3} This idea will be expanded in the later discussion of the international development targets.

\textsuperscript{4} Despite declaring poverty reduction as its overarching goal.

\textsuperscript{5} SIDA (1996), p. 7.

judgment about the extend to which one project will reduce poverty compared to another to determine which will receive funding. To link these considerations to a framework where poverty reduction has to be served at least to a predetermined extent has the advantage to institutionally prevent other goals to gain the upper hand and to provide the development cooperation with a clear focus, while being honest about the level at which other goals are pursued.

Still, the concentrated organizational focus that can be reached through aiming exclusively at the single ‘overarching’ goal of poverty reduction will be harder to achieve in a ‘minimum-acceptable poverty focus’ setting allowing for several goals. No matter which solution will prove superior, the current assertion of many development organizations to be able to concentrate fully on poverty reduction while fulfilling all other relevant obligations as well will be hard to defend in the long run. This is due to the inherent conflicts of goals that cannot be fully reconciled. The limited amount of resources available for development cooperation will make choices between goals necessary, and the current notion that everything from education over health care to environmental protection is poverty reduction does not provide the decision criterion needed to make these choices.

Summarizing, poverty reduction can been established as a worthy goal based on considerations of the moral obligation of the affluent individual. A series of other goals exist, with potentially equally valid justifications, which cannot in all cases be pursued simultaneously with the goal of poverty reduction. Therefore, the want to fight poverty while fully accommodating all other goals is not feasible. Two ways to cope with this are presented: First, Poverty reduction is established as overarching goal, with the consequence that some other relevant goals might not be attainable. Second, a minimum-acceptable poverty focus, i.e. a minimum financial involvement dedicated to this purpose, is prescribed. The fraction of remaining funds could be used for other purposes in cases of high importance. Both ways are feasible, yet the second seems to be better suited to the real conditions and goals in development cooperation.

The development of the consensus that led to the current focus on poverty reduction within the development community and to the commonly proposed measures within the newly published strategies on how to translate this focus into actual benefits for the poor is at the core of the following chapter.