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A 2020 Vision: New Thinking on Aid and Social Security

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1 Introduction and summary

Key points

This chapter is about the role of aid in a globalised world where the average Ethiopian has less to live on in a year than many of the people who read this report will earn in a day.

It sets out a new agenda for global aid – its potential to advance social justice on a global scale and underwrite the provision of basic social security for all in an era of globalisation.

Social security and inter country transfers in the interests of human security and development are a standard part of the social and economic\architecture of most developed countries. Large-scale, cross-border transfers were possible 60 years ago under the Marshall Plan and have been a fundamental plank of the European Union. But the globalised economy currently has no provision or mechanism to provide social welfare and protect the poorest.

Now, large scale international transfers between richer and poorer countries need to be built into the global architecture.

Basic social security is effective in reducing poverty now and enabling inclusive growth and development.

Basic social security is affordable – and not just in comparison with the $2 trillion a day traded on the financial markets, or the $984b spent on military security in 2002. The acid test is that governments of poor countries are already choosing to spend public funds on basic social assistance and noting its effectiveness as a weapon to fight poverty. Very basic social assistance could probably be financed with around 2% of Low Income Country GNI – between $13b and $26b a year – well within the ambit of 0.7% of donor country GNI.

Poverty, security, social justice and development are indivisible.

Aid has a historic role to play in providing long term, reliable resources to fund the global provision of social security. To do so, it needs to break out of its current mindset and leave behind many of its entrenched orthodoxies and procedures.

Aid is a vital public good; an international resource earmarked to poverty reduction; governed by rules which prevent the worst distortions. The quality of aid has improved in the last ten years: its focus on poverty eradication is clearer; government ownership is becoming more of a reality; commercial interests have declined; the MDGs are high profile political targets; there is even a little progress on aid volume. Public and political support for aid has been sustained, based on robust, humanitarian commitment.

But aid is spent in a way that makes the most of its comparative advantages. Aid should be about basic human rights: enabling all people to achieve at least a basic minimum standard of living. Aid must change if it is to fulfil a historic role as the mechanism for ensuring basic social/human security in the face of the forces of globalisation which are creating insecurity and inequality alongside growth and prosperity.

At an international donor seminar on Making Development Work for the Poorest in May 2004, two Ministers explained what they meant when they said that their aid programmes were based on commitment to human rights. Hilary Benn said that when we all signed up to the Millennium Declaration we were signing up to making the right to development a reality for everyone "and we meant everyone". Hilde Frafjord Johnson, then Norwegian Minister for International Development said that human rights and poverty eradication were indivisible and allowed for no exceptions. She said that while millions of people have benefited from the improved income opportunities and education and health services resulting from policies which support both human development and broad based growth, there were none the less large groups of people who would remain excluded from the growth process and improved social services.

1.1 Opportunity is not enough – basic social assistance is essential

The aid community appears to have moved on from polarising choices between social development (caricatured as unproductive) and growth. It has recognised the importance of putting poverty reduction at the centre and as the benchmark of strategies and of investing in basic human development particularly health and education, respecting local ownership and supporting capacity for good governance which creates an enabling environment for development. But that is not enough. Many poorer citizens are not in a position to take up the opportunities that are created by these developments.

Now another step needs to be taken. Spending on poverty alleviation today has to be recognised both as an imperative for meeting minimum standards of human rights, and as an investment in future prosperity. It is both social assistance and social investment.

The lessons from the cash transfer programmes being implemented by developing country governments are clear: there is no trade off between present and future development. Without cash transfers poor families would not be able to take up opportunities to invest in their own human development and would be unable to break out of the vicious cycles of intergenerational poverty.

The same logic applies to countries. Overcoming poverty is the engine for future growth and development. With rates of return on aid expenditure for basic services of 20% – 25%, investment now will both protect the poorest and fuel faster, more inclusive development.

1.2 Aid should focus on its strongest card - money

Aid is first and foremost a financial flow. But a culture – born out of the need to rationalise declining aid budgets - has grown up which values expertise (donors') and policy change (motivated by conditionality) more highly than resources. This results in distortions: the finance needed for development is habitually understated; there is more concern about aid absorption than the self evident disaster caused by inadequate public expenditure on basic services. Currency is given to ideas that suggest reform is an alternative to resources and that changing aid modalities (while essential) will compensate for failure to reach even interim targets on aid volume. A health system which compiles with every reform condition and which is implemented using harmonised donor procedures still won't deliver public health on $ 10 per person a year.

Institutionally, this failure to focus on financial flows has led to a preference for technocratic approaches designed to get a quart out of a pint pot rather than to provide enough funding.

Aid has a vital role – not in levering policy, but in enabling services to reach the poorest people so that they can invest in their own human capital. For all the talk of empowerment, one of the most liberating forces known to humans – cash in hand – has often been considered too risky for aid to finance.

1.3 Poverty eradication needs sustained, reliable, adequate international transfers from richer to poorer countries and people built into the architecture of globalisation.

The MDGs have imparted a sense of urgency into debates about aid. The status quo is a global crisis. Half measures and incremental change are not enough to overcome the scale and depth of global poverty.

One of the orthodoxies that needs to be challenged is the application of the idea of sustainable development. Sustainable development had an honourable beginning in linking poverty and environment, but has since become a mantra: misinterpreted as a legitimate reason for failure to fund anything which could not, within five or ten years, be paid for by people in poverty themselves. This approach, which has justified the failure of donors to commit to long term recurrent costs support, results in millions of people being forced into choices which undermine their future well being and result in sustainable poverty, not sustainable development.

Public budgets in the poorest countries need sustained support to deliver basic services alongside social assistance and social protection programmes – not just for a year or two, but for a generation. Just as within countries and groups of countries such as the EU, the long term responsibility to provide basic social assistance and services is seen as an ongoing and fundamental part of the architecture – not a short term investment, following which people will somehow be able to provide those services for themselves.

Aid needs to finance recurrent expenditure, and not just be predictable but totally reliable. A major step in this direction has been taken with the International Finance Facility (IFF) which will require donors to make legally binding, 15 year commitments.

2 Aid in the era of globalisation

2.1 Rationales and motivations for aid and public and political attitudes

Overseas aid has always been a matter of mixed motives and rationales.

For the public in OECD countries whose taxes provide over $60 billions a year in assistance, aid is overwhelmingly seen in moral and humanitarian terms. Polls generally reflect a high level of support for the principle of giving aid – and they show that the public wants aid to be spent on basic needs (health, education, water) – and to be spent wherever the need is greatest.

Though politicians often present aid as a matter of both altruism and self interest, evidence from Canada suggests that people do not look for any payback – they just want to help. Despite many media stories questioning aid effectiveness, and the fact that some politicians and governments in OECD countries over the last 2 decades have been, at best, lukewarm on aid, public support as measured by polls and voluntary giving, has remained fairly steady. This, along with voluntary giving, suggests that aid is underpinned by a robust streak of humanitarianism and sense of social justice.

Political support for aid is a more mixed picture. The development of the current system of overseas aid over the last half century represents a complex mix of altruism, enlightened self interest, and pure calculation.

At one level, from the personal commitment of individual politicians to the statements of intent enshrined in numerous high level statements, only the most sceptical observer would suggest that altruism plays no part in international development cooperation. A more balanced view, and one backed by careful analysis of its origins, suggests that despite many flaws, the international aid regime does represent one of the few examples of 'moral vision in international politics' (Lumsdaine, 1993).

But alongside whatever moral value an observer chooses to believe is present in aid, there are many other rationales, some of which are explored briefly in box one below.

<u>Box 1: Rationales for aid</u>

Aid programmes are often a combination of different rationales and expressions of different parts of the national interest – sometimes narrow self interest but sometimes about shared human security. Broadly speaking, the more political rationales – and those associated with official aid - are higher on the list, whereas public and NGO rationales are lower down. But of course NGOs have their interests and many government aid departments are staffed by people strongly committed to justice and poverty reduction.

- Cold war geopolitics
- Post colonial links
- Export promotion
- Enlightened self interest ('poverty anywhere constitutes a danger to prosperity anywhere') [1]
- Global security (from human security to latterly the 'war on terror')
- Addressing basic needs Altruism
- Poverty eradication
- Humanitarian
- Solidarity

As the aid endeavour got into its stride during the 1950s and 1960s, several donors were decolonising, and part of the rationale for aid was to facilitate independence whilst preserving aspects of earlier relationships.

But whilst the practice of international aid has always fallen short of the ideal, the basic principles underlying ODA – the need for international cooperation and some resource transfers to reduce poverty and promote a degree of equity and stability – are more important than they were more than half a century ago, when Roosevelt linked 'freedom from want' with 'freedom from fear' in his call for a stable world order brought about by cooperation.[1]

2.2 <u>The contribution of aid</u>

Since the middle of the 20th Century, the global aid system has, despite its flaws, made a major contribution to both human well-being and international cooperation. Humanitarian interventions have saved millions of lives, aid investments have helped to boost food output (green revolution), have promoted participation and democratic governance, have improved the lives of women and helped ensure that millions of children are educated, properly nourished and safe from many simple diseases.

These are impressive achievements – the more so because the amount of aid money per capita routinely available in developing countries is very small – just over $37 per person per year in Mali and Burkina Faso, under $19 in Ethiopia, just $6.3 in Bangladesh.[2] But with more than one billion people still in poverty, and aid agencies struggling to keep on track in pursuit of the Millennium Development Goals, it is important to look afresh – both at aid as it is, and as *aid as it could be*, (see Box 2 as a key component in efforts to ensure shared human well-being and security in a globalised world.)

Three major themes must be brought together in mapping out the future of aid. The first is the impact of **globalisation**. The second is overwhelming evidence that **poverty reduction and security** are two sides of the same coin[6]. The third is that a substantially enhanced role for aid in promoting global human security, does not involve untested ideas and mechanisms – only the **application of existing principles and practice** to the global economic and social order.

Box 2: From self doubt to *aid as it could be*

The theme of *aid as it could be* needs a few words of explanation. Through much of the 1980s and 1990s, aid was under attack, financially by governments trying to reduce spending, and intellectually from those who misperceived aid as being about handouts. As a consequence, the aid community became preoccupied with mechanisms to demonstrate its impact – evaluations, logical frameworks, feedback loops. All of these are useful tools when used in conjunction with, not as a substitute for, self confident judgment. But all too often, the latter element has been missing.

The aid community during the 1980s and 1990s often seems to have taken the line that 'unless we can prove beyond reasonable doubt that aid works – maybe it doesn't'. This is not a standard of scrutiny applied to many other areas of government activity – including military spending.

In 2002 US Defense Secretary Donald Rumsfeld told CBS News that "According to some estimates we cannot track $2.3 trillion in transactions." [3] In 2003 the BBC reported that UK Ministry of Defence accounts revealed spending of £118 millions on a computerised inventory system that was scrapped before going into operation and spending of £77 millions on radar for the Navy's Sea Harrier jet, which was then taken out of service. [4] Bilateral military spending levels outstrip aid spending in all but one OECD donor country – even though spending on military projects is often based more on belief and ideology than evidence. In June 2004 for example, the US Congress rejected Senator Barbara Boxer's 'fly before you buy' amendment, which would have delayed deployment of the US National Missile Defense system until after it had been operationally tested. Deployment was budgeted to at $3.7 billion of NMD's $10.2 billion budget for 2005. [5]

Since 2000, the essential role of aid in addressing the MDGs has been recognized. There is a growing recognition that aid can deal with problems beyond the capacity of markets. The vital role of aid in humanitarian crises and reconstruction is widely acknowledged. With the decline in spending reversed, it is time to map out a major proactive role for aid: investing in broad human security.

2.3 The role of aid in a globalised world

Globalisation of trade, employment, finance, and the media, cheap travel, migration have increased the linkages between people and reduced the significance of national boundaries.

Along with many opportunities, globalisation has presented challenges which cannot be resolved by governments acting alone. Environmental problems, trafficking of drugs, conflict, disputes and instability can no longer be confined within national borders: these are issues beyond the scope of single governments and national budgets.

Every day, two million people cross international borders. This necessitates a global approach to public health. Influenza and tuberculosis can easily be spread in crowded airport lounges, or by passengers after their return home. In 1992, poliovirus was imported into Canada by people travelling from Western Europe. [7]

The facts of globalisation may already have changed the food people eat, the countries their families live in and the jobs they do, but mindset/psychological reflexes and structures are slow to catch up.

Consumers may be happy to purchase apples from Africa or trainers from Asia rather than more expensive locally produced equivalents. But in shifting the work from countries where there is a degree of social security to countries where there may be none, the burden of risk may be shifted to people who have few safety nets to fall back on. The trade system which enables people to be global consumers - buying from wherever in the world they please – is not matched by global protection for the workers who are affected by consumer choice. The World Trade Organisation (WTO) provides the framework for the trade side of the equation, but there is no commensurate system for the social side. As Pascal Lamy, former EU Trade Commissioner said, we need other organisations like the World Health Organisation, the International Labour Organisation or environmental organisations to regulate globalisation, if we are not to "create an impression that because the WTO system is strong, trade rules trump environment, or health or basic social standards". President Lula of Brazil called for the establishment of an Economic and Social Security Council at the UN in 2004 – to bring about a fair and just economic order. The EU NGO consortium Concord point out that the multilateral trading system can only work for people if trade rights are not allowed to impinge on fundamental social rights. A stronger mechanism of global governance is needed to create equilibrium between trade, environment, social development, public health and human rights.

At a political level, views of budgeting and sustainability are narrow. Governments are conditioned to think of expenditure and planning within national borders. Sustainability is interpreted in terms of simple cost recovery in the short term. Aid donors generally shy away from supporting recurrent costs. Administrative and accounting procedures based on a 19th century world of nation states, mean that approaches cannot cope with 21st century realities.

2.4 <u>Poverty reduction and security and growth</u>

That poverty reduction and global security are inextricably linked is not a new idea. Arguments are often made about the links between social justice, peace and prosperity. Recently those calls have had a new resonance and the time is right to see aid, not just as having a generalised role in fighting poverty, but a very specific one in underwriting basic human and social security.

In the midst of the Second World War, the Inter-Allied Council in London agreed the aim of cooperation for 'economic and social security' as well as safety from aggression as the 'only true basis for enduring peace'. The Atlantic Charter signed by Roosevelt and Churchill in 1942, aimed to secure 'economic advancement and social security for all' and the peace which would 'afford assurance that men in all lands may live out their lives in freedom from fear and want.' (Lumsdaine, 1993).

Much more recently, Chancellor Schroeder of Germany rehearsed the same theme: 'Today security is less than ever to be achieved by military means, and certainly not by military means alone…. (In) a world in which everyone has moved closer together we will not achieve security if we allow the fermenting of injustice, oppression and underdevelopment'. [8]

Another leading G8 politician, UK Chancellor Gordon Brown similarly makes the explicit linkage between security used in the social and economic sense of human well-being and in the sense of security from conflict.

'Since the tragic events of September 11th we have recognised a profound and pervasive truth: that what happens to the poorest citizen in the poorest country can directly affect the richest citizen in the richest country and as individuals and nations we are dependent upon each other for our security and prosperity. [9]

But Chancellor Brown goes further, underlining the need to move from the responsive use of assistance, to the systematic promotion of global human security.

‘National safety and global reconstruction are inextricably linked. …. we see the need for a new economic leadership - a comprehensive plan that goes beyond temporary relief to wholesale economic and social development’.

This clear identity of interest between the richest and poorest individuals in the world, and the call for action based on a concept of security and prosperity beyond national boundaries, represents a major opportunity for bolder thinking by aid agencies. The MDG strategy may halve world poverty by 2015, but if the right to social security is not made a reality, there will always be people living in destitution, either because they cannot respond fast enough to changing economic circumstances, or because they do not have the assets and capabilities to provide themselves with an acceptable standard of living. To pretend that the world is full of people who can be entrepreneurs from cradle to grave is delusional: it overlooks those who are old, excluded, disabled, disadvantaged by birth. It imagines that everyone is in control of their environment. Global human security requires basic social justice. Basic social security is a building block for social justice. Why? Firstly, because extreme poverty is regarded as an affront. Second, because in the context of the increased inequality caused by globalisation, the least that should be done is to secure people from extreme want and premature death. Third, it contributes to global human security because it builds solidarity both nationally and, potentially, internationally. Finally, because it will contribute to overall growth and development and poverty reduction as a whole.

Most developed countries already have well developed social security and social investment systems – and many developing countries have modest provision. But in global economy/unstable world, need for social security and investment to be extended to all. Aid agencies already at the forefront of efforts to address poverty (working with governments) and ensure that basic rights are extended – also involved in promoting active citizenship and accountability for the delivery of basic services. But aid agencies could do much more if they were to shift from the mode of donorship to promote, partner and underwrite the development of developing country capacity to ensure that social security and social investment are available to all. One of the benefits of this approach, is that it would not have to be an alternative to the other goals; it would enhance progress on equity and pro-poor growth, governance and social cohesion, coherence and transaction costs and – most important of all – poverty reduction.

2.5 <u>Applying existing principles and practice to a global economic and social order</u>

Article 22 of the UN Universal Declaration of Human Rights states that “Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State…”

Few people would argue that the application of human rights, such as the right to life, and freedom from torture or slavery, should vary across national borders.

So in principle, other internationally accepted rights, including the right to social security and an adequate standard of living, both enshrined in the UN Convention on Economic, Social and Cultural Rights, should be fulfilled, regardless of where a person lives.

If the idea of a right to social security for all, in the interests of all, is to become a reality, then attitudes to financial transfers, conceptions of society and aid procedures, will need to change. But what is clear – as subsequent sections of this paper show – is that the principles and mechanisms already exist; what is needed is for them to be applied more widely.

3 Social welfare, social investment and the role of Aid

3.1 Social security and social investment

The need to move beyond a piecemeal and reactive approach to security and well-being in a global context, echoes progressive calls for a more proactive and positive strategy to address social issues within some developed countries.

When Great Britain established its welfare state following the Beveridge Report in 1942, the emphasis was on ending 'want, disease, ignorance, squalor and idleness'. To its cost, the welfare state in Britain came to be seen by the 1980s, as a defence against the negative – as a handout or at best a safety net - rather than an investment. But more recently, 'Third Way' thinkers have articulated the case for a shift in approach, from a 'welfare state' to a 'social investment state' in a positive welfare society (Giddens, 2003, pg.17)

Risk taking is an essential element in an entrepreneurial society. But poor people are often reluctant to take risks because they have so little to fall back on - no savings, no welfare system. The positive case for the universal provision of social assistance is that it makes it possible for many more people to take the risks that may help them to become more productive and self reliant. To paraphrase Giddens (2003, pg17), rather than thinking of global social welfare we should think of global social investment. The point here is to see global social assistance not negatively, simply as a defence against poverty and disease (as Beveridge Report did), but as a positive investment in wellbeing and growth.

Social assistance makes people less poor now and in the future. It reaches the poorest, protects the vulnerable and safeguards their rights. It is a current investment in productivity and growth – removing barriers to risk taking. It is a long term investment in human capital which prevents poverty from reproducing itself.

3.2 Aid as a unique resource – How well does it play to its comparative advantage?

Overseas aid is a unique resource – the only international resource specifically earmarked for tackling poverty and protected by international rules that limits its misuse or re-direction.

Compared to almost $1.5 trillion this is traded daily on world foreign exchanges,[10] aid represents a modest flow of funds, less than $70 billions a year. But a large number of expectations are placed on what these funds can achieve. Leaving aside the things that aid is not meant to be doing (winning markets, oiling the diplomatic wheels), aid is expected to make a substantial contribution to the following:

- Poverty reduction – and particularly the achievement of the MDGs
- Basic education and public health
- Long term development, including infrastructure such as roads, water supply and sanitation
- Contributing to improved governance (promoting participation, decentralization and accountability)
- Building capacity for integration into the world economy
- Providing emergency response to humanitarian crises
- Increasing disaster preparedness
- Rehabilitation and reconstruction
- Conflict prevention and nation building
- Contribution to global security (in the sense of human security as well as tackling the underlying causes of instability)

All this, with aid per capita of less than $20 a year in least developed countries (UNDP, 2004).

There is no doubt that aid is not adequate to meet the needs outlined in the MDGs (See Box below) and the failure of aid governance to ensure that donors meet their commitments and provide predictable long term finance, undermines the effectiveness of the international aid regime.

The Zedillo report, prepared for the World Summit on Financing for Development, estimated the increased aid resources need to achieve the MDGs at 50b.

This is almost certainly an underestimate and a more realistic figure for the annual additional aid resources is between $66b a year and $88b a year.

Box Three: The Costs of meeting the MDGs

Target	Zedillo Estimate $ Billions	Revision to Zedillo Estimate (lower range) $ Billions Source World Bank	Revision to Zedillo Estimate (higher range) $ billions
Halving poverty and hunger	20	20	20
Halving the population without access to safe drinking water	0	5	20
Achieving universal primary education	9	6	6
Achieve gender equality in primary education	3	3	3
Achieve a three fourths decline in maternal mortality	No Estimate	20	25
Achieve a two third decline in under five mortality	No estimate		
Halting and reversing HIV/AIDS	7-10	7	10
Providing special assistance to AIDS orphans	No estimate		
Improving the lives of 100 m slum dwellers	4	4	4
TOTAL ADDITIONAL RESOURCES	50 (Individual estimates total 42b, rounded up to $50b)	65	88

A substantial literature exists on the effectiveness of aid, a broad enough literature to enable both opponents and supporters of aid to find the evidence they need to support their standpoint. Where the objectives of aid interventions are complex and aid funds are being used alongside other resources – for example where aid is being pooled in a fund to promote government-owned poverty reduction strategies - identifying the particular contribution of aid is always going to be difficult. In other cases, (especially delivering basic needs) identifying impact on people's daily well-being – if not proving that they can be sustainably lifted out of poverty – is easier. But overall, the weight of opinion and evidence suggests that:

- Aid works best in good policy environments
- Aid can get to places markets can't
- Aid can work where bilateral and governments can't

The 2002 Least Developed Countries Report summarised recent contributions to the debate on aid effectiveness, concluding that 'The central policy issue is not whether aid works but how to make it more effective' (UNCTAD, 2002).

But aid is about more than money. For the public and for many politicians, aid and cooperation are an expression, albeit not very articulate, of justice and solidarity. [11]

Many examples from recent history show the close relationship between extending social support and building a society and a sense of identity. So if a desirable part of globalisation is developing peoples' sense of being global citizens – or developing an understanding of shared rights, responsibilities and security in an interconnected world, extending and aid social assistance is an important part of this process.

4 Aid compared to other support and transfer systems

4.1 <u>The development of social insurance in Europe and North America</u>

Although underlying attitudes to the provision of welfare vary greatly, no modern developed society exists without substantial state provision of social security (Barr, 2004). On average, European countries spent 25% GDP on social security in 1990 while North America spent 1%. In some cases it is an integral part of the institutions of the state and economy; in others it is residual – it comes into play when everything else breaks down.

All economists agree that some basic social welfare is necessary and many argue that it is part of an efficient modern economy – that it not only contributes to equity but also to efficiency. Even economists who are wholly committed to a market model and political scientists who resist all interference by the state accept the need for poverty relief for people who are lifetime poor or at risk of destitution. Even in a make-believe world of certainty and competitive markets, basic welfare provision would still be necessary (Barr, 2004, pg11).

Welfare regimes in developed countries have different objectives – but concerns about efficiency, equity and administrative feasibility are common to all of them. There are three components that affect policies to support living standards:

- Poverty relief – preventing all individuals and households from falling below a minimum standard of living
- Insurance – against an unexpected or unacceptably large drop in living standards
- Consumption smoothing – enabling people to reallocate their consumption over a lifetime.

Social provision has a long history and follows an interesting pattern. It typically develops from community to national levels and from piecemeal and ad hoc relief to a system which contributes to national efficiency and has society-wide benefits. Two strong threads running through the history of social provision are concern that 'easy money' should not be available to the undeserving poor, but also that those unable to support themselves should be provided for with dignity.

4.1.1 A chronology of social security in OECD countries[12]

The first Poor Law legislation in Britain took place in 1388. In 1576 legislation required parishes to assume responsibility for their poor: paupers, not able to work, should be cared for, and the able-bodied should be given work. By the eighteenth century, food shortages and poverty had spread from the unemployed to the employed and various local initiatives were started to supplement wages which came under forceful attack on the grounds of moral degeneracy (Bentham), excessive population growth (Malthus) and the lowering effect on wages, leading to worse poverty (Ricardo). It was in this context that the Poor Law Amendment Act was passed. Even in this environment of relative hostility to social security, public provision for orphans, the blind and the disabled was promoted and relief for the able-bodied and their dependents was provided for – but in a way that left the recipient worse off than the employed and which incorporated strong disincentives to seek relief – disincentives which were multiplied in the way that the law was applied.

While the earlier forces driving legislation were fears of social disorder and labour shortages, by the end of the 19th century, efficiency and interdependence were more prominent. Social investments in education were promoted because they made labour more productive and contributed to national economic performance. Poor public health resulted in cholera epidemics affecting the whole population, not just the poor, and led to the establishment of duties on local authorities to improve water and sanitation.

In 1908 the Old Age Pension Act introduced a non-contributory pension of UK£0.25 for people over 70 with incomes of less than £31 year who had never previously received poor relief. This was "a new principle in social policy. Hitherto relief had been provided from <u>local</u> funds and only after a test of destitution. Now…payments were to be made, as a matter of right, from <u>national</u> funds…within strict limits of age and means, but with no test of actual destitution". In 1925 the Widows Orphans and Age Contributory Pensions Action introduced the first scheme of national contributory pensions.

Elsewhere there were similar developments. In the 1880s in Germany a broad system of social insurance was set up with compulsory contributions and guaranteed benefits – the objective of this was consumption smoothing, rather than poverty relief. In 1898 New Zealand introduced non-contributory pensions – which it still has today. By 1908 Denmark, Ireland, Austria, Czechoslovakia and Australia had social legislation of some sort.

The Beveridge Report in 1942 which led to the UK National Insurance Act of 1946 was a holistic strategy based on three assumptions: family allowances, comprehensive health care and full employment. Social insurance would be universal, based on a flat rate compulsory contribution, resulting in flat rate pensions, unemployment and disability benefits with additional benefits for maternity, widows and orphans. Flat rates were replaced by earnings related contributions and earnings related pensions in 1975.

The National Insurance Act was complemented by the National Assistance Act of 1948 which established a safety net for people not in full time work whose income fell below subsistence level.

The pattern in the USA has similarities with European systems, but started much later. Up until 1935 "it was accepted that, except in times of disaster, no able bodied person need be without work. Public assistance was regarded as charity, and its receipt generally carried a stigma". What provision existed was local, regional or private – there was no federal system, except for federal employees and ad hoc disaster relief. After crash of 1929, local authorities found themselves unable to meet the costs of relief, making "federal participation inevitable".

In 1935 the Social Security Act established two major insurance schemes and three forms of assistance to support state social security systems. These were contribution-based old age benefits, federal assistance to States for the unemployed, Old Age Assistance in the form of means tested cash payments. By 1940 51 jurisdictions offered Old Age Assistance, 43 were delivering federal aid to the blind and 42 were providing aid to dependent children (those deprived of parental support or case by reason of death, continued absence from home or physical incapacity of the parent).

The 1930 Amendment to the Act stressed its welfare objectives and increased eligibility to dependents of aged recipients, widows and children of workers and benefits were tied to average earnings, not just contributions. Assistance measures applied only to children, older people and blind people – the only groups of people who, it was felt, should ever require assistance.

This chronology reveals a pattern: from local provision based on extreme need for those who are not able bodied, to supplementary systems for those who are employed, to social investment in health and education for the national good but largely locally financed, to national social insurance.

The responsibility for provision moves over time from very local to regional to national levels; discretionary provision, often excluding the able bodied, becomes a system of entitlements based on contributions and/or citizenship; fragmented, specific benefits become part of an integrated system incorporating children, pensions, unemployment and health and funded by progressive taxation.

4.1.2 What forces have shaped the development of social security systems in industrialised countries?

- Awareness of poverty and increased solidarity: it is argued that the Second World War accelerated progress towards the welfare state. It increased national solidarity in the face of the common enemy, raised awareness of social problems and reduced social distinctions.

- Concern about social unrest/wish to resist demands for more radical proposals; Germany in 19th century, USA in 1930s

- Proactive approaches to public attitudes: in the USA the Social Security Act (and the federal support to States to deliver social assistance) brought about public acceptance of income support as a permanent institution with some consistency across States and Truman introduced a public education programme to garner support to the Marshall Plan

- National efficiency: New Zealand is reported to have introduced its pension in 1908 partly for reasons of national efficiency, and to weed out inefficient labour

- Industrialisation, decreasing household size, labour mobility all led to need for provision.

- Concern about disincentive effects: will benefits deter people from working and saving? Beveridge argued that main benefits should be above the poverty line (to avoid the need for means testing) – but only just (to ensure unemployment was genuine). Rules governing unemployment benefits have been changed to minimise disincentive effects and the importance of work as "the best form of welfare" or "workfare" have had an increasing influence on policy – in contrast to the role of the state in providing full employment (for instance under the US 1946 Full Employment Act which imposed on the Federal Government the responsibility for maintaining full employment).

- Other benefits – pensions, disability allowances and child benefits - have been driven by different forces. Much has been about the method – the extent to which provision should be private or state funded; what linkage should be made to prices or earnings; what age pensions should start – rather than the objective of provision for security in old age and for disability. It is interesting that the fundamental review of income transfers in 1985 under Margaret Thatcher set out to privatize all pensions EXCEPT the basic pension.

- Concerns about costs and demographics. The generations reaching their older age now, will probably be the largest in proportion to the rest of the population ever and the questions of who should bear the burden of provision in old age are high on the agenda of most developed economies. However, it is the method that is questioned, rather than the need to ensure that older people are provided for. The questions are about how much should be underwritten by the state and how much the responsibilities of the individual through private schemes and how incentives to save can be married with secure minimum levels of state provision.

- Concern about inflexibility: once started on a path of social security it is hard to turn back. For instance the 1935 Social Security Act in the USA concentrated on old age insurance, survivor benefits were added in 1939, disablement benefits in 1956, health benefits for old and poor people in 1965 - to the point where virtually all workers and their families were covered (Barr, 2004).

4.2 What are developing countries doing now to deliver social security?

More than half of the world's population currently lives without any type of social security protection. Levels of GDP devoted to social security in 1990 averaged just 6.4% across Asia and 4.3% across Africa (ILO, 2001). However, there are in fact many initiatives to deliver social security – some on a small scale but others which are national. The history of every country's social security system - developed or developing - has been incremental: starting with narrow, closely defined groups which have drawn political attention – veterans or widows for instance – and gradually developing into universal systems.

4.2.1 Cash Transfer Schemes

The World Bank defines cash transfers as "the provision of assistance in the form of cash to the poor or to those who face a probable risk, in the absence of the transfer, of falling into poverty." In Southern Zambia, a social cash transfer scheme is being piloted in a model developed by the Zambian Ministry of Social Affairs with funding support from the German Development Agency GTZ. This provides the 12,000 poorest families in two districts with a regular basic income of US $6 per month per household. This amount is equivalent to the price of a 50kg bag of maize, which would enable families to have an extra meal a day. The village community decides through an open, transparent process which families should benefit from the scheme (Schubert, 2005). Scaling up the project to the rest of Zambia would involve reaching 200,000 households in extreme poverty and would cost about $20m a year – 6% of current ODA to Zambia (Wolter, 2004, p19). Mozambique also has a cash transfer scheme, targeting around 70,000 urban households headed by older, ill or disabled people. It costs around $6m a year. The results of the Zambia pilot confirm other experience that even a tiny transfer can have a significant impact provided that it is reliable.

4.2.2 Pensions

Five countries in sub Saharan Africa have large Scale Social Pension Schemes: Botswana, Mauritius, Namibia, Senegal and South Africa. In Namibia, the regularity and reliability of social pension income make it an important source of informal support at times of crisis, notably in drought years, when calls on pensioners from relatives and friends for assistance with food purchases intensify (Devereux, 2001). Credit can also be obtained, based on the reliable collateral of the transfer and small businesses have been established which rely on the business generated by the pensions. South Africa also has child support grants. Both transfers have a major effect on poverty and according to Case and Deacon (1996), poverty headcounts would be 5% higher. In Latin America, Bolivia has a universal, non-contributory cash transfer programme to all citizens over 65. Argentina, Brazil, Chile, Costa Rica, Mexico and Uruguay all have tax financed pensions for the poorest older people.

Asia also has a strong provision of pensions. Sri Lanka introduced a means tested pension in 1939 which reaches around 10% of people over 65. The Government of India introduced a national social assistance programme in 1995-6 which included means tested pensions. It aims to ensure that social protection is uniformly available through the country in additional provision by States – the programme is cash limited but rice is provided for people who are eligible but cannot receive the pensions because of cash limits. The Indian states of Kerala and Uttar Pradesh have had state pensions for over 40 years. Kerala's social assistance is available to around half of the workers in the informal sector (Cornia and Reddy, 1996). In Tamil Nadu the programme includes social pensions for old age, agricultural labourers, widows, physically handicapped people and survivors, maternity benefits and accident relief. About 17% of poor households are covered and evaluation indicates that it is well targeted, with low overheads and no problems of moral hazard.[13]

Bangladesh introduced a pension in 1997-8 for extremely poor, rural people aged over 57. The aim is to reach 1 million older people. Nepal has a universal pension for people over 75 which, along with the Widows Assistance Programme, covers more than 400,000 people (Gorman, 2004).

In 1995 the Vietnamese government introduced Vietnam Social Security which helps to maintain people's living standard and prevent them descending in poverty in old age or through illness. Starting in formal sector, the Vietnamese government has now set the goal that half of the population will be covered by this social protection system in 2006.

4.2.3 Social Health Insurance

Increasingly, developing countries are implementing social health insurance programmes. The Philippines, Guinea, Senegal, Kenya Chile and Indonesia all have social health insurance programmes.[14] Kenya is developing a comprehensive, universal social health insurance programme which will ensure that the entire population receives a basic health care package which will include clinic based prevention services such as immunizations for every child prevention of mother-to-child HIV infection, prevention of malaria in pregnancy, treatment for common diseases like malaria, diarrhoea and acute respiratory infections

(Kolterman, 2994). Contributions for the poor will be subsidized by the government using 5% value added tax revenues.

4.2.4 Employment Generation Schemes

Employment generation schemes in developing countries have sought to tackle some of the problems of high unemployment. Among public works programmes, one of the longest established schemes is the Maharastra Employment Guarantee Scheme (MEGS) set up in 1972. In its first year of operation is created enough employment for five million people to work full time for a year and even though the wages were very small, the contribution of the scheme to village income was reported to be enormous. It also accounted for 10% of State development expenditure (Cornia and Reddy, 1996).

Chile's Minimum Employment programme in the mid seventies covered 13% of the labour force and 40% of the jobless at its height in the 1980s and "appears to have played an important role in family survival, despite the low value of the subsidy they provided" at a cost of 1.4% of GNP (Cornia and Reddy, 1996).

Botswana's government responded to emergencies by providing supplementary feeding and a Labour Based Relief Programme which, at its peak provided 74000 work places and replaced 35% of the income lost by households. The cost was around 2% of GNP (Cornia and Reddy, 1996).

4.2.5 Conditional Cash Transfer Schemes

In comparison to the cash transfer schemes mentioned above, conditional cash transfer schemes make cash payments to poor people with certain conditions placed upon recipients. In Latin America both Brazil and Mexico are introducing sweeping reforms of their cash transfer programmes. The Bolsa Familia Programme will make conditional cash transfers of between $17 and $33 a month to families whose monthly per capita income is less than $33 – the exact amount will vary with levels of poverty, household size and composition. The average family transfer is expected to be around $24 a month. It sought to reach 3.6m families by the end of 2003 and 11.4m by 2006.

One of the most interesting things about the Bolsa Familia programme is the way that it integrates social investment and social assistance. Its aims are;

- "Reducing poverty today through a direct monetary transfer to poor families

AND

- Reducing poverty tomorrow by providing incentives and conditions for investments in human capital on behalf of beneficiary families".

This combination has key lessons for the role of aid. It recognises the importance of broad investments in human development (health education etc) and the need for transfers if the poor are going to be able to benefit. The transfers are thus conditional on families complying with human development conditions (such as sending their children to school) and the programme itself reports that the key to effectiveness is institutional coordination. "One the one hand the provision of quality health and education services is clearly a crucial requirement for conditional transfers to work; as such, efforts should be made simultaneously to investment in such services. On the other hand, even if health and education services were universally available, Cash transfers would be needed to help alleviate common demand side constraints (direct and indirect costs) that prevent poor households for using those services."

In Mexico, the Oportunidades Programme – formerly Progresa – also focuses on a combination of poverty alleviation and social investment. There is no trade off between present and future development; the programme alleviates poverty now and enables families – and therefore society as a whole – to break out from the vicious cycles of intergenerational transmission of poverty. In practical terms, it means that families no longer take children out of school to work as Oportunidades provides parents with the equivalent income providing that the children go to school instead. It helps poor families invest in human capital, in particular improving the health, education and nutrition of their children and thus contribution to the future prosperity of the country as a whole and alleviating current poverty.

Over 4 million families benefit from the programme which accounts for nearly half of the federal anti poverty budget. Oportunidades has also been the subject of external, independent evaluation. This has found positive impacts in school enrolment, health clinic attendance and nutrition. In education secondary school attendance showed the largest impact with an increase of over 20% for girls and 10% for boys. Children benefiting from Oportunidades have a 12% lower incidence of illness than non-Oportunidades children and the data also suggest that it has had a large impact on increasing child growth and reducing stunting. "Behrman and Hoddinott (2000) report an impact of Oportunidades equivalent to an increase of 16% in mean growth rate per year (corresponding to 1cm) for children who received treatment between 12 and 36 months."

The evaluation also found that the conditional cash transfer programme is feasible on a very large scale, even within poor isolated areas with few services.

What characterises all these interventions is that they are not a residual activity, designed to compensate for collateral damage caused by other economic policies. They are an integral part of the state apparatus to address poverty today and increase prosperity tomorrow. They should not be confused with social funds set up in the 1980s and 1990s as safety nets to mitigate the effects of adjustment. Those social funds – in contrast to many of the programmes noted above – were overwhelmingly donor financed, short term mechanisms to finance subprojects with both a social rationale of cushioning the poor from some of the effects of adjustment and the political rationale of making macro economic change more palatable.

However, evaluations suggest that these social funds have not been able to "offset the disequalizing (sic) impact of crises and policy reform. They may have also inadvertently diverted the attention of policy makers from the need to strengthen permanent social security systems, both as a means of dealing with endemic deprivation and as a means of contending with the sharp social costs imposed by adjustment." (Cornia and Reddy, 1996).

4.3 Global transfers: The Marshall Plan

Perhaps the best known and most often quoted example of large scale international transfers to promote reconstruction and development was the post second world war European Recovery Plan, otherwise known as the Marshall Plan.[15]

Between 1948 and 1951 the United States provided over $12.5 billion in aid to 16 European countries under the plan. This represented about 1% of North American GDP. In present day terms, the Marshall plan was the equivalent of around $75 billion a year – roughly 5 times the 2003 level of US development assistance, and more than total aid from all OECD countries in 2003.[16]

On average, the aid made up about 2.5 percent of the national incomes of the recipient countries over the four years. Analysis of shipments provided under the plan shows that 32%

was food, fertilisers, and animal feed, with raw materials and semi-finished products representing 48.3% of shipments, with just 14.3% being investment items such as machinery and vehicles (Kostrzewa et al, 1990). [17]

Assessing the impact of the Marshall plan on Europe, like assessing the impact of any aid, is very complicated, and judgements vary. Some analysts argue that in the short term, Marshall assistance does not seem to have been correlated with economic progress – and that it allowed countries to live beyond their means. The UK experienced the slowest growth amongst recipients, though it received most aid.[18] Others suggest that in the short term, Marshall aid may have been only a 'qualified success'. But most observers agree that in the long term, the Plan 'helped to underpin economic and political recovery in Europe' (McCormick, 2002), and contributed to the laying of firm foundations for economic development.[19]

The Marshall Plan was devised 'not as an act of charity but as a frank recognition that like peace, prosperity was indivisible and that to achieve this goal would require new public purpose and international cooperation on a massive scale.' [20] Like aid strategies today, the plan not only had developmental objectives of combating 'hunger, poverty, desperation and chaos', but also political and governance objectives, including the creation of a western European federation.

In July 1947, one month after the plan was announced, a poll showed that 51% of Americans had not heard of the Marshall Plan – and a Gallup Poll showed only 13% of the public supported the idea. So the Truman government launched a major public awareness campaign to build support for aid to Europe, resulting in widespread public support. [21]

It is worth noting that in the case of Marshall aid, European countries themselves in the form of the Paris based Committee of European Economic Cooperation (CEEC) which by April 1948 became the Organization for European Economic Cooperation (OEEC), were substantially responsible for identifying what was needed and for managing the implementation of the assistance. The OEEC became the OECD, and having managed aid to Europe, took on the role of monitoring development cooperation as European countries moved from being aid recipients to aid donors.

4.4 <u>The European Union: redistribution and social transfers across national borders</u>

Right from the outset, financial transfers from richer to poorer countries have been a major element in the development of the European Union. These transfers can be seen as falling into 3 major categories: transfers between countries who are already members; transfers to countries who will shortly join, to help them prepare for accession; transfers to other developing countries.

There are several reasons why the EU engages in this substantial and long term redistributive action:

- Building a common market is seen as being in the economic interests of all. But it is accepted within the EU that 'effective economic integration demands a reduction in the social differences among Europeans'. (McCormick, 2002, pg.156).

- The architects of the EU have wanted the EU to be clearly seen to have a social, and not just an economic dimension. So the 1957 Treaty of Rome, which founded the European Community, provided for a community social policy alongside the development of the common market.

- Important to building the EU as a political entity has been the idea of promoting cohesion – building the idea of a European society within which people can move freely and with a European identity. Substantial inequalities are seen as an obstacle to this objective, so EU regional policy is quite explicit about redistributing wealth across the national borders of member states.

Over the years, through agreements such as the Single European Act (SEA) with its chapter V on Economic and Social Cohesion, and the establishment of the Social Charter, the EU has taken a series of steps to reduce inequalities between member states and promote better standards of living for Europe's poorer regions.

Objective 1 spending assists regions whose development lags behind the EU average - where per capita GDP is less than 75% of EU average. These regions not only include less populated areas such as parts of Finland, but also overseas territories such as French Polynesia, New Caledonia and Aruba.[22] Almost all regions in the new EU member states will be eligible for Objective 1 funding.

Objective 2 spending targets regions which are heavily dependent on one source of income such as fishing, or which are affected by poverty, decline or crime.

Objective 3 spending aims to promote human development.

Amongst the specific funds established by the EU to address social disparities are the following:

- The European Social Fund (ESF) was established in 1974 to promote full employment, better living and working conditions and gender equality. The budget for ESF spending between 2000 and 2006 to combat long term unemployment and help workers adapt to economic change was €60 billion for the six year period (McCormick, 2002, pg15).
- The European Regional Development Fund (ERDF), established in 1975, for the benefit of underdeveloped areas and inner cities
- The Cohesion Fund, which assists member states with GDP below 90% of the EU average with areas such as environment and transport.

By 2002, spending on structural funds accounted for over 30% of EC spending. (McCormick 75). Taken together, the EU structural funds were scheduled to spend €210 billion between 2000 and 2006 – a very major investment in international redistribution (McCormick, 2002, pg127).

Developed nations spend a substantial amount of their GDP redistributing to other parts of their population within their boundaries. This ranges from about 15% in the United States to 35% in Northern European countries. It is now being argued that "this notion of redistribution within national boundaries needs to be taken further on a global scale and needs to be part of a system of global governance in which the UN system and its specialized agencies, including the World Bank the and IMF, all have contribute to an integrated system of global redistribution within the context of larger system of global governance. *However, discussion and research on issues related to global redistribution is still in a embryonic stage."* (van der Hoeven, 2000).

4.4.1 EU expansion: redistributing wealth across boundaries

On 1st May 2004 the European Union expanded from 15 to 25 member states with the accession of Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. [23]

This expansion will involve an increase in EU population of almost 100 million – over 20% - but also a drop in average EU GDP per capita since GDP per capita in the accession states ranged from $5,830 to $21,190, compared to a range from $17,440 to $53,780 within existing EU members[24]. When Romania and Bulgaria join the EU, average income per capita will fall to $18,000. Assuming Turkey joins the EU within a decade, GDP per capita would average $15,000.

But if EU experience to date is a guide to the future, the overall effect will be a major boost to overall EU growth and substantial progress by the accession countries towards a gradually rising EU average. A key component of the EU expansion process is a programme of financial assistance – both before and after accession – in other words, a major exercise in aid and redistribution.

The EU's 1999 Berlin summit set out how much the new members could expect to receive after they joined the Union. In the current budget, which covers 2000-06, the EU has earmarked a total of €42.6 billion ($45.96 billion) for new members, of which more than half will be paid out through structural funds.

Poland will be the largest recipient, with an inflow of more than €11 billion, followed by the Czech Republic and Hungary, with €2 billion to €3 billion each. The European Commission expects that in 2004, the new members will receive transfers amounting to only 1 percent of their combined GDP, rising to 1.5 percent by 2006. By comparison, when Greece joined the EU it received 3.6%, and almost 2 percent of GDP went to Portugal and Spain.

These percentages of GDP can translate into big contributions in terms of a nation's investment and public spending. EU regional aid to Portugal and Spain over the last 20 years for example, has financed 5 to 10% of investment and increased the availability of public spending (net of transfers and health and social insurance payments) by 10 to 20 percent. [25]

In per capita terms, the new members will get between €200 (US$215) and €600 (US$645) in 2004-06, compared with the €1,000 to €1,500 per head Greece, Ireland, and Spain received during the last budget period. By comparison, aid per capita from OECD donors to Sub Saharan African countries in 2002 averaged $26.3.[26]

The rationale for this redistribution is that it will bring about economic growth and social cohesion. Certainly, growth in those countries that have joined the EU has been very significant.

4.5 <u>To what extent can the rationale for European Union and Marshall Plan transfers be applied to international transfers to fund social insurance to developing countries?</u>

- Increasingly strong arguments about the linkage between equity, growth and poverty reduction and the positive effects of social insurance on growth
- The micro and meso level economic impact of transfers – people spending their pensions on education, crowding in other good etc
- Solidarity – positive effects and attitudes towards some social transfers, particularly universal ones based on a clear category of entitlement like old age or childhood.
- Extreme and chronic poverty is beyond the scope of opportunity based policies alone; social transfers both enable self reliance and alleviate poverty

So, the rationales for transfers/redistribution and the evidence on the positive effects of social insurance for both growth and social cohesion are similar for the EU and developing countries. Why therefore should the redistribution not be extended beyond the EU to include some developing countries?

The first reason given is often geography.

The EU now stretches **1545 miles (2486 km)** [27] miles from Portugal to Hungary (Lisbon to Budapest) and **1531 miles (2464 km)** from Helsinki to Athens. It is as far from Lisbon to Sofia 28 as from Paris to Dakar in Senegal **2606 miles (4194 km)**. It is as far from Dublin to Sicily as it is from Rome to Khartoum **2168 miles (3489 km)**. So why is it logical for social transfers to be the norm between peoples within the EU regardless of national borders, whilst social transfers across other borders are off the current agenda?

Clearly there are many links within Europe based on shared history and identity. But for many British and French people in the 21st Century, there is as much shared history and identity with people in Bangladesh or Kampala than Latvia or the Slovak Republic. But because of a mindset based on a particular conception (an idea of Europe) resources are allocated in a way that does not reflect particular need, or many peoples' ideas of where priorities should lie.

The second reason is about the degree of come disparity and cost.

Development orthodoxy suggests that developing countries need to integrate with global economy. Evidence from Europe shows that such integration is unlikely whilst there are major disparities: gross differences in pay and conditions are ultimately seen as inconsistent with a 'continuous and balanced expansion' (McCormick, 2002, pg125) of the economic activity which in the long run would promote well-being and security for all. With the expansion of the EU from 15 to 25 members in 2004, the differences in wealth across the region have become more marked. In 2003 Ireland's per capita GDP was $32,410 whilst that of Latvia was $7,730. [29]

In response to these income disparities, net payments from the EU budget to new member states per year will range from just under 0.5% to almost 4% of accession countries GDP over the period 2004 to 2006. Average net receipts for 2004, 2005 and 2006 respectively are 0.87%, 1.49% and 1.62% of GDP. [30] Throughout the 1990s, Portugal, Greece and Ireland received between 1.5% and 3% of GDP from EU Structural and Cohesion Funds.[31].
But in developing countries, with much greater disparity with trading partners, the level of investment on offer is much lower .Total aid to south and central Asian developing countries in 2002 averaged 0.7% of their GNI and aid to developing countries in Sub Saharan Africa averaged 3.7%.

It's clear that the EU has managed to overcome both practical and psychological barriers, so as to extend shared social and economic benefits to 450 million people. If the EU can overcome national borders in order to ensure minimum social standards, given only weak links of identity and geography, there is no reason in principle why it should not regard transfers to aid recipients for social protection and investment in the same light.

As norms on trade, environmental and labour standards are extended beyond national boundaries, to be applied regionally and globally, the case for social welfare standards being applied only within national frontiers becomes increasingly anachronistic. Within the EU, an increasing number of norms are now being extended from 15 to 25 countries and large resource transfers make this possible. The same (now widely accepted) principle of international standard setting and redistribution could underpin a system for global social welfare.

5 What are the costs of basic social security?

The traditional reaction to the idea that poor developing countries could provide some forms of social assistance and security has been that it is an unaffordable luxury and off the agenda – social assistance for the poorest has been seen as something that must wait until countries are better off. This should not be taken at face value.

1. Statements about unaffordability are often based on assumptions about a high cost structure. Social security can be introduced at any level. Historically it starts with benefits for a narrowly defined group of people (veterans over a certain age for instance) and then expands. It does not have to start with high levels of benefit for large groups of people neither does it have to structured in a way that commits governments to ever increasing shares of GNP. This is important since it is often politically difficult for governments to withdraw basic benefits which generate strong public support.

2. Traditionally social assistance has been seen as a cost with no returns, not an investment. But examination of the impact of pensions on education spending, care for orphans, small scale enterprise and family security shows substantial economic and social benefits. Economic impact of transfers at individual, community and national level is positive for productivity and growth. The increased security resulting from investment in social assistance can support broad based growth, not undermine it.

3. A rights based approach, now espoused by most donors, is not consistent with relegating the most vulnerable to the back of the queue. While delivery of universal rights is inevitably compromised by resource limitations, it is not axiomatic that the poorest and most vulnerable should be the last to receive attention. For people whose premature deaths could be averted by basic social assistance there is an overwhelming moral argument that says the only acceptable timeframe is one that encompasses their lifetime. Irreversible effects of poverty on children – for instance of stunting – cannot be dealt with later.

4. Affordability is a matter of choices and priorities not an externally imposed condition. Most governments have chosen to afford military security (at a cost way over that needed to provide basic social security for all) but not human security.

There are already social security systems for the very poor operating in poor developing countries. In most developing countries cash transfers are financed from general government revenues – no other sources of financing being available. It is clear that provision would be greatly enhanced by external finance in countries with a low tax base and could be provided, as has been argued in this paper, through aid-based international transfers.

Estimating what type of social assistance a country can afford means balancing priorities: "Social protection is important. Social protection that blows the budget will be ineffective. A budget so stringent that it doesn't allow social protection is self defeating".[32]

Funders have to take into account both present and future liabilities – which will change with the demographics for transfers based on childhood or old age. But the future liabilities have to be set against prospects for increased economic growth and rising incomes as a result of development, and of the economic impact of the social transfer programmes themselves (Barrientos and Llyod-Sherlock, 2002). Estimates of lost productivity in India and China due to stunting, iron deficiency anaemia and iodine deficiency amount to around 2% of GDP a year[33] - social assistance is one mechanism to address that problem and mitigate those costs. Similarly, Food for Education programmes in Bangladesh and Mexico have both resulted in parents keeping children out of the labour force for longer, and increased their participation in education (Chronic Poverty Report, 2004-05).

A clear demonstration that there is fiscal space available for social transfers is the existence of more costly social security systems, geared to high level benefits for better off (though often still poor) people. Some countries have very generous pension provision within a contributory system. In pre-1999 in Brazil for instance, only five years of contributions were required for a pension of 70% of final salary for people over 60 or 65 (Schwarz, 2003). This sort of example has been misused in the past, to suggest that universal pensions or benefits would be unaffordable because of the existing cost structure. In fact what they demonstrate is the fiscal space for social assistance, and the political weakness of those who need it. In India for instance, doubling the national old age pension for the entire population could be achieved for the cost of the government contribution to the Employee Pension Scheme, which benefits just 6% of the formal sector employees.[34]

Social security systems have to start some where – and they typically develop from ad hoc provision to a coherent system[35]. Countries can choose the cost structure that is feasible for them, taking into account both the cost (and gains) to the public purse, the international resources and the economic and social benefits that can be expected to derive from social assistance. For instance, the costs of providing a universal, non-contributory pension of 40% of GDP per capita to everyone over 75 years would be around 0.3% – 0.4% of GDP in most African countries, something that would be "affordable in most [developing] countries at least in the medium term" (Schwarz, 2003). Other studies have concluded that expenditure of around 1- 2% of GDP would result in universal provision for at least the oldest-old. In Nepal, 80% coverage has been achieved for the old age pension, within six years of start up, despite the physical difficulties of delivering social assistance there. The value of the monthly pension has been increased from US$1.41 to US$2.12 and the number of beneficiaries has grown considerably.[36] Even this tiny pension has effects on welfare and productivity.

Measuring the benefits is as important as measuring the costs. Many of the poorest people are dependent on the physical labour, and therefore the health, of one breadwinner for their livelihood. Investment in social assistance for the poorest is likely to be spent on health. At an individual level, this may mean the difference between life and death, or between destitution and self reliance. At a national level, it brings big returns. As the Commission on Macro Economics and Health has pointed out, the benefits from investing in public health show a very strong rate of return: suggesting that the direct economic return would be on a ratio of about 5:1 based on saved disability-adjusted life years: "…economic growth would also accelerate and thereby the saved DALYs would help to break the poverty trap…..; this would add tens of hundreds of billions of dollars more per year through increased per capita income" (WHO, 2004).

The other side of the equation is the cost of doing nothing.

At one level, the cost of doing nothing will result in continued poverty and increased insecurity for poor people themselves. Stunting for instance affects more than 90 million children in developing countries, and its impact will be felt into the next generation through reduced physical and mental health, mortality and morbidity.

Increased poverty and inequality – bad in themselves – will fuel the forces that cause social unrest and conflict, affecting the security of all.

Negative effects on growth and productivity will be enhanced. Without any insurance against risk and shocks caused by natural disasters or trading changes poverty will be exacerbated. Five case studies collected for an IMF report identified the impact on shocks on GDP growth as follows: Cambodia (drought/flood 1994) less than 1%; Zimbabwe (drought, 1992) 8.5%; Mali (export price shock, 1992–93) 1.8 % per year; Uganda (export price shock, 1987–92) 3.5 % per year for six years; Honduras (hurricane, 1987–92) 13,700 people dead or missing and direct damages 47% of 1997 GDP (IMF, 2003) .

5.1 <u>Supporting basic social security from aid</u>

Supporting basic social security is not an alternative to investment in other human capital and development – they go hand in hand. Progress is needed on both basic social security AND the social investments needed to deliver the MDGs.

As has been argued above, developing country governments are already investing public revenues in social insurance and social assistance. The costs of the system can be geared to what can be afforded but what donors should be aiming for is to finance around 1 - 2 % of Low Income Country GNI - between 13b and 26b a year.

The key question is therefore, what fiscal space is there for developed countries to find new resources? There are five areas which clearly demonstrate the capacity to both meet the MDG costs and finance basic social security. These are:

1. Meeting ODA commitments to 0.7%, including progress via the International Finance Facility
2. Review of government priorities towards military spending
3. Agricultural and other subsidy reform
4. Consumer expenditure/global taxation
5. Aid Reform

5.1.1 Meeting ODA commitments to 0.7%

Leaving aside the governance imperative of developed countries standing by their publicly stated international commitments, meeting ODA commitments in G7 countries is not an impossible mountain to climb. The share of public expenditure going to aid in G7 countries is less than 1% - for Italy and the US it is 0.3% and 0.4% respectively – even for those countries who have achieved 0.7%, the share of public expenditure is less than 2%.

The OECD projected economic growth for every DAC donor country in 2004. This growth will generate nearly $900 billion in DAC donor countries. Fourteen percent of the INCREASE in wealth in donor countries would achieve the 0.7% target – in per capita terms, each person in donor countries will be better off by $1035 a year and of that $145 would finance 0.7%.

The urgent need to find additional resources prior to 2015 in the face of year-on-year failure to meet ODA targets, has resulted in a lot of discussion on different ways of raising money –

including the Tobin Tax and the proposal for an International Finance Facility to frontload aid spending.

The IFF would take increases in aid pledged at FfD Monterrey, and use this additional $16 billion to back the issue of AAA Bonds, the income from which would raise approximately $50 billion for immediate spending in the run up to 2015. If all donors did use FfD increases to back the IFF, the effect on spending prior to 2015 would be dramatic. And because the IFF funding is targeted on the poorest countries it would mean that disbursements in IDA eligible LICs would benefit especially.

5.1.2 Review of government priorities towards military spending

As noted above, aid absorbs a relatively small percentage of public spending even in countries who meet the UN 0.7% target. By contrast, military spending takes a far greater share of both public spending and national income in most donor countries.

Relatively modest transfers of resources from military to ODA budgets could see the 0.7% target met, the MDGs achieved, and universal access to social protection.

Collectively, DAC donors spent $642 billions on the military, almost ten times the $69 billions spent on ODA. By far the largest spender was the USA at $417 billions, compared to an aid level of $16.2 billions – a ratio of 26:1. All G8 donors devote at least 4 times more spending to the military than they spend on ODA.

The question needs to be asked about how fiscal space could be generated to fund global human security by reducing even the marginal costs of military expenditure.

5.1.3 Reform of subsidies

Fiscal space for financing basic social security in developing country budgets could be met by action on tarrif barriers and subsidies by developed countries.

5.1.4 Consumer expenditure/global taxation

A key role of government is not simply to reflect public preferences but to offer leadership in shaping public priorities on important issues. To date global political leadership has signally failed to strike the right balance, and has paid too much attention to the need for consumption-led economic growth and too little attention to issues of equity and the fulfilment of basic rights.

Global taxation and trade regimes foster a global culture which results in a “prestige” global cosmetics market of around $25 billion and a global pet food market worth $27.5 billion in 1998 and projected to grow to $40b by 2010. Spending at these levels would comfortably fund basic social protection for low income countries but there is an assumption that such social protection is likely to be unaffordable whereas no-one questions the long term sustainability or desirability of the luxury goods market.

5.1.5 AID REFORM: IMPROVING THE IMPACT OF AID ON POVERTY

A series of measures could seriously improve the impact of aid on poverty and release funds for MDG strategies and basic social security.

ODA is spent on a very wide range of activities. Some ODA spending, such as aid to basic social services, directly targets poor people. But large amounts of aid are spent on development interventions intended to promote growth or better governance or infrastructure, some of which have a long chain of causation between the spending and ultimate (presumed) benefit to people in poverty.

At the 1995 Social Summit a proposal was put forward that developing countries should allocate 20% of their budgets to basic social services and donors should allocate 20% of their aid to these areas.

But a decade on as the graph above on social sectors shows, spending on basic social services remains very low. Basic health and basic education for instance both received just 2% of bilateral ODA commitments in 2003. Total spending on education was 8% and health 4%.

Another important determinant of aid quality is whether ODA is allocated to the countries most in need – the Least Developed Countries and other Low Income Countries. Taken overall, only 50% of aid from all donors is known to go to these most needy countries, compared with 62% of multilateral ODA.[37]

Apart from shifting spending priorities, what funds could aid reform release?

A common sense perception of aid is that it is about real transfers of resources – most people for instance refer to 'giving' aid – not allocations between developed country budget heads. But a substantial part of ODA never leaves the donor country; in 2003 this amounted to 25% of ODA, or $17.6 billion. It was made up of transfers between donor government departments whereby the aid budget finances student costs imputed to students from developing countries and refugees for their first year of residence ($3153 million in 2003); tied aid of various kinds ($2104 million); administrative costs ($3524m) and debt relief ($8710m).

While debt relief is necessary and desirable, it does not result in a transfer of resources. The Chair of the DAC noted in his 2003 Development Cooperation Report that much net debt relief fails to generate new flows of cash – it generates net ODA by converting previously reported non-aid other official or private flows into ODA, and by recording as a new grant the sum of interest arrears that should have been paid but have not. Thus overall, around a quarter of reported aid disbursements do not result in the transfer of a single dollar to a developing country.

Even of the remaining aid, the actual amounts available to developing country governments to spend on their own priorities are very limited. Around a fifth of bilateral aid is spent in developing countries – including emergency relief. This compares with a quarter in the form of technical cooperation – the provision of developed country expertise and know how. The reform of aid, particularly of TC, would release funding to governments to pursue their MDG strategies and they could choose, or not, to buy donor country expertise.

It is important that aid reform is seen as an additional resource to finance the MDGs and basic social security but it should not be allowed the mask the priority to the substantial increase in ODA.

6 Conclusion: the case for a more ambitious approach

Aid currently has a wide range of roles, encompassing short term humanitarian action and longer term poverty reduction – focused strongly on efforts to halve the proportion of people in poverty by 2015. These are major challenges. But efforts to achieve the 2015 goals themselves, must not be an excuse to avoid thinking about and planning for a world free from poverty beyond 2015 – less than 10 years time.

Over 50 years, a great deal has been learned about development and poverty reduction – what can and cannot be done by different actors – poor people themselves, governments, the market and non-governmental organisations. The major improvements in human well-being that have been achieved should be used as a firm foundation for achieving a more equitable distribution of the benefits of growth and the elimination of poverty.

The difficulty of identifying the precise role that aid has played, alongside other factors which have contributed to growth and poverty reduction, should not inhibit thinking on the role that aid can play in the future.[38] The knowledge, expertise and networks developed by aid agencies, bilateral, multilateral and non-governmental, should be seen as key elements in the effort to ensure that globalisation means security and opportunity for all.

> ".. this notion of redistribution within national boundaries needs to be taken further on a global scale and needs to be part of a system of global governance in which the UN system and its specialized agencies, including the World Bank the and IMF, all have contribute to an integrated system of global redistribution within the context of larger system of global governance. However, discussion and research on issues related to global redistribution is still in an embryonic stage." (van der Hoeven, 2000)

The challenge to aid organisations here is to think beyond short to medium term timeframes, familiar aid instruments and the usual partnerships, to see how aid can play its proper part in ensuring basic social security and proper social investment in a globalised world.

6.1 <u>Responsibilities under globalisation should be acknowledged</u>

Everyone acknowledges that there are winners and losers from globalisation. In OECD countries, when changing patterns of consumption and production result in job losses and other hardship, governments frequently make special provision for assistance over and above normal welfare systems. Spending on assistance in such cases is seen as a necessary response to shifting economic circumstances. Since such change is inherent in a dynamic, growth oriented economy, money spent on protecting people, companies and industries from serious adverse effects and on helping people to adapt to the change is often seen as a necessary part of the investment in growth. Applying the same logic, governments making the case that national barriers to trade and investment should disappear, must also accept that the right to social welfare is not bound by national frontiers.

Economic development does not ensure social protection for all – in fact the process of economic development often pushes increased risk and insecurity onto the very poorest. The right of countries to receive the undoubted benefits of economic globalisation that accrue to some (especially to companies and developed countries), are balanced by responsibility for social welfare in the global economy. Most developed countries choose to have a basic system of benefits – in a globalised economy such benefits can and should be available to everyone. Access to basic minimum standards as a universal right should not depend on the vagaries of local resource availability. Basic protection is a right which should be put in place and in addition, it is in everyone's interests to create a social investment society.

Under globalisation, the tested systems and rationales for social protection within countries (which have resulted in the development of different types of social protection) and between countries (structural aid within the EU and the post-war Marshall Plan), need to used to develop a global system of security for all.

6.2 Poverty and security are linked – social transfers support both objectives

- Social transfers can reduce poverty effectively both directly and indirectly.
- Social transfers can 'crowd in' other social 'goods'
- Social transfers can be positive for equity and growth.
- Reduced poverty is linked to global security for all Universal systems of social protection, contribute to solidarity within societies and international transfers promote global solidarity and human security
- The costs and benefits of basic global social security need to be compared with the likely returns, dollar for dollar, from massive investments in military security? If all countries have strategies on how to tackle the war on terror, then why not on human security?

6.3 Aid through and beyond 2015: moving from responses to poverty to global provision for social security and investment

In recent years, aid has been used to promote greater attention to poverty reduction in the context of nationally owned development strategies. In a limited number of situations, such strategies have included provision for social assistance (pensions in Nepal, cash transfers for households with older people and orphans in Tanzania, child support grant in South Africa). But whilst aid agencies are slowly engaging with sector wide investment programmes and, in a limited number of situations, providing budget support, in general aid donors have not made supporting the development of national welfare systems a priority. Indeed the prevailing mood amongst donors has been to give social transfers a wide berth. There are several reasons for this: ideological opposition to 'welfare'; the prevailing orthodoxy that welfare provision is inimical to growth; muddled thinking on sustainability.

Realistically, some redistribution is always likely to be a necessary part of shifting global economic patterns. Since welfare provision is seen as a permanent and integral part of all developed economies, and as national boundaries become increasingly irrelevant for global trade, the case for social provision to be addressed only within the national context is open to challenge. And all the while, evidence has been building which suggests that an approach which helps to ensure comprehensive social protection and investment will in the long run effective in ensuring both welfare and broad based growth.

6.3.1 Need for a longer view, and to institutionalize international transfers globally

Forms of assistance that were recognisable as international aid have existed for almost a century. Over this period, the majority of countries who are presently members of the OECD DAC have been aid recipients: France, Germany and the UK amongst others under the

Marshall Plan. Spain, Portugal until 1987.[39] Greece was a recipient of DAC aid right through to the early 1990s.[40]

Poland and the Czech Republic, now joining the list of EU donors, were both DAC aid recipients during the 1990s. A decade earlier, both countries were aid donors, as part of the Council for Mutual Economic Assistance (CMEA) block which in 1983 provided aid exceeding $3 billions or 0.2% GNI. This represented 9% of global aid, which averaged $37 billions over 1983-84. [41]

Also in 1983, OPEC countries, particularly Saudi Arabia and Kuwait, provided almost $5 billions in aid, 0.86% of their GNI and 14% of World Aid. Today a major recipient, Iraq provided $823 millions of aid in 1980, 2.12% of its GNI and 2.3% of world aid.[42] India – a low income country – is also an aid donor – as long ago as 2002 giving more than $40m to Afghanistan.

This reinforces the message that the global economy is not static. In a world which is not on track to halve absolute poverty in a decade, let alone eliminate absolute poverty as envisaged at the World Social Summit which has its tenth anniversary next year (2005), governments should be adapting the global aid system in a way that recognises both changing and continuing need for aid. This means seeing aid not as a short term response from a small group of countries, but as a potentially critical element in an effort to ensure that every individual has a right to basic social protection when necessary, and the basic social investments such as education and health that not only underpin human security, but give people a degree of choice and the opportunity to earn a living.

For existing donors, this means seeing aid not as a handout to the poorest, but much more like the routine investments that OECD countries make in social protection and social investment to address social exclusion, increase opportunity, reduce inequality and promote cohesion.

This means changes in horizon and procedures. At a political level, views of budgeting and sustainability are narrow. Governments are conditioned to think of expenditure and planning within national borders. Sustainability is interpreted in terms of simple cost recovery in the short term. Aid donors generally shy away from supporting recurrent costs. Social protection is usually the biggest single sector in government expenditure in developed countries, but policy towards developing countries has largely ignored issues of social protection and has accepted an orthodoxy which turns a narrow interpretation of 'sustainability' into a veto on consideration of the long term financing of necessary public expenditure unless it can, within five or ten years, be paid for by people in poverty themselves. As within developed countries and the EU, the long term responsibility to provide basic social assistance and services should be seen as an ongoing and fundamental part of the architecture – not a short term investment, following which people will somehow be able to provide those services for themselves.

Public budgets in the poorest countries need sustained support to deliver basic services alongside social assistance and social protection programmes – not just for a year or two, but for a generation. Aid needs to finance recurrent expenditure, and not just be predictable but totally reliable. A major step in this direction has been taken with the IFF which will require donors to make legally binding, 15 year commitments. And progress needs to be much faster on addressing the dysfunctional parts of the aid system, releasing resources and capacity for social protection focus and providing longer term, predictable ODA.

An approach by aid donors which gave more attention to the issue of social security would fit in with, and give greater impetus to, current donor emphasis on developing countries themselves managing strategies and implementation. Current trends towards sectoral support should be enhanced in the face of donor 'bias for short-term, discrete, sectoral, and infrastructure programmes, instead of direct support for the development or strengthening of social protection programmes' (Barrientos, 2004). As a minimum, aid policy should ensure that it does not stand in the way of the development of basic social security and social protection. PRSPs, for instance, should routinely address provision for social protection, who is in charge of it, coverage, resource availability compared to need, social and economic benefits, plans for extension and reform, management mechanisms and who is involved.

Just as horizons for such action have moved from family, to village, to county, to nation and in the case of Europe to a region of 25 nations – so in a global economy it is time to envisage a global society. This approach would see aid not simply in terms of money expended 'overseas' with its connotations of international charity. Rather spending would be seen both as a kind of insurance and as an investment in a shared problem. To pursue the earlier point on public health, if the object of the exercise is to protect people from a global threat such as tuberculosis, it matters little to the person in Aachen or Alabama whether the money is spent within state or national or EU or Federal borders – or in Africa, provided that the spending tackles the problem.

6.3.2 Robust public support for aid can underpin ambitious strategy to build global human security

Recent analysis of public opinion polls from 13 OECD donor countries, confirms that public support for the principle of aid has remained high and stable for two decades. On average, over 80% of the public support aid, with support levels across the 13 donor countries ranging from 70% to 95%. At the lower end of the scale are New Zealand and the UK at 71% and at the higher end are Netherlands at 90% and Ireland at 95%. [43]

Large scale voluntary financial support for development NGOs, from the public in OECD countries, shows that the public response goes beyond an expression of goodwill. An enormous range of voluntary activity, ranging from solidarity groups through direct humanitarian aid initiatives, child sponsorship, development education in schools, workplace and community linking, reveal a very active and robust public commitment to a universal right to basic needs and security.

Aid and cooperation provides the lens through which many people see relations between developed and developing countries.

Over the last twenty years, the quality of the image presented both by NGOs and governments has changed for the better. NGOs have moved from a charitable approach to one based on social justice and rights. Governments are still slowly adapting aid modalities 'from donorship to ownership', and are beginning to address the coherence of cooperation with other government policies in areas such as trade, arms exports, agriculture and international governance.[44] And perhaps most significant, many ordinary people are engaging with the day to day realities of globalisation through their work or families or travel, as consumers or investors, or through schools, churches, unions and other civil society mechanisms.[45]

Both historical evidence and recent experience, shows how the existing bedrock of public commitment could be used to build widespread support for financial transfers to ensure social security and investment for all.

The 2004 World Development Report explains how in Norway ("the quintessential welfare state") welfare provision evolved over two centuries, with private systems gradually giving way to state-run institutions. In Norway, making social services available to all was seen as an important part of building a national identity. Right to the present day, transfers to reduce inequality and promote development have seen by the EU as vital to promote cohesion and a European identity. These examples show how a strategy to promote global social security and investment would not only help to fulfil basic human rights and enhance the prospects for broad based growth, but is also important in developing a sense of citizenship and responsibility that goes beyond national borders.

The aid community has talked in a general way about global human security, but here is an opportunity to really focus on delivering it. The fact that aid has a vital part to play in ensuring global provision of social welfare does not mean that aid or aid donors will fund all global social welfare. But role of aid is in promoting, partnering and underwriting basic global social protection - an agenda for aid within and beyond the MDGs.

ILO argues that government plays an 'indispensable role' as the ultimate financial guarantor of social security. But governments can only play this role when they have adequate resources, and for many developing countries, the capacity to ensure the provision of even minimal benefits is lacking. Financial globalisation means that employment and pension funding are subject to global, not just national influences. And already aid donors and the International Financial Institutions are engaged in the support and reform of social security systems on a country by country basis. But this piecemeal approach does not ensure for everyone, the right to social security enshrined in the UN Convention on Economic, Social and Cultural Rights (Barr, 2004).

6.4 <u>Global social justice needs more international cooperation – not less</u>

The 'realist' theory of international relations, which saw competing states as the dominant actors in global relations, dominated thinking for the second half of the 20th Century. But five years into the 21st Century, this looks less realistic, and the idea that global society can never be more than 'a society of nation states' is already looking out of date (McCormick, 2002). 'The view that the present political division of humanity is natural and inevitable is nonsensical'.

"I believe that the answer is not to retreat from globalisation or global cooperation. Instead we must step up our efforts to work together to advance social justice on a global scale, to the benefit of all. And we must do this with more international cooperation not less --- founded on the belief that not only do we have obligations to each other beyond our front doors and garden gates, responsibilities beyond the city wall and duties beyond our national borders but that, working together – governments, business, NGOs, faith groups - this generation, with its energy, technology and global reach, does indeed have it in its power – if it so chooses – to finally free the world from poverty, disease, illiteracy and want." [46]

[1] F. D. Roosevelt's "Four Freedoms" Speech to the 77th US Congress, January 6, 1941. http://history.acusd.edu/gen/WW2Text/wwt0047

[3] http://www.cbsnews.com/stories/2002/01/29/eveningnews/main325985.shtml
[4] http://news.bbc.co.uk/2/hi/uk_news/england/3255101.stm
[5] Council for a Livable World, Washington DC 2004: http://64.177.207.201/pages/86_10.html
[6] As President Lula said to the General Assembly in 2004," Poverty, insecurity, social justice and development are indivisible"
[7] See http://www.epha.org/a/336
[8] Chancellor Helmut Schroeder, 29/10/2002 quoted in Reality of Aid 2004.
[9] UK Chancellor of the Exchequer, Gordon Brown, Chatham House, London, 22 January 2003.
[10] The actual figure is $1,490 billion
[11] See section below on public attitudes and support.
[12] This section is drawn from Nicholas Barr, Economics of the Welfare State, 2004
[13] Problems of moral hazard arise if actors are allowed to escape the consequences of their risky actions which then encourages more reckless behaviours.
[14] Social Health Insurance – Systems of Solidarity. GTZ, Eschborn, Germany, June 2004
[15] After US Secretary of State George Marshall, the architect of the plan, which was announced in an address to Harvard on 5 June 1947.
[16]http://www.economist.com/research/Economics/alphabetic.cfm?TERM=MARSHALL%20PLAN#MARSHALL%20PLAN). Other estimates of Marshall aid cover assistance through 1952 and put spending at rather higher figures with the cost to the US at anything from $100 to $200 billion. http://www.cfr.org/pub6187/rachel_bronson/talk_is_cheap_a_marshall_plan_isnt.php
[17] Roughly two-thirds of Marshall aid went to four countries: nearly one-quarter to Britain, one-fifth to France, and roughly one-tenth each to Italy and West Germany. Yet in per capita terms, Norway and Austria were the greatest beneficiaries, with Marshall aid worth over $130 per head, compared with $19 for West Germans. The content of the assistance varied greatly. Forty percent of ERP imports into Britain was food, fuel, and fertilizer. Food also constituted a high proportion of Marshall aid to Germany, Austria, and Ireland, but, across much of continental Europe, over 20 percent of the assistance took the form of vehicles, machinery, iron, and steel. In general, food became less important after 1949. Countries also varied in the way they used counterpart funds, the receipts of national governments from the sale of ERP goods, which Washington wanted earmarked for specific purposes. Britain and Norway applied them almost entirely to debt retirement.
[18] http://www.kakanien.ac.at/beitr/fallstudie/TNarozhna1.pdf
[19]De Long and Eichengreen say that the Plan significantly sped Western European growth in their paper entitled The Marshall Plan: History's Most Successful Structural Adjustment Program, October 1991 http://www.j-bradford-delong.net/pdf_files/Marshall_Large.pdf
[20] Gordon Brown http://www.societyandbusiness.gov.uk/pdf/f31brown0103.pdf
[21] http://www.loc.gov/exhibits/marshall/mars6.html
[22] http://europa.eu.int/comm/development/oct/index_en.htm
[23] http://www.bized.ac.uk/stafsup/options/notes/eu1.htm
[24] http://www.bized.ac.uk/stafsup/options/notes/eu_gdp.htm
[25] http://www.worldbank.org/transitionnewsletter/aprmayjun03/pgs1-8.htm
[26] Aid per capita in 2002 for Nepal was $14.9, Bangladesh $6.3 and Haiti $18.9, Table 18, HDR 2004.
[27] Distances calculated at http://www.indo.com/distance/index.html
[28] 1714 miles (2758 km) Lisbon Sofia
[29] http://www.bized.ac.uk/stafsup/options/notes/eu_gdp.htm
[30] Fiscal effects of accession in the new Member States, Martin Hallet, Directorate-General for Economic and Financial Affairs ISSN 1725-3187 http://europa.eu.int/comm/economy_finance/publications/economic_papers/2004/ecp203en.pdf
[31] http://europa.eu.int/comm/economy_finance/publications/economic_papers/2004/ecp203en.pdf fig 4, p11.
[32] Nicholas Barr quotes in HelpAge International, 'Population Ageing and Development – new strategies for social protection' Report of seminar held in Washington DC on 31 October 2002.

[33] Susan Horton, Nutrition and Epidemiological Transitions, Sustainable Food Security for All by 2020, 2020 Vision Conference Bonn Germany 2001

[34] HelpAge International, 'Age and Security: How Social Pensions can deliver effective aid to poor older people and their families', 2004. p 45

[36] Rajan, S.I., Old Age Allowance Programmes in Nepal, Conference Paper, Staying Poor, CPRC Manchester 2003 www.chronicpoverty.org

[37] A number of donors have very large shares of ODA unallocable by income group.

[38] The precise influence of government and market mechanisms can be just as difficult to trace as that of aid.

[39] Portugal received $64 millions in 1987, GDFF 1984-1987, OECD Paris, 1989.

[40] GDFF 1988-1991, OECD Paris, 1993.

[41] DAC Report 1987, OECD, Paris, 1988.

[42] DAC Report 1981, OECD, Paris, 1982.

[43] Public Opinion and the Fight against Poverty, Mc Donnell, Solignac Lecomte and Wegimont, OECD Development Centre, Paris, 2003.

[44] Reference to specific DAC steps

[45] A 2003 poll for DFID UK for example showed a rise from 42% to 49% since 2001, in the number of people who thought buying fair trade goods was a way in which they could most effectively contribute to poverty reduction. Omnibus Poll, Office of National Statistics, London, July 2003.

[46] Gordon Brown http://www.societyandbusiness.gov.uk/pdf/f31brown0103.pdf

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