IPCC
To stem climate change, immediate action is needed

ODA
The landscape of development finance is changing fast

FOOD SECURITY
Why Cuba became a pioneer in urban agriculture

Unequal opportunities
Non-extreme poverty

Not only extreme poverty is painful, relative poverty means misery too. Mona Naggar, a Beirut-based journalist, witnesses the problems every day. In India, masses of people have escaped extreme poverty, but inequality is becoming an ever greater challenge, as our correspondent Roli Mahajan reports.

Pages 22, 24

Poverty targeting

Measures in support of specific marginalised groups are often considered to be promising. Experience with “poverty targeting” is mixed however. Development consultant James G. Bennett elaborates on various methods of poverty targeting. Frank Bliss, a social anthropologist, assess a successful fund that is designed to give Cambodia’s poorest access to health care.

Pages 25, 27

Governmental safety nets

Social-protection and welfare schemes serve to prevent poverty and boost social cohesion. According to Marcus Loewe of the German Development Institute they are also a driver of economic growth. In its most recent World Development Report, the World Bank makes important proposals on how to organise social protection and boost human-capital development.

Pages 29, 30

Reform failure

The World Bank has considerably weakened its social and environmental standards. According to Korinna Horta, a development scholar, marginalised communities will bear the brunt of increasing environmental damages.

Page 32

Education makes a difference

Upward mobility depends on access to good schools. Education can also reduce gender inequality. Governments must ensure that all people can benefit from high-quality schools. The issue was discussed at the annual conference of the Poverty Reduction, Equity and Growth Network (PEGNet) in Cotonou in September. In Zambia, education activist Frank Masanta Jr. is running the Sun-spring Charity School. As he states in our interview, a large share of the young generation is systematically marginalised in his country.
**Why we need the SDGs**

Fighting poverty requires a multi-faceted agenda. It is important to ensure that everyone gets enough food every day, but more is at stake. A family’s income must allow all members a life in dignity. Moreover, all adult persons should be empowered to take their lives into their own hands. Poverty reduction thus means to provide everyone with opportunities, and particularly those who so far lack them.

Social inclusion depends on broad majorities seeing prospects of advancement. Where that is not the case, inequality will breed frustration. How to achieve opportunities for everyone is a much debated issue. According to market orthodoxy, government interventions in economic interaction only cause harm. Nonetheless, historical experience shows that long term development has always led to markets being stabilised by – and supplemented with – government-managed social protection. Related programmes ensure a minimum level of sustenance and, to some degree, even guarantee people’s social status. Prudent regulation lets markets flourish and also gives scope to environmental protection. In any case, all advanced nations have some kind of welfare state. Typically, the pillars include:
- universal access to health care,
- tuition-free schools,
- pensions and unemployment benefits, which tend to be linked to formal employment, plus
- some kind of basic welfare for everyone.

It is true of course, that the welfare state is comparatively weak in the USA, but that does not prove my argument wrong. Indeed, opportunities are far from equal in the USA, where life expectancy is lower than in EU member countries. On average, moreover, rich Americans live longer than their poor compatriots. Child mortality too is higher in the USA than in other prosperous nations. The reason is that many families from marginalised communities lack health insurance and thus do not have access to health care.

Social inclusion and eradicating poverty are high on the UN’s 2030 Agenda, which spells out the Sustainable Development Goals (SDGs). Progress is being made in many countries’ health and education sectors, and cash transfers are reducing need. Nonetheless, absolute and relative poverty still cause concern, and inequality is increasing almost everywhere. That is true of poor and rich nations alike. One reason is that market-fundamentalist ideology has largely discredited social protection. All too often, only market-generated results are deemed acceptable. Margaret Thatcher in Britain and Ronald Reagan in the USA started the trend of cutting social benefits and deregulating markets in the 1980s. Their examples were copied elsewhere, so social disparities have become more pronounced throughout the advanced economies.

In theory, markets solve every problem. In real life, that is not so. Otherwise, we would not need the SDGs. The informal sector is unregulated, only ruled by supply and demand. This sector keeps masses of people stuck in poverty. The truth is that markets only provide opportunities according to purchasing power. If everyone is to get a fair chance in life, governments must regulate economies competently. The World Bank’s most recent World Development Report offers valuable advice (see box on p. 31) on the issue. Implementing its proposals will help to achieve the SDGs.

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**Debate**

**Ending shame of war crimes**

For their efforts to fight sexualised violence in war, Nadia Murad and Denis Mukwege will get the Nobel Peace Prize this year. Mahwish Gul, a Pakistani student, hopes that the award will change public opinion. What victims need is support and acknowledgement of their suffering. Shame does not help.

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**Tribune**

**The changing world of development finance**

Official development assistance (ODA) is becoming less relevant while private-sector investments are becoming more important. Ulrich Post of Welthungerhilfe, a non-governmental development agency based in Bonn, assesses the trend.

**Urban agriculture**

Cuba has become a pioneer in city-based food production thanks to reforms implemented in the 1990s. The approach makes sense in terms of both food security and environment protection. As Katherine Cashman of UN Habitat elaborates, change was necessary after the collapse of the Soviet Union.

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**You’ll find all contributions of our focus section plus related ones on our website – they’ll be compiled in next month’s briefing section.**

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Internationale Relations

Reconsidering development cooperation

The world is changing fast and becoming ever more complex. The aid system must adapt. Some challenges arise within the aid system, but overarching global trends matter too. At Germany’s Federal Ministry for Economic Cooperation and Development (BMZ), the Sustainable Development Goals (SDGs) and the principles of aid effectiveness serve as paradigms.

By Hans Dembowski

Development cooperation can be done in many different ways. One particularly sophisticated approach is to have colleges from different countries run joint masters programmes, as Manuel Parra knows. He is a Chilean scholar currently working for Ludwig Maximilian University in Munich. To boost occupational health, the University’s Center for International Health is cooperating with several Latin American institutions of higher learning. The target group of their joint masters programme consists of professionals, who, thanks to blended learning, can study in their home country, supervised by local tutors.

As Parra reports, this programme does not only serve capacity building in the health sector. Another strong point is that it generates new knowledge. The students base their master’s theses on empirical research, tackling diverse aspects of occupational health from informal employment to mental issues and workplace violence.

The curriculum obviously makes sense, but it may soon become financially unviable in some of the countries concerned, including Chile. The reason is that Latin American countries are moving up the income scale, and some will soon “graduate” from official development assistance (ODA) in the sense of no longer being eligible for donor funding. Stefan Bienefeld of the German Academic Exchange Service (Deutscher Akademischer Austauschdienst – DAAD) points out that this will affect the cooperation of German universities with partner institutions in those countries.

So far, the DAAD has provided funding to all colleges involved, relying on support from Germany’s Federal Ministry for Economic Cooperation and Development (BMZ). That will stop once a country graduates from ODA, as Germany will expect...
partner governments to fund their own academic institutions, Bienefeld told a conference on “Rethinking development cooperation” at the German Development Institute (Deutsches Institut für Entwicklungspolitik – DIE) in Bonn in September.

The world of aid is changing fast in other ways as well, argues Stephan Klingebiel, who heads the DIE department for international cooperation. Some challenges arise within the aid system. For example, South-South cooperation is becoming ever more important, Klingebiel says. Evidence includes the growing clout of the Asian Infrastructure Investment Bank and the New Development Bank, two recently founded multilateral institutions which are dominated by emerging-market governments and based in China.

At the same time, Klingebiel regrets that the aid-effectiveness agenda has been losing momentum. It took off in 2005 with the multilateral Paris Declaration on Aid Effectiveness, emphasising issues like donor harmonisation, the policy ownership of developing countries and mutual accountability of all partners. The idea was that the established donor community of the OECD (Organisation for Economic Co-operation and Development) would avoid fragmentation and gear aid to boosting government capacities and improving governance in developing countries (see D+C/E+Z e-Paper 2017/02, p. 17). The issue remains important and deserves attention according to the DIE scholar.

Other challenges, however, arise outside the aid system. Klingebiel points out that the multilateral system is under attack and that populist nationalism is rising in many places. Migration and masses fleeing from crisis countries are fuelling this trend. Klingebiel warns that the established narratives around ODA no longer suffice.

**DEMOCRACY PROMOTION**

One pertinent question is whether democracy promotion is still legitimate. When it was raised in a working group during the conference, an Indian participant immediately stated that support for democracy was most welcome south of the Himalayas, given that the right-wing government of Prime Minister Narendra Modi is undermining democratic norms. The discussion fast showed that democracy promotion in the sense of transplanting the western model is not legitimate, but that support for universal principles such as human rights and elected governments is highly relevant.

The point is that people around the world want to be governed according to these principles. Pro-democracy movements have proved that in many countries, even though leaders with authoritarian tendencies deny it. It bears repetition in this context, that populist politicians tend to rise to power without actually convincing the majority of the voters. Modi’s coalition of parties gained more than half of the seats in parliament with not even 40% of the votes, for example. Rodrigo Duterte became president of the Philippines with 38% of the votes. US President Donald Trump only prevailed in the Electoral Collage due to quirks of the election law after his opponent, Hillary Clinton, won almost 3 million more votes than he did. Populist leaders are prone to use public office in ways that manipulate the constitutional order and reduce their opponents’ chances of ever gaining power. The more they do so, the more they forsake whatever democratic legitimacy they have.

Democracy, of course, is about more than choosing top leaders. The ambition must be to involve people in decision-making at all levels of public life. Development agencies can contribute to make that happen in innovative ways.

For example, Welthungerhilfe, a German NGO, has been involved in facilitating new legislation on land ownership in Liberia. In cooperation with local partners, it involved various stakeholders in a comprehensive and inclusive debate. As Welthungerhilfe’s Constanze von Oppeln reports, the result was not predetermined. Rather, the entire process was geared to Liberians defining rules that suit their nation’s need. The new legislation is now in force and will hopefully put a check on issues like land grabbing.

**THE BIG PICTURE**

Praveen Jha from Jawaharlal Nehru University in Delhi appreciates that “development cooperation has become stronger”. Nevertheless, he doubts that it “makes sense in the big picture”. In his eyes, financial capital has become too powerful internationally. He bemoans that inequality is increasing fast and points out that emerging markets like India, Russia and China are competing to create billionaires while masses of people still lack safe access to food. Jha argues that key aspects of capitalism must be regulated, but that is not happening.

In a similar vein, Aram Ziai of Kassel University argues that aid is not the real issue: “Let’s not send money, but ensure that money is not extracted.” He wants to see measures against tax evasion, for example. More generally speaking, he demands that global structures be shaped in ways that prevent poverty and exploitation. Market-orthodox globalisation is not doing that.

Ariane Hildebrandt, a BMZ officer, acknowledges serious global challenges and her ministry’s desire to shape the global agenda. At the same time, she notes that ODA resources are quite limited. She says that the Sustainable Development Goals and the aid-effectiveness agenda are the paradigms that guide her ministry. Both are valid, she insists, so there is no need to change them.

Hildebrandt emphasises that the BMZ has established the independent evaluation institute DEval in order to learn from past experience (see D+C/E+Z e-Paper 2017/07, p. 16). Moreover, it is eager to take promising new approaches. One example that Hildebrandt mentions is the Partnership for Sustainable Textiles, a multi-stakeholder alliance her ministry launched to fight exploitation in the garments industry (see D+C/E+Z 2015/12, p. 40). Another aspect is the BMZ’s leading role in introducing climate-risk insurance schemes such as the African Risk Capacity (ARC – see D+C/E+Z e-Paper 2018/07, p. 23).

The ARC is run by the African Union and allows African governments to buy insurance against climate hazards. When disasters strike, they thus have emergency funds at their disposal immediately. The ARC was launched on the basis of a long-term, interest-free credit provided by Germany and Britain. In Hildebrandt’s eyes, this approach deserves praise for several reasons, including that it respects the national ownership of partner countries, and is a response to the urgent global problem of climate change.

At the same time, the BMZ is aware of climate change requiring reforms in Germany too. Hildebrandt says it aspires to become the country’s first climate neutral ministry.
The 2030 Agenda gives the private sector a significant role for achieving the Sustainable Development Goals (SDGs). Many corporations have pledged their support. A recent study done on behalf of several leading German civil-society organisations (CSOs) analyses how businesses are contributing to SDG-related action. It assesses what can be done to better align business activities with the SDGs.

By Sabine Balk

Private-sector engagement is growing in the SDG context. Many companies have a sustainability strategy or a Corporate Social Responsibility (CSR) branch. However, the impact is hard to measure, as the study with the title “Highjacking the SDGs?” points out. It was published by several CSOs, including the two faith-based agencies Misereor and Brot für die Welt as well as the German NGO Forum on Environment and Development, and it was co-founded by the Federal Ministry for Economic Cooperation and Development (BMZ).

The CSO activists worry about the power of financially potent players and what they ultimately want to achieve. Private businesses, by definition, maximise profits, and human rights violations and excessive exploitation of resources can increase profits. CSOs are also concerned about governments assigning core functions of state agencies to private companies, particularly in the social sector.

The study recommends policymakers should:
- draw up binding national plans for the implementation of the 2030 Agenda,
- guarantee accountability, transparency and effectiveness where private funding is involved,
- not rely on voluntary sustainability strategies, but introduce regulations like due diligence along entire supply chains, and
- enact legislation for fair and effective tax collection.

As for businesses, the study recommends that they should:
- support the SDG agenda in ways that respect and uphold planetary boundaries as well as human rights,
- thoroughly assess what the SDGs mean for their core business strategy, and
- implement SDG action plans with clear timetables and indicators.

The role of CSOs, in the eyes of the authors, is to serve as watch dogs. They must push governments and UN institutions towards SDG implementation.

Bonds as Solution

One of the crucial questions discussed in the paper is how to finance the SDGs. It is estimated that implementing the agenda might cost $5 to 7 trillion in developing countries. One option the study discusses is to issue bonds in order to raise money on capital markets.

Various kinds of so called green bonds serve to finance climate protection and other environmental measures. In March 2017, the World Bank issued SDG bonds in order to raise money for SDG-related projects. So far, European investors have bought bonds worth €163 million. Those who buy green bonds are promised a rate of return, which is linked to the performance of specific private-sector companies. These 50 companies are listed in the Solactive SDGs World Index. The World Bank chose them because they either “dedicate at least one fifth of their activities to sustainable products” or because they are “recognised leaders in their industries” in regard to social and environmental sustainability.

The bond is used to fund projects in health care, education, drinking-water infrastructure, renewable energy and related matters. Harmful industries, moreover, are explicitly excluded. This applies to nuclear power, weapons, alcohol, gambling, adult entertainment and palm oil.

The CSO authors deplore that there is no way to evaluate the effectiveness and relevance of SDG bonds yet, and they doubt that bonds will play a very important role. The report spells out specific downsides. Bonds are a “special form of debt”, and these inherently risky financial instruments can be subject to speculation.

Another part of the study assesses the role of tobacco corporations. This industry adopted SDG rhetoric early on in spite of the health hazards its products cause. The report shows how such rhetoric serves the industry’s broad strategy to circumvent regulation. The CSOs argue that sugar and other harmful industries similarly prove that corporate engagement in SDG matters has serious limits. In their view, the agenda needs safeguards against corporate interference.

The Dhaka based textile company Zaber & Zubair Fabrics has committed to achieving the SDGs and has set up a waste-water treatment plant of its own.

**Link**

https://www.globalpolicy.org/images/pdfs/GPFEurope/Hijacking_the_SDGs.pdf
Fragile statehood deserves special attention

In order to achieve the 2030 Agenda for Sustainable Development, official development assistance (ODA) must focus more on fragile states and regions. People living in such places are particularly in need, as a recent report of the Organisation of Economic Co-operation and Development (OECD) reveals. The UN aspiration is that no one must be left behind.

By Katja Dombrowski

Fragile states fail to perform basic governance functions in areas like security, rule of law and social services. They are less likely to achieve the Sustainable Development Goals (SDGs) than fully operational states. Therefore, fragility is a major hurdle to SDG implementation, and more efforts are needed to address it properly. According to the OECD report “States of fragility 2018”, the international community must strive harder “to better understand, anticipate and respond to both the drivers and consequences of fragility”. The report acknowledges, however, that some fragile states have made important strides towards achieving sustainable development.

According to the report, fragility is at the core of most human suffering, including terrorism, other kinds of violence, displacement or hunger. Fragility is also getting worse. Currently, about 1.8 billion people live in the 58 fragile contexts the OECD identified. Most are in sub-Saharan Africa. Fifteen countries are considered extremely fragile, and nine countries were in active armed conflict in 2016. The OECD’s multi-dimensional fragility framework is designed to capture how coping capacities relate to risks in five dimensions (see illustration).

Without action, the number of people living in such places is projected to grow to 2.3 billion, so more than 80% of the world’s poorest people would be affected by 2030. That is the target year for achieving the SDGs. By 2050, the number of people suffering fragile statehood might even rise to 3.3 billion.

Gender disparities are particularly wide in fragile states, while quality education is rare. Most refugees come from troubled countries, which, nonetheless, host more displaced people than other countries do. ODA matters immensely in fragile states, the authors emphasise. In 2016, 65% of the total funding went there. However, a large share is used for humanitarian assistance, so it does not address the drivers of fragility (see focus section Disasters and aid in D+C/E+Z e-Paper 2018/06), as the OECD authors point out. In fragile contexts, moreover, other sources of financing such as remittances, foreign direct investment and domestic resources are less available too.

According to the report, ODA is too focused on only a handful of places and not properly aligned to the needs of fragile states and regions. Therefore, the authors want more money to be spent on conflict prevention and peacebuilding. In 2016, only two percent of total ODA to fragile contexts went to conflict prevention, and only 10% served peacebuilding. Another point the report emphasises is the need to deliver hope to people suffering fragile statehood. The goal is not only to keep people alive, but to boost justice, equality, sustainability and the quality of life in general.

LINK
https://doi.org/10.1787/9789264302075-en
In its latest annual report, the Global Commission on Drug Policy (GCDP) expresses itself in favour of regulation instead of prohibition and criminalisation. It argues that the war on drugs has failed, and that better policies are needed to protect people from harm.

By Eleonore von Bothmer

More than 250 million people around the world consume illegal drugs, and, according to GCDP, the international approach of prohibition and punishment has not made a dent in their demand. Rather, experience shows that drug users turn to the illegal black market if they cannot satisfy their cravings by legal means. This is one of the messages in this year’s annual report. The commission is independent and chaired by Ruth Dreifuss, the former president of Switzerland. Her predecessor was Fernando Henrique Cardoso, the former president of Brazil. The GCDP was launched in 2011 by several prominent persons from politics, business and the arts.

The GCDP declares the restrictive paradigm that has been prevalent for 60 years to be dysfunctional and states that dreams of a drug-free world are counterproductive. Its point is that organised crime benefits from drugs being illegal (see D+C/E+Z e-Paper 2018/10, p.8). What is needed instead is a responsible approach that conforms with human dignity. According to the GCDP that means regulation.

The crucial question is: who should be in control of dangerous substances – state agencies or crime gangs? The GCDP insists that regulation means responsible management rather than indiscriminate legalisation. It wants governments to assume responsibility the way they do in regard to food, pharmaceuticals, vehicles and many other consumer products. The report’s four sections deal with the following questions:
- how to control drugs through regulation,
- what challenges are likely to arise in this context, with an emphasis on developing countries’ drug economy providing livelihoods to masses of people,
- how organised crime can be disempowered, and
- what kind of contributions international cooperation should make.

Among other things, the report suggests that UN Secretary-General António Guterres assumes a leading role promoting reforms internationally. Tangible examples of sensible regulatory tools include the following:
- The most dangerous substances can be distributed as prescription drugs, with medical staff prescribing them to addicts. Switzerland is taking this approach to heroin supply, and as a result, both the crime and the health issues that go along with addiction have been reduced considerably.
- Licensed specialty stores and pharmacies can sell softer drugs, and the amounts customers are allowed to buy can be limited. Such principles guide the way that Uruguay allows the marketing of cannabis products.
- Measures like price controls, advice concerning health and safety, and prohibiting the sale to underage persons are meaningful.

Regulations should be introduced step by step, according to the GCDP, and the impacts must be monitored. Public debate is necessary, and the Commission wants to drive it in a direction that pays attention to factual evidence as well as to the people who are directly affected by drug policies.

**LINK**
An additional $2 trillion (editor’s note: in a previous version there was a wrong number) are needed to achieve the UN Sustainable Development Goals (SDGs) relating to water and sanitation. One way to tap sources of funding is called “blended finance”. It means to use public funds to mobilise private-sector investments. So far, this approach has not been taken much in the water sector.

By Regina Rossmann and Linda Engel

Member countries of the Organisation for Economic Co-operation and Development (OECD) are spending less and less of their official development assistance (ODA) on water and sanitation. However, 2.1 billion people still have no access to safe drinking water, and over 4 billion people lack access to toilets.

Actors in the water sector are therefore looking for new and innovative ways to acquire desperately needed funding. The potential of blended finance is being discussed frequently. The approach reduces the risks that private investors run, and thus makes profits more predictable. According to an OECD study, however, less than two percent of blended finance were applied to water and sanitation in recent years.

There are some promising examples, however. One is the Philippine Water Re-volving Fund. Local financial institutions pay into the fund, and Philippine water utilities can borrow from it to expand their service network or make other important investments. The financial institutions get guarantees from Philippine government institutions as well as the USAID, the bilateral agency. The guarantees are managed by the Development Bank of the Philippines (DBP). Moreover, JICA, the Japanese agency, is supporting the fund with a concessionary loan. The constellation reduces risks for local financial institutions and thus mobilises additional funding.

Nonetheless, Chris Clubb from the Convergence network says that conventional ODA will still make up the lion’s share of funding devoted to achieving development goals in the water sector in the future. Convergence has about 300 members internationally, and most are from the private sector. The network is funded by the Canadian government.

Funds must not only be made available in sufficient amounts, they must also be used efficiently. Good management is essential, but cannot be taken for granted in the water sector, as Susanne Dorasil of Germany’s Federal Ministry for Economic Cooperation and Development (BMZ) emphasised at a conference organised by GIZ and the OECD in Frankfurt in October. In many developing countries, water utilities are unable to cover their costs, and that makes them unattractive to investors.

William Muhairwe, the former director of Uganda’s national water utility, points out that good governance is essential. A GIZ study has confirmed his view. The point is that the best deals on blending finance are useless if the money is not used responsibly.

The conference spelled out basic policy recommendations. They can help to make better use of blended finance in the future:

- Donors should support the development of national capital markets in order to reduce the dependence of the water sector on foreign-currency financing.
- One focus of ODA should be to improve investment conditions, for instance by strengthening institutions and policy frameworks.
- Development programmes should link capacity development more closely with investment, because an appropriate institutional environment is needed if the expansion of infrastructure is to lead to long-term improvements in water and sanitation services.
- Donors should make more use of guarantees to leverage private-sector investments for development goals.
- Donors, non-governmental organisations and private-sector institutions should share experiences and define best practices.
- Donors and financial institutions should make the allocation of funds more transparent and better track sustainability.

Financing the water sector remains on the agenda of the OECD and the BMZ.

LINK

Many places lack the money to finance water infrastructure: a girl collecting drinking water in Ethiopia.
Killed by the in-laws

A couple of years ago, a young man in Southern India was brutally hacked to death on a crowded road in full public view. His murderers were a gang of men including his wife’s father. According to the police, the victim was murdered for marrying a woman from a higher Hindu caste. His young widow is now a well-known activist against honour killings and India’s caste system.

In India, falling in love with the wrong person can be deadly. 22-year-old V. Shankar, a young Dalit man, learned this fact at the cost of his life. The couple, Kausalya and Shankar, were both studying engineering at a college. They married in July 2015 against the wishes of Kausalya’s parents. Just after the wedding, they lodged a complaint at the local police station that they feared for their lives. Eight months later, Shankar was murdered.

Lives of countless Indian young men and young women have been destroyed because they have dared to love across divides defined by caste and community. The caste system is among the world’s oldest forms of social stratification. It divides people belonging to the Hindu religion into four main categories, which are further divided into about 3,000 castes and 25,000 sub-castes, each based on specific occupation. The Dalits or so-called “untouchables” were the lowest rung of this caste system. After India’s independence, in the new constitution of 1949, the caste system was officially abolished, but it still marks social life.

To date, Dalits face discrimination when it comes to opportunities and social interactions. Considering the importance that Indian society places on marriages, inter-caste marriages are always difficult. But if one of the parties involved is Dalit, the consequences can be as violent as an “honour killing”. This act refers to the murder of a person by a family member motivated by a belief that the victim had brought “shame” to the family.

In 2006, a Supreme Court judgment called honour killings “barbaric” and “wholly illegal.” Nonetheless, they are becoming more common. According to the National Crime Record Bureau (NCRB), there were 251 such murders in 2015 – almost 10 times more than the 28 registered in 2014. Figures for 2016 have not been published yet.

Indian feminists like Brinda Karat and Kavita Krishnan demand better laws. In their eyes, legislation should protect “self-choice partnerships” and fight “attempts to control women’s sexuality”.

Survivors like Kausalya are leaders in the fight. She suffered horrific head injuries, lost her husband and had sporadic phases of depression. However, she also stood firmly in court, pointing fingers at her family for the crime. Six of the 11 accused – including her father – were sentenced to death. Her case is very well known in India. She has become an icon in the campaign against the repressive caste system.

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GLOBAL WARMING

Technological revolution and prudent policymaking

The international community must act fast to limit global warming to 1.5 degree Celsius, the Intergovernmental Panel on Climate Change argues in a recently published special report. Distinguished climate researcher Mojib Latif explains where the need for action is most urgent.

By Mojib Latif

The authors of the IPCC report point out that the Earth’s average surface temperature has risen by one degree Celsius since measurements began in 1850. They believe the 1.5 degree Celsius target is still possible from a scientific perspective, but it will require unprecedented changes in sectors like industry, transportation, energy and agriculture. Global emissions of greenhouse gases, especially carbon dioxide (CO2), will need to rapidly fall in the coming years. Depression, the trend is currently moving in the opposite direction. Since the early 1990s, CO2 emissions have skyrocketed and risen by 60%.

I believe the 1.5 degree Celsius target is no longer attainable. Policymakers and industry are acting too slowly. But at least the two degree Celsius target could still be achieved. It would require industry to become carbon neutral by around 2050. Thereafter, negative emissions are required, which means net removal of CO2 from the atmosphere. That requires a technological revolution – and governments could make it happen if they created the right business environment. At the moment, however, that looks highly unlikely.

In international climate policy, there often is a gap between aspirations and reality. The structural change we need to limit global warming to well below two degree Celsius, as agreed upon in the Paris Climate Agreement, depends on political will and long-term thinking. Countries must stick to – and achieve – their climate goals. Germany and Europe are about to lose their leadership role. Germany is set to miss its emissions reduction target of 40% by 2020 relative to 1990 levels. Countries like Poland plan to keep their energy system for many years, which heavily relies on coal.

Germany ranks among the world’s ten largest CO2 emitters, with transport issues compounding problems in the energy sector. Transportation is the only sector with more urgent consequences than for the industrialised countries which have caused climate change in the first place.

Yes, China currently accounts for nearly 30% of global CO2 emissions, but Europe and the USA have a historical responsibility. In terms of cumulative emissions – total historical emissions – they are responsible for half of the greenhouse gas build-up in the atmosphere. An important step forward would be if a number of industrialised countries set a good example by showing that healthy economic growth is possible without harming the environment.

Carbon pricing is another example of prudent policy. Over the past 12 months, the price in the European emissions trading system increased from seven to 20 euros per metric ton CO2, which is still too low. A price of around 50 euros would create incentives for strongly reducing CO2 emissions. Moreover, in the long run we have to remove CO2 from the atmosphere. If captured it could be used, for example, to produce renewable natural gas or synthetic fuels.

Researchers are currently looking at a range of geo-engineering methods. These are technological options for slowing global warming. Injecting sulphur dioxide into the atmosphere is one example, using iron or phosphorus to fertilise the oceans is another. The risks of such methods are incalculable, however, and so are the financial requirements. Given that none of the technologies will be ready for deployment at a large scale anytime soon, reducing greenhouse gas emissions remains the top priority.

Unless decisive political action is taken, climate change will enhance inequality between countries. Poor countries cannot afford adaptation. For them, rising temperatures would have more adverse consequences than for the industrialised countries which have caused climate change in the first place.

Norway, by comparison, introduced a congestion charge in Oslo many years ago and is now vigorously promoting e-mobility. Only electric cars are allowed into the city free of charge. The result is a win-win situation: air quality improves and greenhouse gas emissions are reduced.

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End the shame of sexualised war crimes

Nadia Murad and Denis Mukwege have won this year’s Nobel Peace Prize for their struggle to end sexualised violence in war. This award will hopefully go a long way in creating acceptance of the victims of sexual violence in society. After atrocious crimes, they need help and support.

By Mahwish Gul

The destruction of Baghdad is dubbed as the most mournful event in the history of Islam. When the Mongol army of Hulagu Khan took Baghdad in February 1258, they killed 200,000 to a million people. The estimates vary. Severed heads in hundreds were made into minarets all across the city. So strong was the stench of decay from the ruins that Hulagu had to move his camp upwind. Hulagu’s men raped women in scores, tossing them from one to another as trophies. Those whose lives were spared were made into sex slaves as souvenirs. The victors made rape a weapon of war to intimidate the people of the conquered city.

Not so far from Baghdad in today’s Iraq, the world was recently reminded yet again of violence against women as an act of war and triumph. History does not get tired of repeating itself. On 15 August 2014, the Sunni-extremist militia ISIS rounded up the Yazidi minority in Sinjar, killing 2,000 to 5,500 people and abducting nearly 6,000. Nadia Murad, 19, was one of them. The cries from women seeing loved ones killed in front of them, abducted and raped were no different to those of 1258.

Nadia Murad once dreamt of becoming a teacher. Before being abducted, she endured the killing of her mother and six of her brothers. In captivity and along with thousands of other Yazidi women, Nadia Murad was raped and beaten repeatedly, day and night, by ISIS men taking turns.

Nadia Murad managed to escape, and unlike other ISIS survivors, told the public her story – including many brutal details. She decided that shame matters much less than finally ending the use of sexual violence as a weapon in war. She ventured on a worldwide campaign against sex crimes. She addressed the UN Security Council, Britain’s House of Commons and the US House of Representatives.

In September 2018, Nadia Murad was awarded the Nobel Peace Prize along with Denis Mukwege for their endeavour to end the use of sexual violence in armed conflicts. Denis Mukwege is a Congolese gynaecologist who specialises in the treatment of women who have been raped by armed rebels. He has treated thousands of women in a country once characterised as “rape capital of the world”.

Denis Mukwege founded the Panzi Hospital in 1991 in the capital of South Kivu Province in the Democratic Republic of the Congo (DRC). Since its foundation, the hospital has treated 85,000 patients with complex gynaecological damage. Sixty percent of the patients were victims of sexualised violence.

The Nobel Peace Prize has thus turned the attention of the world to heinous war crimes. It has turned the spotlight on two regions in different continents, but telling the same story of the devastating price women have paid in war conflicts.

“Deciding to be honest was one of the hardest decisions I have ever made and the most important one,” Nadia Murad told the UN Security Council. The Nobel Peace Prize to her is a shout to the world community to leave no stone unturned to bring an end to this suffering and pain endured by hundreds and thousands of women even in this day and age. The award is a recognition of Nadia Murad’s courage in adversity, unspeakable pain and misery, to have stood up and made the world community realise of their inaction.

Agonisingly, Nadia Murad is not alone in her suffering. She endured what others have done in the past, symbolising their silent cries, their hidden wounds, their unspeakable traumas and their shackled lives.

This award has set a new precedent of global awakening to sexualised violence. It recognises the importance of speaking out and goes against the tradition of shaming victims. The award is an encouragement to women across the globe to stand up and speak up against their perpetrators to bring them to justice. It also sheds light on the failure of the global community which all too often lets perpetrators of wartime sexual violence walk free, without even fearing punishment.

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A pervasive lack of trust

President Joseph Kabila has finally accepted the constitutional term limit and will not stand again, the situation remains tense. There is no guarantee that the elections will be peaceful, transparent and credible.

By Jonathan Bashi

The elections were initially scheduled for December 2016, when Kabila's second – and according to the constitution – last term ended. The political manoeuvres of the president’s camp in recent years indicated that he wanted to stand again nonetheless. Protests broke out across the country, causing several deaths. Negotiations were held, and on 31 December 2016, leaders from the president’s camp and the opposition agreed on a transition period in order to prepare free and fair elections.

Signed under the auspices of the Catholic Church, this “New Year’s Eve Deal” included measures to ensure a consensual management of the country during the transition period. Kabila stayed on as president, but a prime minister was appointed from the opposition camp. Moreover, a national transition monitoring council was established.

Elections were supposed to be held in December 2017, but they were postponed once more, this time for logistical reasons. In November 2017, the National Independent Electoral Commission declared it needed more time for the enlistment of voters, the finalisation of the electoral register, the provision of election equipment and other matters.

The deadline for registering candidates was 8 August 2018. That very day, Kabila announced that Emmanuel Ramazani Shadary would be his camp’s presidential candidate. He thus put an end to the speculations about a possible third term. These speculations had caused serious worries, and related violence claimed many lives since December 2016.

On 19 September, the Electoral Commission published the final list of candidates. Of 25 applications for the presidential elections, 21 were accepted. The other four were rejected.

It is a serious problem that two of the most popular potential candidates cannot stand. One is Jean-Pierre Bemba, the former warlord, who served as vice president in the transitional government that ruled the country from July 2003 to December 2006. His nomination was rejected by the Constitutional Court, which found him ineligible because the International Criminal Court (ICC) had convicted him bribing witnesses. Bemba remains very popular in the DRC, especially since the ICC, in June, acquitted him in a war-crimes case this summer.

Another potential candidate was prevented from filing his application. Moïse Katumbi, the former governor of the Katanga province, who used to be allied to Kabila, but has lived in exile since 2016. He claims that he was not allowed to enter the DRC at the Zambian border in early August, when he wanted to register as a candidate.

Both men were considered to be likely winners of the election, but they will not be on the ballot. This fact diminishes the election’s legitimacy in the eyes of many opposition groups. They also argue that the ruling party is trying to undermine the electoral process, in particular by using state institutions to intimidate and dismiss some opposition leaders. The security forces and the Constitutional Court are under its control.

There are more concerns. To run the multiple elections properly, the country must rise to huge logistical and financial challenges. International support would make sense to avoid delays and perhaps even a further postponement. Nonetheless, the government has decided to handle everything by itself and has turned down support from MONUSCO, the United Nations Mission in Congo. The government claims that its stance is an expression of sovereignty, but opposition leaders suspect it wants to manipulate the electoral process.

The voting machines, which the Electoral Commission plans to use, are controversial too. The opposition believes they can be abused for mass cheating. So far, however, the opposition itself looks fragmented because it has failed to rally around a single candidate.

For all these reasons, the situation remains tense. People hope that the elections will be free and fair, and many would like to see a change of government. However, public institutions do not enjoy trust, and experience shows that violence can escalate fast in the DRC. Adding to the problems, the devastating civil war has never really come to an end in the country’s east, where various militias are still active. An Ebola outbreak in that region is currently making everything even more difficult.

secLor forces clamping down on protests in Kinshasa at the end of 2017.

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Around 60% of Honduras’ people are under 30. The country’s youth have no work, no money, no security and no prospects. They are fighting for a better future.

By Rita Trautmann

Hondurans attach great importance to education, hoping to get a good job. Many people who had little or no education themselves make every effort to secure better educational opportunities for their children. Public service professions – teaching, for instance, or working in the care sector – are very popular. But the hope in recent years, the dream of secure employment, has become less and less often. Nearly 40% of the working-age people are jobless or underemployed. Many work in precarious conditions in the informal sector and smallholder agriculture (also note article by Korinna Horta on p. 32).

Many university graduates don’t find jobs that match their knowledge. Young people are unable to start a family and move out of their parents’ home. They have to accept unskilled jobs, often in export-oriented maquila factories in special economic zones. Others try their luck abroad.

Emigrating to the United States, however, means negotiating one of the most dangerous migration routes in the world – with little chance of success. US policy is becoming increasingly restrictive. The “temporary protected status” granted to Hondurans in 1999 has been revoked by US President Donald Trump. Therefore, tens of thousands of Hondurans will have to leave the US by 2020.

Nonetheless, thousands set out in mid-October, challenging both the Honduran government and the US administration. In response, Trump threatened to cut aid while President Juan Orlando Hernández accuses the opposition of having started the migrants’ caravan. Neither leader, however, is offering anything that might inspire hope among the people concerned.

Many young people want to see their country change, says 18-year-old student Némesis: “We are a disaffected generation. That is why we took to the streets after the elections.” One slogan is raised at many rallies: “JOH, you are messing with the wrong generation!” “JOH” is President Hernández, who is leading the country ever deeper into a crisis of poverty, violence, corruption and human-rights abuses (see my article in D+C/E+Z e-Paper 2017/04, p. 15).

Those who are now in their late 20s or early 30s were politicised by the military coup in 2009 and the ensuing years of violence, corruption and mounting human-rights abuse. Members of the opposition were targeted again and again. The past five years have seen frequent demonstrations by pupils and students with demands for greater security as well as protests against privatisation and corruption at universities and schools. The government has criminalised all participants. They were intimidated, threatened, and some were even murdered. After the general election in November 2017, young protestors again blocked the streets, calling for fair elections and respect for democracy. They are tired of being governed by a corrupt elite.

The voice of protest was particularly loud in the areas north of San Pedro Sula, Honduras’ second-largest city. In this region, maquila factories are the most important employers. Marel from San Pedro Sula says: “Because I live in an area with an extremely high murder rate, I live in daily fear of becoming a victim. That minimises any fear I might have of rallying against the authorities.”

Social media and personal networks are helping to create a pluralist information environment that did not exist in previous decades. Communication has become fast and easy, facilitating spontaneous protests. Independent internet platforms offer grassroots reporting. “Even if it is sometimes hard to filter news and verify its accuracy, the internet has become an extremely important source of information for our generation,” says Némesis. The mainstream media, which are in the hands of a small group of oligarchs, have lost their monopoly among the young.

Antonio, for example, uses social media to inform the people around him about corruption and injustice. His activities have attracted attention and intimidation. “The threats of the military police scare me,” he says, “but they won’t make me stop – I’m just more careful now”. Honduran youth feel cheated, and they are not putting up with it any longer.

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The development-finance landscape will change dramatically in the future. Over the long term, the significance of classical ODA (official development assistance) will wane while private investment – both domestic or foreign – will increase in scope and importance. Ulrich Post of Welthungerhilfe, a German non-governmental organisation, offers an outlook.

By Ulrich Post

At the heart of the financing debate is the realisation that the volume of available funding is not even close to what is needed to fund the achievement of the Sustainable Development Goals (SDGs). Therefore, the Addis Ababa Agenda, which was adopted at the UN conference on Financing for Development in 2015, also considers other sources of finance, including domestic public funding and local or international private investment (see D+C/E+Z e-Paper 2015/07, p. 42).

To achieve the SDGs, the UN estimates that around $6 trillion a year needs to be made available until 2030. Others reckon an estimated $2 trillion to 2.4 trillion a year will be needed on top of current funding. But the UN believes that it will be extremely difficult, if not impossible, to secure sufficient funding in the current international situation. Its Inter-Agency Task Force forecasts that SDG 1 and SDG 2 will not be implemented in the least developed countries by 2030. Most countries in Sub-Saharan Africa are in a similar predicament.

OFFICIAL DEVELOPMENT ASSISTANCE

The countries of the Organisation for Economic Co-operation and Development (OECD) spent $146.6 billion on ODA last year. This was marginally less (-0.6%) than in 2016, which was a “record” year. Thirty percent of ODA went to sub-Saharan Africa in 2016. The largest single ODA recipients were Ethiopia, Afghanistan and Turkey. In the past 15 years, ODA has increased by 240%. The ODA of the OECD countries is now supplemented by money from new donors such as China.

In the future, the ODA provided by OECD countries will increase far more slowly than in the past – if indeed there is any increase at all. A growing number of governments are prioritising domestic concerns and show little interest in stepping up development cooperation (DC). Particularly poor countries and fragile states will continue to need classical DC for a number of years in order to finance public spending and balance-of-payment deficits. Nonetheless, they will be urged to do more to mobilise domestic resources – not least because state building goes along with significant potential benefits. Donors will offer support for improving tax systems as well as the promotion of “fair deals” with transnational companies and the creation of social-protection systems.

China has changed the “game”, giving developing countries more options. China is a popular donor because the money it hands out is not conditional upon political reform. However, the development landscape and its actors will be fragmented even more in

DOMESTIC PUBLIC FUNDING

Domestic public funding is already by far the most important source of finance in developing countries. Its volume more than double that of all external funding flows combined. It comprises a variety of revenue sources that are available to governments, including direct and indirect taxation, royalties from extractive industries and licence fees, or bonds issued on local capital markets. Taxes – especially those on income – are a particularly important tool for financing development. But they can be an elusive resource, especially for the world’s poorest countries, where tax revenues in relation to gross domestic product have actually decreased since 2012. Most countries in Sub-Saharan Africa are in a similar predicament.
the years ahead. Currently, there are about 60 bilateral and more than 250 multilateral donors.

The ministries or institutions currently responsible for development cooperation will focus on the core issue of poverty reduction as well as on support for specific global public goods and global challenges. It is likely that more traditional DC spending will shift to other ministries.

Because of multilateralism’s present weakness, bilateral cooperation is expected to increase. This trend can already be observed in Germany. There will also be more linking of aid to donors’ national interests. The “aid-is-for-us narrative” will figure more prominently in the rationale for ODA spending.

BLENDING FINANCE

ODA geared to private-sector development will increase significantly. Relevant instruments include loans and guarantees from governments, as well as the purchase of shares in the capital of companies operating in ODA receiving countries. The OECD terms is "blending finance". It stands for the strategy of mobilising additional private-sector money from OECD countries for business investments in partner countries.

Whether such approaches are called “blending”, “leveraging” or “subsidisation”, they are set to grow. Various donors are upgrading their mechanisms. The EU, for instance, has launched the European Fund for Sustainable Development (EFSD). Mechanisms of its kind, however, will probably only make a major difference once they are supported by local institutions in developing countries. The relevant institutions will generally be national development banks. They could serve as platforms for launching local projects, mitigating implementation risks and facilitating the resolution of problems at the local level.

PRIVATE FINANCE

The role of domestic and international private capital has become stronger in developing countries, but is still fairly limited on the whole. In addition to foreign direct investment, private enterprises have started to tap foreign capital markets to a substantial extent. This is so even in poor developing countries. These private, non-securitised loans have become increasingly significant and will become even more significant in the future.

Domestic private investment is extensive, stable and growing. It currently accounts for more than 25% of GDP in developing countries. The investment comes predominantly from the banking sector, which tends to be state owned, and from local companies that are reinvesting profits.

The main source of external finance is private capital, much of it in the form of direct investment. Private capital has amounted to more than 80% of long-term financial flows to developing countries since the year 2000. However, the volume of direct investment has been decreasing in recent years. There are also major regional differences in direct investment: more than 70% has gone to East and South Asia, less than eight percent to under-financed least-developed countries.

Direct investment can certainly help to achieve the SDGs if it is channelled into development-related areas (such as renewable energy). But the private sector has so far shown little willingness to deliver on the commitments of the Addis Agenda. It is thus expected that government and multilateral donors will do more to support productive investment in developing countries, particularly in poor ones. Government guarantees and insurance are options. In addition, public and political pressure on multinational companies will increase to assume more (financial) responsibility for improving working conditions and ensuring sustainable value chains.

Migrants’ remittances are another important private financial flow for developing countries. According to World Bank figures, they totalled $466 billion in 2017 – a new record that is likely to be beaten in 2018. Remittances actually amounted to more than three times the total volume of ODA last year.

However, the positive impacts of remittances predominantly benefit the mi-
grants and their families themselves, not the economy as a whole. In many countries, remittances account for more than ten percent of national income. This is the case, for instance, in Tajikistan, Nepal, Liberia, Haiti, Jordan and the Philippines. The growing volume of money remitted makes it an increasingly attractive source for financing state projects. Ethiopia, for example, issued a diaspora bond to finance a dam, and Nigeria launched one for infrastructure projects. Remittances will be harnessed more in the future, not just by state agencies, but also by private actors. It is reasonable to assume that national governments, in particular, will make greater use of remittance capital.

Private foundations and philanthropists will play an increasingly important – and influential – role. The Co-Impact initiative established in late 2017 seeks to coordinate philanthropist activity worldwide and make it more effective. Private foundations often step in where governments fail – not just in developing countries but even when it comes to financing multilateral organisations such as the WHO. In the future, even more attention must be paid to ensuring that the definition of the public interest will not be left to super-rich philanthropists (see D+C/E+Z focus section in e-Paper 2017/12).

DEBT AND OTHER PROBLEMS

Developing countries’ debt has risen sharply in the past five years, and there is growing concern over the prospect of a new debt crisis. According to the International Monetary Fund (IMF), the rise in debt particularly affects low-income countries. IMF figures show that 18 countries are at serious risk of running into repayment difficulties – or have already encountered them (see focus section in D+C/E+Z e-Paper 2018/08).

Because of the ineffectiveness of international tax cooperation, countries are encouraged to compete with others (generally for the lowest tax rate). The result for some countries is tax base erosion (see focus section in D+C/E+Z 2018/01).

Global trade growth has slowed since the financial crisis and is currently even recessionary. The world trade system has a major impact on developing economies. In particular, poorer countries are extremely dependent on volatile commodity prices. Apart from offering better access to their markets, advanced economies should help developing countries to implement strategies to overcome their dependence on primary commodities. Protectionist trade policies might be an option to promote industrial-sector growth.

It is not terribly bold to predict that the SDGs will not be implemented by 2030 unless there is a change in current financing trends, but there is every reason to doubt that it will be the case. For the “classical” DC actors, change means having to respond much more effectively to SDGs requirements and deliver results in fragile states. They will need to develop new forms of cooperation with the private sector and see their role – and indeed act – much more as accelerators and facilitators, driving efforts on global warming and climate adaptation. They will also need to work a lot harder to get across the message that global welfare is absolutely in the national interest.

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Waste collector in Sierra Leone: donor funding is still needed to reduce poverty.
Pioneering urban agriculture

Cuba introduced an agricultural reform in the 1990s and became a pioneer of urban agriculture. Change was driven by unique political and social circumstances.

By Katherine Cashman

Cuba had to cope with an imminent food crisis in the early 1990s. Organically grown urban agriculture was simply the most promising remedy. The communist government cooperated with grassroots organisations, providing incentives to urban people to grow and market food locally. This bottom-up approach was not typical of authoritarian rule.

The reform allowed people to decide what they wanted to cultivate, and land-use management was reorganised accordingly. A free market for urban produce emerged. Local communities were empowered to make decisions regarding the formerly nationalised food economy, and administrative functions were decentralised.

Since the Cuban example in the 1990s, urban gardening has taken root in many cities around the world. Every city and country has a unique system. Cuba was a front-runner, and it shows how great the potential of small-scale, organic gardening is.

Throughout the 20th century, Cuba’s political economy and food system changed drastically several times. The revolution of 1959 brought the communist government to power, which centralised the state apparatus. All agricultural land was nationalised and farms were mechanised.

In the cold-war era, the USA imposed a trade embargo on Cuba. As a result, the country developed a symbiotic trading relationship with the Soviet-led Eastern Bloc, to which Cuba exported tropical products like sugarcane, tobacco and fruits at nearly twice the world market price. In exchange, it got fuel, animal feed, cereals, meat and other products at subsidised rates. By the 1980s, Cuba was importing 57% of its food as well as 90% of its agricultural fertilisers and pesticides. The advantageous exchange with the Eastern Bloc allowed Cuba to prosper, and the 1980s were subsequently referred to as “the years of the fat cow” in Cuba.

In 1989, the Berlin Wall came down, and then the Soviet Union disintegrated in 1990/91. Cuba suffered an economic shock because the trade patterns changed dramatically. Cuba lost 80% of its food trade, resulting in serious food shortages. On average, people only got two thirds of the calories they needed. Cubans call that time the “special period of hunger”.

In response, the government introduced radical reforms. The previous paradigm was industrial-scale farms run by the state and geared to producing commodities for exporting. By contrast, the new ideal was to source local produce, coping without costly inputs such as fuel and fertilisers. The government changed land-use regulations and instituted market reforms in order to stimulate a local economy for food. It relied on expertise it had previously not considered, including the traditional knowledge of the elderly as well as scientific advice on eco-friendly farming. The goal was to adapt food production to the new geo-political situation. Organic farming methods were widely adopted, including composting, crop rotation, soil conservation, et cetera.

FARMING IN HAVANA

Havana is a city of about 2 million people. It is not densely populated, and its geography
and climate proved ideal for urban gardening. In view of the failing economy, the Ministry of Agriculture initiated urban agriculture units to produce food and provide new employment opportunities.

Until the 1990s, 80% of Cuba’s agricultural land – including cattle production sites – had belonged to large-scale state farms. Only 20% was under the care of small-scale farmers. At that time, agriculture was marked by monocultures, heavy mechanisation, irrigation and intensive use of chemicals. Workers were organised in teams with each farmer being strictly designated to one task.

This model became unviable after the collapse of the Soviet Union as Cuba lost access to the crucial inputs it had imported. The government therefore switched to self-managed food production at the local scale. In 1991, the Department of Urban Agriculture's motto was “production in the community, by the community, for the community”. Farmers were given the responsibility for the entire production on one plot of land. Remuneration became directly linked to output.

To distribute land to small farmers in urban areas, the Department of Urban Agriculture collaborated with participatory neighbourhood-level governments called “Poder Popular”. The precondition was that they produced food. In Havana alone, the authorities allotted 25,000 gardens to families for farming purposes. Moreover, dozens of large “organiponicos” were established. Organiponicos are high-yield urban market gardens, ranging in size from 200 square metres to a few hectares. Five or six workers cultivate them relying on organic methods.

By discontinuing the state farms and installing cooperative farming at the grassroots levels, Cuba managed to turn over four-fifths of its state-owned farmland to the workers. Each subunit of the newly formed cooperatives elected a leader democratically. The leader’s job is to oversee the farm activities. The duties included drafting production plans, training the farmers in urban agriculture and promoting new technologies. The cooperative leaders also served as representatives to the Ministry of Agriculture.

Authority over agricultural production became decentralised. Though the state still technically owned agricultural property and required farmers to meet production quotas, the collectives became the owners of their own food production. Farmers could sell their excess produce in local markets.

Educational campaigns contributed to the development of urban agriculture. The government involved academics in researching organic farming methods and innovations. Moreover, it invited cooperative members to seminars and courses so they could acquire new skills and share their own knowledge with others.

**CONCLUSION**

Havana’s agriculture revolution resulted from a food crisis. Growing food even in the capital city was a tool of crisis management, and it provided a viable solution to the daunting problem. In 1995, the government declared that the food crisis was over. By 1996, urban agriculture provided the city with 8,500 tons of agricultural produce, 4 million dozens of flowers, 7.5 million eggs and 3,650 tons of meat.

The example of Cuba shows that urban gardening can boost food security substantially. It is not always an issue of national policymaking, however. Local communities can improve their fate by resorting to home-grown produce, not least with an eye to getting a fresher and more vitamin-rich diet. International research shows that people in low-income neighbourhoods tend to lack access to fresh foods. Community-oriented urban agriculture can make a difference, whether it is promoted by the national government or not.

A local farming approach, moreover, makes people less dependent on the world market. Both traditional local knowledge and appropriate innovations can give people more control of their lives even in our era of globalisation.

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Unequal opportunities

A guiding principle of the UN Sustainable Development Goals (SDGs) is not to leave anyone behind. Everyone deserves opportunities in life. Essential issues include access to health care and education as well as incomes that allow for decent living. Competent institutions and prudent policymaking can make the difference. The politics of providing opportunities to everyone are difficult, however, so poverty and inequality still result in far too many people lacking any realistic outlook for social inclusion and personal advancement.
Fear of exclusion

Poverty is more than a lack of money, as the World Bank definition confirms. Poverty has many dimensions and is perceived in diverse ways. It is harder to bear in countries where social inequality is more marked and individuals have less chance of social advancement. In Lebanon, non-extreme poverty is a serious problem, as Mona Naggar has discovered from living in Beirut. This essay summarises her own personal impressions of what poverty looks like in Lebanon.

By Mona Naggar

I did not enjoy watching the movie “Capharnaüm” by Lebanese director Nadine Labaki. I recommend it, nonetheless. It won this year’s Jury Prize at the Cannes Film Festival and has been showing at cinemas in Lebanon since the end of September.

The film tells the story of 12-year-old Zain, who grows up in a Beirut slum. He lives in a small run-down apartment with his struggling, dispirited parents and numerous siblings. Every day is a fight for survival. The question of Zain going to school does not arise; he must work for a grocer, who pays him in kind.

When his sister is forced into arranged marriage, Zain runs away from home and starts a life of his own. He makes friends with a migrant worker from Ethiopia, who works from morning till night for a car mechanic instead of going to school. His parents get 20,000 Lebanese pounds (LBP) – the equivalent of about €12 – for his week’s work.

And there are the young men who deliver crates of water to my door every few days or pack my shopping at the supermarket checkout. They all depend on the tips I give. But I am under no actual obligation to give tips. No one would call me to account or be outraged if I failed to do so. But there is an unwritten law that requires me to give something. The “haves” give to the “have-nots” or to those with very little. A “have” should always have a few dark-green thousand-pound notes at the ready. A thousand Lebanese pounds is worth €0.57.

Poverty in Lebanon is more visible, more pervasive than in Germany or elsewhere in western Europe. It is also more menacing, desperate, merciless. It can strike fear of exclusion.

The UNDP estimates that roughly a third of Lebanese are poor and live on less than four US dollars per day and person. Around 200,000 people have to get by on less than two dollars a day and are thus extremely poor according to the World Bank definition.

There are marked socioeconomic differences from one region to another. The situation is particularly difficult in the north and south of the country.

Those who dropped out of school and have no professional skills are particularly affected by poverty, regardless of their religious affiliation. However, groups that are disadvantaged by Lebanese law are also disproportionately poor. Palestinians who have lived in Lebanon for decades are denied equal access to state education. They are banned from entering certain professions and from owning property. They are also granted only limited access to the welfare system. Anyone born into a Palestinian family in Lebanon has a hard start in life.

Syrian refugees stranded in the country with no work or residence permit similarly live from hand to mouth. What is more, many Lebanese are hostile towards them because, as cheap labour, they compete for jobs.

NO SAFETY NET

Even those who have a job and a regular income that covers the daily expenses, including the children’s school fees, are not safe. Because of the poorly developed welfare system, a serious illness of in the family can cause a sharp descent into financial ruin. Not even the middle class can take good health care for granted in Lebanon. Newspapers regularly carry horrifying reports of people in need of emergency treatment being turned away at hospitals because their family cannot pay up front. The revelations always prompt an outcry, but the fuss quickly subsides.

Poverty in Lebanon is more visible, more pervasive than in Germany or elsewhere in western Europe. It is also more menacing, desperate, merciless. It can strike when least expected. It is accepted as one of the country’s many decades-old unsolvable problems. The weak Lebanese state is not held responsible. “Ma fi dawleh” (There is no state) is an exclamation commonly heard in Lebanon. Just as the state is deemed in-
capable of solving the waste crisis or getting to grips with power and water shortages, it is not expected to act in support of vulnerable people.

On the contrary, the state is seen as a champion of the rich. Many politicians are also well-to-do business people. Responsibility for social problems is left to charitable organisations, religious organisations and private individuals, who get involved as volunteers. Each religious community looks after its own.

I wonder if it is because poverty is so ubiquitous in Lebanon that people seem to want to distance themselves from others and send out signals that they are not poor. Is that why prestige is so important, why exaggerated importance is attached to expensive clothes and cars, why people boast about their children going to a prestigious private school or studying abroad?

Education is the surest road to social advancement. Parents work their fingers to the bone, taking on multiple jobs so they can afford a good education for their children. For the young generation, the next step is often to leave the country. Many are convinced they can only build a secure future abroad.

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Unequal opportunities

Good progress with further room for improvement

India is on the way to eradicating extreme poverty. On the other hand, social disparities have widened in recent decades.

By Roli Mahajan

As of May 2018, India is no longer home to the highest number of extremely poor people in the world. This is a distinction that no country wants, but one that has rested uneasily on India’s shoulders for some decades now, not the least because of its huge population of 1.3 billion people.

According to the Brookings Institution, Nigeria had about 87 million people in extreme poverty, compared with India’s 73 million. Moreover, the researchers added, “extreme poverty in Nigeria is growing by six people every minute, while poverty in India continues to fall”.

The assessment was based on data provided by international organisations. The World Bank defines persons as extremely poor if they live on less than the purchasing power of $1.90 a day.

Domestic assessments are pointing in the same direction. The Indian National Sample Survey Organisation’s most recent data are yet to be published, but economist Surjit Bhalla, who gives advice to the Indian government, has already pointed out that the share of extremely poor people has dropped from about 21% in 2011/12 to a mere five percent in 2017/18.

The data look good, but many experts doubt this is really the time to celebrate. The reason is that other important development indicators paint a rather dismal picture. Amartya Sen, the economist who won the Nobel Prize in 1998, has pointed out that India trails all its neighbours (with the exception of Pakistan) on several socio-economic parameters, especially in regard to health and education.

Per-capita incomes are lower in Bangladesh (about $1,550) and Nepal (about $ 840) than in India (about $ 1,949). Nonetheless, both countries have lower under-5 mortality rates. In India, 39 children died per 1,000 live births in 2017 according to UNICEF. The comparative figures were 32 in Bangladesh and 34 in Nepal.

Signs of rural distress further mark the picture of a prospering nation. Suicide rates, which are linked to over-indebtedness, are intolerably high among farmers.

Defining poverty is tricky and has always been a topic of heated debate in India. Citizens tend to consider government success in terms of progress made in the fight against poverty.

In the quest for a precise measure of poverty, India has moved from just considering the money needed for the stipulated minimum calorie intake to a multi-dimensional approach. In 2009, the Tendulkar Commission overhauled the poverty estimation methodology (see D+C/E+Z 2010/12, p. 464). Apart from food, issues like clothing, footwear, durable consumer goods, education and health have since been taken into account. The new methodology showed that poverty was worse than previously estimated.

Recently, the World Bank introduced another international monetary definition of poverty for lower middle-income countries. The new benchmark is a purchasing power of $3.20 per person and day. By this measure, Bhalla estimates that a third of India’s population is poor. Maybe it is time for India to reconsider once more how its poverty measurements compare to the World Bank’s yardstick.

The other side of this issue is inequality. Credit Suisse, the multinational bank, reckons that the richest one percent of Indians own 58.4% of the nation’s wealth. By contrast, the bottom 70% together own a mere seven percent. That ratio has actually been cut in half in eight years. It was 13.9% in 2010.

The big picture is thus that millions of people have been able to escape extreme poverty, but are still far from living prosperous lives. At the same time, the very rich have been able to expand their wealth fast.

Economic liberalisation became India’s paradigm in 1991, in the course of a financial crisis (see D+C/E+Z e-Paper 2018/08, p.27). It accelerated economic growth but exacerbated social disparities. Satellite photographs, which have been used to study inequality in India, support this notion. Economists contend that the growth strategy has led to a sharp increase in inequality. They warn that countries that start their development with high inequality normally find it much harder to correct it later.

Extreme poverty is set to be eliminated in India, eventually. That is good news, indeed, but lots more must surely be done.

Disparities persist: rickshaw puller in Kolkata.

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Costs and benefits of poverty targeting

The UN Sustainable Development Goals (SDGs) commit all member states to “end poverty in all its forms everywhere”. In order to fulfil this pledge, governments must rise to some daunting challenges. They must identify those who are at risk of being left behind, reach out to those communities and lift them sustainably out of poverty. In this context, poverty targeting is often considered promising, but the experience with various methods of doing so has been quite mixed. Choosing an appropriate methodology requires careful consideration of the potential costs and benefits.

By James G. Bennett

Many international donors today support targeted poverty-reduction programmes in developing countries. Germany, for instance, has funded relevant policies in countries like Cambodia and Malawi.

A particularly innovative approach is a programme run by BRAC, the international non-governmental organisation (INGO) from Bangladesh. It is called “Targeting the ultra poor” and enjoys the support of international donors, including Britain and Australia. It combines targeted basic social protection with proactive support measures such as skills training, the transfer of productive assets and family coaching (see Jörn Geisselmann in D+C/E+Z e-Paper 2017/05, p. 34).

There are six distinct methodologies for poverty targeting (see box next page). Assessing their pros and cons is difficult. It often makes sense to link some of them.

Targeting accuracy is most commonly measured in terms of inclusion errors (including non-poor individuals or households in the targeted population) and exclusion errors (excluding poor individuals or households from the targeted population). Part of the problem is that ensuring accuracy increases a programme’s costs. Accordingly, Nazaire Houssou, a scholar from Hohenheim University in Stuttgart, has warned: “The higher the method accuracy, the lower the practicality or the higher the costs of implementation and vice versa.”

Other experts have pointed out that observed variations in targeting performance may reflect weak programme implementation rather than design flaws. They also see a trade-off between the objective of reducing current poverty (for example, through minimum-wage employment in public infrastructure programmes) and the objective of reducing future poverty through developmental interventions (such as better schools, for example).

THE COSTS OF POVERTY TARGETING

The fixed and variable costs of poverty-targeting programmes matter, of course. The relevant items may be broken down into the following four categories:

1) Design costs are mostly one-off costs which are incurred during preparation, development and testing of the poverty targeting system.

2) Operational costs include the direct costs of the benefits (such as cash transfers, work-programme wages and school meals), but also the costs of staff, IT services, retargeting and other matters.

3) External costs are born by the target group (workfare participants’ travel expenses, stigmatisation and loss of self-esteem due to consumption of low-quality foodstuffs) and not compensated by the programme.

4) Opportunity costs are equivalent to what beneficiaries forgo because of the targeted intervention. If poor women do not get subsidised pre-natal health treatment unless they participate in nutrition training, for instance, they cannot pursue income-generating activities at the same time.

Cost-effectiveness is a frequently recurring topic in the debate on poverty targeting. Actual expenditure data, however, is still quite scarce or at least not easily accessible. The existence of external and opportunity costs (“hidden costs”) is generally recognised, but they are nonetheless only rarely factored into the overall cost-benefit assessment of targeted poverty-reduction programmes. At the same time, the expected benefits tend to be treated as self-evident (improved living standards, reduced vulnerability et cetera), so various potential benefits are largely ignored. They may include:

- leakages to non-poor individuals and households,
- mobility between poor and non-poor regions or
- improved health due to better nutrition and nutrition sensitisation.
Potential “hidden benefits” such as these are rarely mentioned in publications on poverty targeting. It is therefore safe to conclude that a truly robust and comprehensive methodology for doing cost-benefit analyses in the field of poverty targeting has yet to emerge.

For things to improve, data collection and analysis systems must become better. They are pre-requisites for properly assessing the true costs and benefits of poverty targeting systems. The demand to boost the capacities of statistical offices has been expressed again and again ever since the SDGs were adopted.

At the same time, UN member states must rise to many other challenges if they truly are to “leave no one behind”. Many governments only have weak administrative capacities, and that is particularly true at subnational and local levels. Corruption is rife in many places, and patterns of discrimination tend to be deeply entrenched. Moreover, we observe instances of poverty-reduction fatigue.

Six main methodologies

Policymakers who want to reach out to poor communities can identify those groups in several ways. The six most important categories of poverty-targeting methods are the following:

1) Means testing aims to identify the poor on the basis of a monetary measure, typically income or expenditure. All individuals or household below a certain threshold are then considered to be poor and eligible for support.

2) Proxy means testing (PMT) uses non-monetary criteria such as the quality of the dwelling, the kind of cooking fuel used in the household and/or education levels. The selection criteria should be statistically closely correlated with available monetary measures of poverty.

3) Categorical targeting uses non-monetary measures such as age, sex and disability that are easy to observe and hard to manipulate. They are therefore likely to be accepted by both policymakers and the general public.

4) Geographical targeting ranks geographic areas on the basis of one or more poverty measures. All inhabitants of the selected areas are potentially eligible for support. This method is often used in tandem with other targeting methods.

5) Self-targeting provides specific incentives and/or disincentives to poor people. A typical example is to offer job opportunities for unskilled workers at wage rates that are below the generally prevalent level or even the official minimum wage. Another example is the subsidisation of low-quality foodstuffs which supposedly only the poor are willing to consume.

6) Community-based targeting puts members of the community concerned in charge of assessing who exactly is eligible for poverty-reducing support. The selection criteria may be defined by a government authority or by the community itself.

In view of these challenges, Raj M. Desai of the Brookings Institution has claimed that the pendulum may be swinging away from targeting towards more universalistic social-protection approaches. He argues that, in advanced nations, government-run health insurances and pension systems enjoy legitimacy because they serve the vast majority of the people rather than only the poorest. Such universal protection systems, however, are typically funded with payroll taxes, so they are not viable in economies marked by huge informal sectors. Formalising the informal sector makes sense, of course, but it is a daunting challenge in its own right.

History shows that support for – and opposition to – poverty-reduction programmes can shift over time in any given population. Issues relating to social protection in general and poverty targeting in particular can influence election outcomes. Poverty targeting can help to eradicate extreme poverty in particular, but it will only find acceptance if decision makers and their constituencies are sufficiently convinced that the programmes’ overall costs are justified by their results.

LINKS


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India’s Mahatma Gandhi National Rural Employment Guarantee targets low-income households in rural areas: women working at minimum wage in Rajasthan.
Free access for the poorest

In Cambodia, about one in five people is extremely poor. They can neither afford doctors’ fees nor mere trips to a hospital. A new health fund is covering such expenses. Cambodia is largely financing the scheme on its own.

By Frank Bliss

The Cambodian Health Equity Fund (HEF) is providing access to free health care to around 3 million people who are categorised as extremely poor. They are around a fifth of the population. The prerequisite for this care is a so-called IDPoor status with an individual or family based “membership” card, which is issued as part of a comprehensive identification process. The government wants to see significantly fewer households fall ever deeper into poverty because of medical bills than was normal in the past.

The impact of the fund, which has been operational in one form or another since 2000, is positive. A study done by the University of Duisburg-Essen’s Institute for Development and Peace (INEF) came to the following conclusions:

- A large number of Cambodians who previously could not afford any kind of medical care are now seeking out government health-care facilities.
- The services being offered by these facilities have improved considerably in recent years.
- This improvement can, to some extent, be attributed to health-care staff getting a substantial share of the HEF payments (60% of what their facility receives) in the form of personal bonuses. Depending on the facility and the number of cases handled, their income rises by up to a third, and that significantly boosts motivation.

Expecting mothers and women with young children are particularly well served by the HEF. It pays for everything from prenatal care and free births in qualified health-care facilities to comprehensive postpartum care, which also includes nutrition counselling. Such counselling is meant to reduce malnutrition, which is widespread in Cambodia. The focus is on the children (also note my article in D+C/E+Z e-Paper 2018/05, p. 21). Efforts of this kind, however, also help to reduce maternal mortality and fight malnutrition more generally.

Before the introduction of the HEF, medical care in Cambodia was very arbitrarily administered. According to a report by Medicus Mundi, a Swiss non-governmental network, health-care workers used to earn a mere $10 to $20 a month, which in no way covered their living expenses. Therefore, they were forced to take bribes to supplement their regular income. Correspondingly, the motivation of the staff and the quality of the services provided in government facilities tended to depend on the size of a patient’s “voluntary” financial contribution. Those who could not come up with money got only very low-quality health care or even none at all in state-run institutions.

On the other hand, there were and still are many private health-care facilities in...
Cambodia. In many places, they are easier to reach than government clinics. In rural areas, however, they mostly treat minor injuries and more straightforward illnesses. Private hospitals in urban centres certainly have skilled staff, but the cost of high-quality care is unaffordable for poor households. The only exception are the children’s hospitals that were started by the recently deceased Swiss paediatrician Beat Richner. They provide treatment free of charge.

LARGER PROGRAMME

For several years, the HEF has paid comprehensive care for the poor, and the situation has dramatically improved accordingly. The fund is the core component of a larger programme, the Cambodia Health Equity and Quality Improvement Project (H-EQIP), which has been allotted a total of $174.2 million for five years, until 2021. The Cambodian government contributes most of the money itself, and the scheme is expected to become completely self-financed by 2021. Until that time, Germany is also providing financial support.

The two goals are to increase the number of health centres significantly and to encourage many more poor people to rely on them with HEF support. Reimbursement for the cost of their care will be provided according to an established formula. Distinct categories are local health centres, district hospitals, provincial hospitals and a specialised hospital in Phnom Penh to which particularly difficult cases are referred.

Needy people who do not (yet) have IDPoor status because they missed the identification round, which takes place every three years, or who have only recently become poor, can also get free care in state hospitals. There is a special admission procedure for them. In the future, this option is to be used for IDPoor registration too.

Though the reimbursement amounts that the health centres receive for HEF-funded patients are low, they are always at the upper limit of the tariffs that have been defined for self-paying patients in state clinics. Services are invoiced individually. The invoices are submitted monthly to an inspection authority in Phnom Penh, which releases them for payment.

Experience shows that effectiveness depends on staff getting 60% of health centres’ revenues – whether from HEF reimbursements or from patients who must pay themselves. The rest mostly serves to maintain and run the facilities, supplementing their rather meagre basic allotments from the state.

MOTIVATED BY BONUSES

For poor people living in remote areas, simply making the journey to the hospital can be unaffordable, however. Therefore, the HEF pays for travelling expenses. Anyone accompanying a patient can even get a daily allowance. Due to this policy, the number of HEF-funded patients has risen dramatically in district and provincial hospitals.

Thanks to H-EQIP and, above all, the HEF, the equipment at the facilities, the quality of the services offered and the motivation of the health-care workers has improved significantly. Nonetheless, much remains to be done. The increase in employee motivation through the direct payment of bonuses is particularly relevant. In some hospitals, these bonuses amount to $50 to $100 a month, and that tends to be more than a third of the government salary. Yet nurses in some health centres only receive a $5 supplement to a basic income of $150 a month. In any case, the good thing is that the bonuses are shared in a spirit of fairness that includes everyone from cleaning staff to the director. Even small incomes get a meaningful boost.

The HEF shows that even a country like Cambodia, which is one of the poorest “middle income” countries, can set up and fund a social-protection net. The next challenge is to include not only the very poor, but people who are at risk of dropping into extreme poverty. These vulnerable people make up about one third of the people. The situation is particularly urgent for those households and individuals who live right above the poverty line.

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UNEQUAL OPPORTUNITIES

Bismarck’s tools for nation-building

Social-protection policies serve to prevent poverty and reduce social disparities. Market-orthodox leaders tend to argue that such schemes are out dated, demanding that governments must not interfere in markets. Their ideas are fundamentally misguided, argues Markus Loewe of the German Development Institute (Deutsches Institut für Entwicklungs-politik – DIE).

Markus Loewe interviewed by Hans Dembowski

Is it true that only prosperous economies can afford to spend government money on social protection and welfare for the poor? No, it is not. On the contrary, social protection can be a driver of economic development rather than some kind of reward for successful development.

In what sense?
The crucial point is that poor people who do not enjoy any kind of social protection do not invest the little money they save. Most of them make sure that they have some cash in the case of an emergency. However, they would never risk losing that money, and they want to have access to it any time. The savings therefore are not recycled into the economy and accordingly do not result in any interest payments. If, by contrast, people know that an illness or losing their job will not plunge them into total economic despair, they are better able to run risks, for instance, by starting a small business or spending on their children’s education. Without social protection, people don’t like to send their children to school for longer than necessary, and they are reluctant to let them go to college. It seems safer to start earning money as soon as possible. Accordingly, a huge potential for knowledge, skills and start-ups is never tapped.

Market-orthodox leaders warn, however, that social protection can become a kind of hammock that encourages laziness. They also insist that private-sector protection systems like health or life insurance deliver better results than government agencies.

That may be the lesson of some theoretical modelling, but historical experience teaches us something different. The German economy did not suffer when Otto von Bismarck introduced public social health and pension insurance in the 1880s. On the contrary, the policy stabilised the new-founded German Reich, and a long economic boom followed. In a similar way, President Franklin D. Roosevelt’s “New Deal” did not plunge the USA into a depression. It paved the way out of the Great Depression. “Social Security”, as the American pension system is called, was an important element. Social protection is indeed a foundation of modern economies. It matters, moreover, that private-sector protection can fail spectacularly in times of crisis. Because of market failure, the global financial crisis erupted with the collapse of Lehman Brothers, the investment bank, ten years ago. AIF, an American insurance giant, was one of the systemically relevant financial businesses that floundered and had to be bailed out by governments. At the same time, much ridiculed welfare expenditure – including unemployment benefits – ensured that people who lost their jobs did not drop into a void. What is more: in spite of rising unemployment, all households maintained a certain level of purchasing power, so aggregate demand did not decline even further. Economists realised that social protection served as a macro-economic stabiliser.

But a reduction in unemployment benefits considerably reduced unemployment in Germany after 2005, and the ageing of society is overburdening our pensions system. So don’t the market-orthodox critics of social protection have a point?

Well, it certainly makes sense to discuss details of benefit systems and adapt them to changing social circumstances from time to time. That said, it is not enough to reduce unemployment, as we see in Germany. The problem is that we now have many working poor, who have accepted low-pay jobs, but still depend on government support. Moreover, the private-sector investment schemes, which the Federal Government is subsidising to fill the gaps that are showing up in the government pensions system, have not worked out as planned in the past ten years. Extremely low interest rates meant that many citizens’ invested capital has hardly increased at all. For these reasons, many Germans are tense and afraid of social descent. Right-wing populists are benefiting from such feelings, and similar trends are evident in many European countries. Political stability requires social protection, and markets need political stability – which is something they cannot bring about themselves.

Did Bismarck understand the economic relevance of his reforms?

He was probably more concerned with politics. It is well known that he wanted to keep the Social Democrats small and even outlawed the party. He hoped to slow down the labour movement by solving the problems that were making people join it. In this sense, his policy was not very successful. The Social Democrats kept gaining strength. But in another sense, it was very successful. When the German Reich was established in 1871, many people considered themselves to be Württembergers, Bavarians or Rhinelanders, but not Germans. The innovative social-protection systems, however, fostered a new sense of security, and people began to identify with the new order. The Reich gained legitimacy.

Cartoon making fun of Bismarck in 1884 – the writing on the roof means: “Patrimony of the disenfranchised – social reform”.
Today, we would call what Bismarck was doing “nation-building”.

Are there any lessons for our times?
Yes, and especially in regard to post-conflict situations. Donor governments would do well to lend generous support to the establishment of social-protection systems in the places concerned, and to do so fast. After violent strife, masses of people are traumatised, terrified and full of resentment. Some want revenge. A great number of people suffer economic need, while the health and education systems are overburdened. In such settings, the introduction of a guaranteed minimum income or health coverage for everyone can contribute to fostering a new sense of solidarity and nationhood. Moreover, the legitimacy of the new government would get a boost.

Are multilateral and bilateral donors doing enough in this regard?

Vast role for governments

The title of the World Bank’s recently published World Development Report 2019 is: “The changing nature of work.” Its demands include more government efforts to build human capital, universal social protection and better taxation. Its strategic approach fits both the informal sector and the digital economy.

In its response to the flagship publication, the International Trade Union Confederation has criticised the World Bank for being excessively market-orthodox. The reason is that the World Development Report (WDR) is basically in favour of permitting whatever agreements employers and employees conclude with one another. In truth, however, the WDR is quite statist. It makes governments responsible for providing universal social protection, building human capital and generating sufficient revenues.

The report’s starting point is that technology may be eroding job opportunities, so worries about long-term mass unemployment make sense. According to the authors, however, the worries are probably overblown. While they expect simple and repetitive jobs to disappear due to automation and artificial intelligence, they reckon that new and more demanding ones will emerge. To what extent that will happen, remains to be seen, but it is clear that technological progress is changing both labour market demand and labour relations.

Increasingly, people will need advanced cognitive skills, socio-behavioural skills and specific skill combinations to be employable, according to the WDR. Therefore, building human capital is essential, and governments must act accordingly. In the authors’ eyes, the implications are that:
- maternal and infant health must be guaranteed (including healthy nutrition, appropriate sanitation, et cetera),
- pre-school education is important, and
- schooling must be of high quality.

Concerning labour relations, the WDR points out that short-term employment and freelancing are becoming more common in technology-related sectors and rich nations in the course of digitalisation. Moreover, people must keep upgrading their skills and knowledge in order to stay able to do paid work. Lifelong job security with a single company is becoming ever rarer. Therefore, social protection must improve, the WDR states.

The World Bank scholars worry especially about all those who do not benefit from the kinds of protection that go along with formal employment in most countries. They insist that a minimum level of social protection must be available to everyone, regardless of the employment situation. Minimum basic incomes and universal health coverage are considered appropriate.

In a fascinating twist, the WDR points out that this approach would also improve the fate of billions of people who are toiling away in the informal sector of developing countries and emerging markets. Their share amounts to 50% in Latin America and even 70% in Africa, as the Bank’s statistics show.

The established social-protection model of advanced economies bypasses the informal sector and does not fit the increasingly flexible labour relations in digitised economies, according to the WDR. It is to fund social-protection systems with payroll taxes which are linked to wages. Only those who contribute money are entitled to services. Only formal employment counts since only formal employment goes along with payroll taxes. Instead, the World Bank wants governments to establish universal protection systems and pay special attention to the poor. That trade unions resent the approach and prefer the payroll model shows that their priority is to protect people in formal employment, rather than workers in general. It remains to be seen, of course, to what extent the new strategy will actually guide World Bank lending.

To fulfil their responsibilities, governments will need sufficient funding. The WDR suggests they must improve both tax legislation and tax enforcement (see D+C/E+Z focus section in e-Paper 2018/01). The World Bank scholars want all kinds of taxes to be considered, including value added taxes, income taxes and property taxes.

The WDR largely shies away from tackling the question of income redistribution. It does not whole-heartedly promote progressive taxation that would put a greater burden on the well-off. Obviously however, any kind of tax-funded government action that reduces poverty ultimately amounts to redistribution.

Hans Dembowski
No, they aren’t. The conventional wisdom, according to which the priority must be to invest in business and physical infrastructure for things to improve again, is still quite strong. The relevance of social infrastructure is systematically being underestimated. And that is so in regard to all low-income countries. The mindset is changing slowly, however. Bolivia, Lesotho, Namibia, Mauritius and Botswana have introduced guaranteed minimum pensions for the elderly. Experience shows that schemes of this kind reduce extreme poverty among senior people considerably. The old are thus less of a burden for their families, so more time, money and care is invested in the children.

Does it make sense to target benefits so they only serve specific groups? Or is it better to invest in universal benefits which are handed out to everyone?

Targeting looks clever, but it is hard to do in practical terms. The related administrative efforts are huge, and still, the typical scenario is that middle classes ultimately benefit just as much as the neediest people do. Universal benefits often deliver better results in terms of distribution. For the poorest they will even amount to meaningful support if they are quite modest. Self-selection can work out, too. If a scheme guarantees a minimum wage for physical work, for example, only those who need the money will apply.

Should benefits be conditional or unconditional?

Well, it is certainly acceptable to ask able-bodied people to do something in return, but benefits for children and the aged should be unconditional. Some countries – Mexico and Brazil, for example – tie a family’s benefits to conditions that the children must go to school and be vaccinated. Such rules should not be enforced too stringently. If a family loses its benefits too fast, that does not help anybody. Research, moreover, has shown that most parents have a clear understanding of what is good for their children, so the conditions don’t really make a difference. That said, some mothers appreciate the conditions because they bolster their bargaining position in discussions about the household budget.

Experts distinguish tax-funded protection systems from contributory ones. The first are included in the national budget. That is the case in Britain and Scandinavian countries, for example. Bismarck, by contrast, funded specialised, government-run insurance systems with compulsory contributions that were linked to a person’s wage level. This model has been copied in France, Italy and the USA for example. In the USA, the contributions are called “payroll taxes” and serve to fund Social Security and related services. Which approach is better: funding from the general budget or from contributions tied to wages?

Namibia has introduced a minimum pension for the elderly: old man in Damaraland.

Both models have upsides and downsides. The main downside of the payroll system is that it only works well in the formal sector. In some African countries, however, 90% of the livelihoods are in the informal sector, so the people concerned cannot be easily covered by the payroll system. Programmes funded from the national budget can reach them, however. Non-contributory systems can be progressive: they charge economically potent people more, while the poorest do not have to contribute at all – at least if direct taxes are the government’s main source of income. Up to a certain income level, by contrast, payroll systems apply the same fixed rate to all contributors. The two implications are that:

- non-contributory systems are more effective in terms of keeping inequality in check, but
- they are harder to implement for political reasons.

Contributory schemes often become much larger, redistributing much more money than non-contributory systems. Size matters. On the other hand, it is obvious that budget funding is necessary where the informal sector is large. It is telling that the World Bank demands that governments provide tax-funded universal social protection. According to its latest World Development Report (summarised in box, page 30, the editor), that is needed to cover the informal sector, and because artificial intelligence, robotics and automation are making labour relations more informal in many business sectors. The point is that the stability of societies depends on everyone being included, regardless of their employment status. It is obvious, in any case, that the UN Sustainable Development Goals cannot be achieved without prudent social-protection policies.

Poverty and inequality transcend borders. Does that mean that we need something like international social-protection policies? That has often been proposed. There are basically two options: more prosperous countries could subsidise social protection in poorer ones, or multi-country payroll systems could be created. Both would be politically very hard to implement in view of strong opposition. To a rather small extent, however, donor governments have already begun to subsidise social protection in developing countries. More should be done. Social expenditure is indeed an investment in strengthening the economy and stabilising the political system. I find it exciting, moreover, that the World Bank is set to propose something like a global universal guaranteed income in view of artificial intelligence, robotics and automation.

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Reform gone wrong

Due to a huge capital increase, the World Bank’s annual lending is set to rise by about 40%. At first glance, that may look good since one would expect the additional funding to serve the multilateral institution’s twin goals of eliminating extreme poverty and boosting shared prosperity. Upon closer examination, it becomes clear that World Bank policy is set to entrench inequality deeper, accelerate environmental destruction and further contribute to the marginalisation of the poorest communities.

By Korinna Horta

The fresh injection of capital was decided in April (see box next page). The bad news is that it coincides with a new Environmental and Social Framework which results in the weakening of the previous standards, reducing mechanisms of oversight and accountability. Moreover, the new development paradigm focuses on using public funds to attract private capital.

No doubt, the private sector can – and must – contribute to development in multiple ways. Current discourse is distorted, however. The underlying assumption of private and public interests being fully aligned is nonsense. State and market are complementary institutions, and one cannot substitute for the other. The public good is not best served by market forces pursuing private interests. Blind faith is certainly not warranted given that investors, by definition, want to maximise profits. When public funding is used to leverage private capital, only strong oversight can ensure public accountability. In this context, the Bank’s diluted social and environmental standards are bad news.

International financial institutions (IFIs) increasingly consider the mobilisation of private capital the key to fighting poverty. That stance is endorsed by the G20 and reflected in the agenda of the UN’s Sustainable Development Goals. The idea is to tap into the billions of speculative dollars that float around the world in search of profitable investments. At the World Bank, this approach is called “maximising development finance”.

The Bank plans to increase its support for high-risk projects and wants to do more in politically fragile countries. In both circumstances, civil-society organisations are important watchdogs. However, they are increasingly being threatened in many places. Indeed, activists run great personal risks when they campaign to protect vulnerable minorities and the environment from the detrimental impacts of large infrastructure projects such as dams, mining facilities or highways through pristine forests. All too often, environmentalists and human-rights defenders are accused of serving “foreign interests” or even declared “terrorists”. The truth is that they are fighting for the public good and international agencies should cooperate with them. Nonetheless, the international financial institutions that back controversial projects lack effective measures for their protection.

LESS THAN STRINGENT RULES

The new Environmental and Social Framework (ESF) took force on 1 October 2018. The ESF has replaced the existing mandatory environmental and social safeguards. A reform was indeed needed, but it has gone wrong.

The old rules did not cover some important issues, including labour, for...
example. Moreover, the enforcement of the standards was unconvincing, to put it mildly. These issues have not seriously been resolved. On the upside, the ESF uses anti-discrimination language and includes a labour standard. However, it lacks any reference to the International Labour Organizations’ core labour standards and other international agreements that elaborate fundamental rights. Overall, the vague new clauses are a very high price to pay for the serious weakening of the mechanisms that served transparency, oversight and accountability. The new rules will do little to improve implementation.

GOOD BYE TO ENVIRONMENTAL IMPACT ASSESSMENTS

For years, the Bank’s own Independent Evaluation Group (IEG) demanded that environmental and social risks must be managed more consistently across the entire portfolio of the World Bank Group. Nonetheless, the ESF only applies to project finance. The large area of lending for policy reforms, known as Development Policy Finance (DPF), remains exempted. It often affects socially and environmentally sensitive sectors, such as mining, forestry or electric power. Sometimes as much as 40% of the Bank’s annual lending is DPF. DPF is also often linked to private-public partnerships (PPPs) in infrastructure development, even though there is no convincing evidence of such schemes really reducing poverty or facilitating environmental sustainability.

A much used ESF term is “risk-based management”. It means that risks are only addressed as they emerge in the course of a project. They must no longer be identified in advance. In the past, environmental impact assessments (EIAs) had to be made available to the public before the Bank’s Board could approve them. That EIAs are no longer mandatory before project approval flies in the face of the recommendations made by the IEG as well as by the Bank’s Inspection Panel. More generally, tools for ESF monitoring and reporting have not been put in place yet.

Another dangerous innovation in this context is that the ESF accepts the application of a borrowing country’s national regulations if they are deemed to be materially consistent with ESF goals. While it makes sense, in principle, to strengthen local capacities, this policy is reckless because the ESF does not spell out how material consistency is to be assessed. This shortcoming is dangerous. Experience shows that the governments of many countries tend to ride roughshod even over the codified rights of poor people who are displaced by infrastructure projects – especially when they belong to ethnic or religious minorities. There is reason to fear that the ESF will ultimately only add up to nice rhetoric without any real bite.

To date, member governments basically contribute funding to multilateral banks and then rely on those banks’ own reporting to assess their performance. That is not enough. Cabinets and legislators must apply greater scrutiny to find out what is actually accomplished with the funds they provide. Further marginalisation of the poorest communities and yet more environmental destruction are not acceptable. As the World Bank needs serious oversight, it must not be left on auto-pilot.

To date the World Bank and its sister institutions enjoy absolute immunity. No court cases can be brought against them. But in May 2018, the US Supreme Court accepted a case brought by Indian fishermen and farmers against the IFC. They stated that $450 million of its money was invested in a coal-fired power plant that has destroyed vital sources of water, decimated fish populations, poisoned crops and led to increasing respiratory problems in surrounding communities.

This landmark case could have far-reaching implications. But whatever its outcome may be, it is incumbent on all governments to hold IFIs accountable.

Dangerous transformation

In April 2018, World Bank member governments agreed to inject fresh money. The capital stock is increasing by more than $60 billion. That will result in an astonishing increase of almost 40% when compared with the World Bank Group’s annual commitments of almost 62 billion in 2017.

Two branches of the World Bank will benefit: the IBRD (International Bank for Reconstruction and Development) and the IFC (International Finance Corporation). The IBRD lends to middle-income countries, and the IFC facilitates private-sector investments. More capital means the Bank can raise even more funding on international capital markets. As all banks do, it borrows money to be able to hand out credits.

In the same month, IDA (International Development Association) successfully issued its first bond. IDA is the World Bank subsidiary that provides loans and grants to the poorest countries. So far, IDA loans were always concessional, which means that they carried no or only low interest rates. By contrast, the new IDA Scale-Up Facility will henceforth lend to the poorest countries on market-based interest rates as the IBRD does. The reason, of course, is that private investors expect returns. Whether the poorest countries can afford to pay such interest rates for public infrastructure is less clear.

According to World Bank President Jim Yong Kim, the new IDA funds “will transform the development trajectory of the world’s poorest countries”. We have reason to worry that this transformation will result in only infrastructure being built that directly benefits corporate interests without regard for the weakest and poorest communities. The most marginalised, after all, cannot contribute to servicing the loans. (kh)
Unequal opportunities

Education can lead to inequality – and it can help to overcome inequality. Good schools promote upward mobility and gender equality. Public policy must ensure the quality of schools as well as broad-based access.

By Katja Dombrowski

As a driver of growth, good education has long been a focus of development policy. The Millennium Development Goals (MDGs), which were adopted by the UN in 2000, prioritised increasing enrolment rates. By contrast, the follow-up agenda of the Sustainable Development Goals (SDGs), emphasises the quality of education. Where gender disparities are large, moreover, better opportunities must be provided to girls. Gender equity was also part of the MDG agenda.

Another decisive issue is whether an education system facilitates upward mobility or cements the status quo. If all children, regardless of their family background, get the same opportunities, social mobility is strong. Whether children move on from primary school to secondary school, however, does not only depend on their school performance. What matters too is school fees, the distance from a child’s home to the next secondary school and the family’s general economic situation.

Fabian König and Jakob Schwab from the German Development Institute (DIE) have identified other key factors. They examined social mobility over generations in India, Peru, Ethiopia and Vietnam. The researchers considered five issues with a bearing on children’s success in school:

• the time they spend doing housework and child labour,
• their health,
• the time it takes them to get to school,
• how many siblings they have and
• their cognitive abilities.

Young Beninese are usually poorly prepared for the labour market. Barber, tailor and upholsterer in Ouidah.

Education for social advancement

Education for social advancement
UNEQUAL OPPORTUNITIES

Leonard Wantchekon, a professor at Princeton University in the US and the director of the African School of Economics in Benin, points out that other factors influence children’s social mobility apart from the economic situation of their parents. He did research on three generations in Benin, beginning with the first generation to ever attend primary school. He found examples of upward mobility both in the second and in the third generation.

There were also cases of downward mobility. Typical reasons were that people avoided financial and social risks and therefore failed to grasp educational and employment opportunities. Other reasons that explained lower incomes in the third generation included mental health problems, a negative outlook on life and little self-reliance.

“Aspirations and effort play a big role,” Wantchekon emphasises. He himself is a perfect example of successful social mobility: his grandfather belonged to the first generation in his village to attend school, his uncle was a railroad manager, and he himself became a professor of economics at an elite American university. Wantchekon argues that the education of grandparents leads to grandchildren setting themselves ambitious goals and accepting risks.

61% WITHOUT FORMAL EDUCATION

School-enrolment rates in Benin have increased dramatically in recent years (see Janina Meister in D+C/E+Z e-Paper 2018/07, p. 18). Most children, however, do not continue after the mandatory six years of primary school. Only 16% of Beninese boys and girls attend secondary school and only three percent pursue post-secondary education. Sixty-one percent of people have no formal education at all.

Andreas König, the country director for GIZ in Benin, points out that, as elsewhere in sub-Saharan Africa, the educational system of this small Francophone country is hardly linked to what kind of skills and knowledge the labour market demands. Only three percent of the secondary schools are vocational schools. According to König, many graduates end up working in the informal sector. In his view, the greatest challenges are the poor quality of schools and the inadequate funding for vocational education. He believes that Benin will have a hard time of living up to the UN principle of not leaving anyone behind.

Women and girls face particular obstacles. There are large gender disparities in education across most of sub-Saharan Africa. In response, the government of Benin has been emphasising the education of girls since the 1990s. It has undertaken measures like awareness raising, gender-equity training for teachers and special competitions and prizes for female pupils.

In 2007, a programme was launched to exempt girls from paying tuition in junior high schools (seventh to tenth grade). Since 2010, it has been in force nationwide. Leonie Koumassa of the African School of Economics has studied its impact. According to her, it has had many positive outcomes: significantly more girls are enrolled, the number of years that girls spend in school has increased and fewer of them dropped out. Moreover, girls are now setting themselves more ambitious career goals on average.

Koumassa was surprised by a side effect of supporting girls: “More boys went to school, too.” One reason may be that families had more money at their disposal after the girls’ tuition fees were waived. According to the researcher, the fees ranged from about €14 to €30 per year, depending on the region. Moreover, families also have to pay for stationary, text books et cetera. “For poor families, this is a lot of money, especially if they have many children.” At the same time, the policy has some weaknesses. The government did compensate schools for the funding gap caused by girls no longer paying tuition fees. While it paid reimbursements, though, it only did so at the end of the school year and not in full. Financial bottlenecks were the result. More students, moreover, meant larger class sizes. “It’s not uncommon to have 50 children in one class,” Koumassa says. According to her, additional teachers were not hired. Classroom space is insufficient as well. Overall, the quality of instruction has declined, and so has pupils’ performance. Given Benin’s fast population growth, problems are likely to intensify.

Koumassa wants the government to improve its generally sensible promotion of girls by investing in infrastructure and teacher training. She emphasises that greater gender equality in education will have a bearing on other areas, including children’s health and nutrition. Just like better education, that would also contribute to the country’s sustainable development.

KATIA DOMBROWSKI is a member of D+C/E+Z’s editorial team. The studies discussed in her essay are still unpublished, but the results were presented at the Poverty Reduction, Equity and Growth Network (PEGNet) conference on “Improving the quality of education and learning outcomes in developing countries” in Cotonou, Benin, in October. It was organised in cooperation with the African School of Economics (ASE).

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Zambia is a very unequal society. It was one of the 10 fastest growing economies in Africa for the decade up to 2014, but the development did not translate into higher standards of living for ordinary citizens. The country ranks among the world’s 10 most unequal societies. Two thirds of 17 million people live under the poverty line. Social activist Frank Masanta Jr. is promoting change by providing primary education to disadvantaged children at the Sun-spring Charity School, a non-governmental institution in a poor neighbourhood in the Lusaka agglomeration.

Frank Masanta Jr. interviewed by Sabine Balk

How does education relate to upward mobility?
In a society with more educated people, there are more enterprises and innovation, with more individuals working to find solutions to society’s problems. Moreover, education helps poor people move up to a higher social status. Educated people suffer less discrimination and have more choices in life. In Zambia, we have compulsory subjects in the curricula of primary and secondary schools. Students are taught the basic knowledge, skills and behavioural patterns they need to surpass social barriers, climb the social ladder and have an impact on society.

How good is the government-run school system?
It is not good. Zambia is not anywhere close to the top 20 countries with the best education systems. Our education curriculum is considered to be among the best in Africa, but the public-school system is undeniably bad, nonetheless. According to Brookings Institution, the Washington-based think tank, developing countries are 100 years behind developed countries in terms of educational standards. A good education system requires an appropriate budget. We do not have that. Zambian parents typically prefer to send their children to a private school. Non-profit schools tend to serve poor people. They have a history of producing mediocre results. The reason is that they lack funding. Most poor people send their chil-
The children of poor parents hardly speak English. Accordingly, our top goal is to gradually build their English skills and proficiency.

How does income correlate with formal education?
Income typically reflects the skills and knowledge a person has acquired, as well as the choices he or she made. Employment opportunities and incomes depend on the level of education someone attains. For instance, most women in Zambia have no or only little formal education, and their chances of finding formal employment are small. Mostly they are stuck in the informal sector and discriminated against. Professionals with solid formal skills, by contrast, have good incomes – for instance as doctors, lawyers or accountants. Those who drop out of school before graduating from higher secondary school after grade 12 will encounter many barriers. According to reports, an extra year of schooling increases an individual’s earnings by up to 10%.

Do careers and upward-mobility depend on belonging to specific clans or families?
Yes, family connections matter very much. The rich keep getting richer, while the poor are stuck in misery. Nepotism is common-place. It’s a cancer eating the very fibre of society’s wellbeing and undermining values of equality.

What are the chances for the future life for your students?
Our students at Sun-spring Charity School have better future prospects:

- First of all, we believe in the power of human rights, of which education is a fundamental principle. It is central to achieving all other rights and fighting poverty.
- Second, preschool and primary education is necessary for children to develop cognitive abilities and become rational thinkers.
- Third, we do not only focus on literacy and numeracy, but prepare our pupils for lifelong learning and development prospects. We agree with Frederick Douglass, the African-American social reformer of the 19th century. He said: “Once you learn to read, you will be forever free.”

What challenges are you facing?
As many other non-profit organisation, we have some funding problems in an ever changing donor and volunteer world. But we are taking innovative approaches to fundraising. We must be resourceful to attract skilled and motivated teachers, without whom we cannot provide a good education environment – and good opportunities – to our pupils. We want to contribute to social justice. We do our best to mobilise local and international stakeholders to prevent that children are left behind.

What has to be done by whom to reduce inequality?
Inequality is a global problem. It affects everyone, and women are generally at a disadvantage. However, governments are primarily responsible for reducing inequality. They must raise awareness, adopt policies and allocate funds to public services. Citizens, independent organisations and businesses have a critical responsibility too, by adopting a culture geared to inclusion and equal opportunities in daily life. The Zambian government has committed to the Sustainable Development Goals, as well as to related aspirations of the Southern African Development Community (SADC). Now it must live up to the promises.

LINK
Facebook page of Sun-spring Charity School: https://www.facebook.com/Sun-spring-Charity-School-150168021809120/

FRANK MASANTA JR. is a community leader and social activist in Zambia. In 2011, he started the Sun-spring Charity School in Ng’ombe, a disadvantaged neighbourhood. He is also the head of the school. It has preschool and primary school classes for more than 100 boys and girls.

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“People have created poverty”

In his latest book, anthropologist Jason Hickel explores why development is so unequal around the world and suggests possible responses. He argues that poverty is “the inevitable result of ongoing plundering”, with a relatively small group of people in rich countries exploiting poor countries. In Hickel’s eyes, official development assistance (ODA) is ineffective. He calls for a fair world order.

By Sabine Balk

Born in Swaziland, anthropologist Jason Hickel was involved in development assistance for various non-governmental organisations over a number of years. His work led him to conclude that the divide between rich countries and poor countries is “neither natural nor inevitable”, but has in fact been created by human beings.

According to Hickel, developing countries are not responsible for their own poverty. He found other reasons. Western governments, he argues, have shown little real interest in the economic health of developing countries because it would reduce the profits of corporations based in western countries by limiting their access to cheap labour and resources. He provides ample documentation.

According to the author, the global economic system is organised in a way that makes meaningful development nearly impossible. Hickel alludes to the structural adjustment programmes of the 1980s and 1990s (see D+C/E+Z 2018/08, page 29 and print edition 2018/09-10, page 36). He points out that the conditions set by the west – including market liberalisation – hindered progress rather than promoting it: “Economies shrank, incomes collapsed, millions of people were dispossessed, and poverty rates shot through the roof.” The author claims that the west continues to exploit its position as creditor to keep Africa from thriving.

The global north’s ODA, which amounted to roughly $145 billion dollars in 2017, were mere window dressing, according to Hickel. He points out that much more money flowed back to the advanced economies in the form of debt servicing, revenues of foreign investors, corporate profits and income from stocks and bonds. Furthermore, he adds, much money is drained off through capital flight, mis-invoicing and illegal practices.

Trade causes hardship too, according to Hickel. “From the onset of colonialism through to globalism, the main objective of the north has been to force down the cost of labour and goods bought from the south.” And though global trade is technically free today, rich countries’ bargaining position is much stronger than poor countries’ position, so the former dictate the terms.

The author rejects the current “development delusion”. Receiving ODA and following the directives of donor nations will not make “underdeveloped” countries prosper, he argues, and notions of this kind only depoliticise the issue of global inequality. Hickel dismisses the “aid paradigm” and demands justice for poor countries – and that would include changing the rules that cause poverty in the first place. He is in favour of five crucial interventions:

1. Debt relief: for developing countries to take control of their economies and adopt promising policy, they must be freed of the debt burden.

Fair wages and trade could decisively reduce poverty: tea production in Kenya.
UNEQUAL OPPORTUNITIES

2. Global democracy: major institutions of global governance, such as the World Bank and the International Monetary Fund have to be democratized. The countries of the global south must be allowed fair and equal representation, ending rich countries’ claims to around 60 percent of the voting power.

3. Fair trade: WTO rules basically mean that all member countries have reduced tariffs proportionally. It would make more sense to give poor countries a well-specified advantage, such as by requiring richer countries provide poorer countries with free access to their markets.

4. Just wages: Hickel calls for a global system of labour standards, which would include the introduction of a global minimum wage.

5. Reclaiming the commons: mechanisms of plunder, like tax evasion, land grabbing and climate change, have to be dealt with. Land grabs could be prevented by no longer allowing investors to speculate on food and through land reforms that strengthen smallholder farmers.

Another issue the author addresses is what he calls the “the conundrum of growth”. He argues that human progress must no longer be equated with growing gross domestic product (GDP). In his eyes, this misconception is depleting the earth’s natural resources, and it would make more sense to use alternative “measures of progress” such as reducing working hours and the pressure to consume.

REFERENCE

Prosperity through the right institutions

To understand the reasons of a nation’s success, it makes sense to analyse the interaction of economics and politics. This is the approach taken by economist Daron Acemoglu and political scientist James A. Robinson in “Why nations fail”.

Poor education, inadequate health care and lacking job opportunities are symptomatic of increasing inequality worldwide. The causes are the topic of the book which was published in 2012. Acemoglu is a professor at the Massachusetts Institute of Technology and Robinson teaches at the University of Chicago.

The book argues that understanding differences in countries’ institutions is essential to explaining disparities in national prosperity. According to the authors, institutions are engines of development to the extent that they allow individuals to grasp economic opportunities and create incentives to start new and innovative businesses. The performance of economic institutions, they argue, depends on political institutions.

Acemoglu and Robinson differentiate inclusive institutions from extractive ones. Inclusive institutions allow ordinary people to participate in economic activities and thus create a level playing field. Good government-run schools are an example because they allow young people from all social strata to learn and they serve the goal of equal opportunities. Extractive institutions, by contrast, merely serve the interests of the elite.

Economic and political institutions are interdependent. Inclusive economic institutions support inclusive political institutions, and the latter reinforce the former. In societies marked by inclusive institutions, the power of the state is geared to safeguarding the needs of all people. Moreover, a sense of impartial law and order prevails. If extractive institutions predominate, by contrast, a small minority gets its way and public life is marked by corruption and authoritarianism.

According to Acemoglu and Robinson, extractive economic and political institutions are the root cause of national failure because they impede or even block economic growth entirely. In such settings, “creative destruction” is needed, according to the authors, as only new inclusive institutions can reverse matters and facilitate healthy development. However, extractive institutions tend to resist change and often prove lasting.

Historical circumstances determine what kind of institution prevails in any given society, according to the authors. Moreover, peoples’ prior experience with institutions shapes what they expect of institutions in the future.

The book includes several case studies. The trajectories of Botswana and Zimbabwe, two former British colonies, are very different, for example. After independence in 1960, Botswana quickly developed inclusive economic and political institutions. An old sense of pluralism had survived colonial rule, and it was reflected in the new institutions. From 1960 on, Botswana prospered as democratic nation with regular elections. It has never experienced civil war or military rule.

By contrast, Zimbabwe gained independence in a liberation war in 1980, inheriting a set of extractive economic institutions from the colonial power. The ruling party ZANU-PF kept a tight grip on the economy and stayed in control of state-run industries. New and innovative private-sector companies could not flourish. Under ZANU-PF’s extractive and repressive regime, the economy eventually collapsed. In real terms, Zimbabwe’s per-capita income in 2008 was only half of what it was in 1980.

These and other examples demonstrate how certain circumstances lead to either inclusive or exclusive institutions – success or failure. In the authors’ view, the success of prosperous nations rests upon sound political institutions. Acemoglu and Robinson show convincingly that market forces, left to themselves, do not make nations prosper. They need an appropriate political environment that not only rewards the strongest members of society but offers opportunities to everyone (also see D+C/E+Z e-Paper 2018/08, page 38).

Rebecca Renz

REFERENCE
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