



A “DOUBLE FAULT” IN SWEDISH AID?

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Swedish development cooperation has moved away from an explicit focus on poverty reduction with its partner countries to other priorities, namely democracy and human rights, gender equality, and the environment. Not only this but once countries make the transition from a low-income to middle-income country status, Sweden downscapes cooperation when precisely such is needed to help establish sustainable and inclusive growth policies. This policy brief argues that the effectiveness of Swedish aid is hampered by this “double fault” which should be redressed.

Sweden is often highly rated when the club of donors (DAC, the Development Assistance Committee of the OECD) is reviewing the effectiveness and quality of policies and systems in the international development cooperation of its member states. In its most recent review,¹ it found that Sweden (and Sida, the Swedish International Development Cooperation Agency) is continuing “to reform its development policy and aid management arrangements to be more transparent, accountable and focused on results ... remaining at the forefront of a coherent approach to development.” However, the peer review also found that “the criteria for selection of partner countries and thematic priorities did not always result in a strong poverty focus.” Accordingly, it is argued here that Swedish development assistance has not only moved away from poverty reduction as its main focus, but is also missing opportunities for bolstering cooperation with middle-income countries—a “double fault” that is in need of redressing.

Swedish Aid Refocused

Officially Sweden states that Swedish assistance is intended to make a difference for the world’s poor. Consequently, Swedish ODA is often analyzed according to criteria of effectiveness and efficiency, asking whether it is reaching the beneficiaries and whether they are getting value for money. However, we argue that Sweden and Sida have largely abandoned poverty reduction as the main justification for their interventions. The overarching goal for Swedish Official Development Assistance (ODA)—its *raison d’être*—is to help create conditions that will enable poor people to improve their lives. This contrasts with previous statements

that aid aims at “raising the level of living for poor peoples.” This reformulation carries the insight that aid cannot by itself improve living standards, but can merely enhance or support the efforts undertaken by countries and individuals themselves.

The operational interpretation of the current overall goal is broken down into three implementation guidelines. Accordingly, Swedish aid gives priority to: democracy and human rights; gender equality and the role of women in development; and climate and the environment. Dialogue with development partners will be managed based on these aspects of development and development results will be assessed and measured in relation to these priorities. It would appear, therefore, that these priorities have gradually replaced outright poverty reduction as the main orientation of Swedish ODA.

A review of the data in Open Aid, a web-based information service on the volume and orientation of Swedish aid, shows that 15 percent of Sweden’s ODA in 2012 was used for short-term investments in economic activities and another 13 percent for investments in health and education. In 1988 the corresponding figures were 42 and 25 percent respectively—this represents a total reduction of almost 40 percent. Over the same period, support to democracy and human rights, the environment, and humanitarian assistance has increased from 5 to 37 percent. Objections may be raised that this leaves a large category defined as “unspecified” in Open Aid—generally around 30 percent of total ODA (largely comprising core support to UN agencies, the World Bank, and EU development programs)—which is supposed to have a poverty focus. However, the actual poverty focus of this support needs to be verified, both based



on the actual use of funds—parts of the core funding cover operational costs, especially contributions to the UN—as well as the effectiveness of the poverty interventions of these institutions. Indeed, recent reports from the UNDP’s global poverty programs, for example, have not been encouraging when it comes to poverty reduction.² Moreover, a recent report from the World Bank finds that poverty reduction is more closely related to overall economic growth rather than redistribution.³

Whither Poverty Reduction?

The Millennium Development Goals (MDGs), currently being reviewed for the post-2015 period, state poverty reduction as a major goal, with the ambition to halve the number of people living in extreme poverty (less than 1.25 USD/day). This was actually achieved already in 2010 when more than 40 percent of the global population previously living under the poverty line had fallen to 20.6 percent. Notwithstanding, 1.2 billion people still find themselves living below this line, a large number of whom live in Middle-Income Countries, mainly in China and India.

The MDGs, especially the poverty goal, has played only a modest role in Swedish ODA. Certainly, most of the partner countries of Swedish bilateral ODA have adopted the MDGs, and in some cases included the MDG goals in their Poverty Reduction Strategies (PRS)—a strategic economic policy document, prepared in consultation with the IMF and the World Bank since 2002. Effective implementation of these strategies still remains an issue in many countries, however.

Swedish bilateral ODA is guided by cooperation strategies to be applied in the design and implementation of the bilateral program. As such, they normally refer to the current PRS as a general framework, but then define the goals of cooperation not based on the PRS but on the priorities of democracy/human rights, gender equality, and climate/environment. It can therefore be argued that poverty reduction in the bilateral program is assumed to be achieved not so much from the design of the support, but through the selection of bilateral partner countries, all of which are Low-Income Countries (LICs).

Recent Development Cooperation Debate

A general trend in the history of ODA has been that the fo-

cus and goals of ODA are not so much those of the recipient countries or the poor but rather reflect the current debate in OECD countries. And, furthermore, while the rhetoric is on giving assistance based on the recipients’ conditions and development *cooperation*, it is mainly provided on the terms of donor countries. As William Easterly argues, “the poor have no way of registering their satisfaction or dissatisfaction with the aid services by how they spend or how they vote. The bottom line is that aid agencies have more of an incentive to please the rich than the poor.”⁴

Thus, in recent years, human rights issues have become an import part of the development debate. Growing recognition of the crucial links between human rights violations, poverty, social exclusion, vulnerability, and conflict, has led many OECD member countries and multilateral donors to look at human rights more comprehensively as a means of improving the quality of development cooperation.⁵ However, there is scant, if any, literature citing evidence that assistance in improving human rights in LICs would reduce poverty per se, although being beneficial in its own right and addressing some aspects of the multidimensionalism of poverty.

With regard to democracy aid, Agnes Cornell⁶ has found that its effect differs depending on the type of authoritarian regime. Democracy aid has a positive impact on democracy levels in the most stable types of authoritarian regimes where political institutions are also in place. This could be argued in the case of Vietnam, which is a stable regime and has allowed donors to support democracy and human rights. However, the impact on the regime and the daily lives of people is marginal at best. Her arguments that ODA in support of democracy has had only limited effects have of course been challenged, particularly by those involved in democracy aid. Not only is democracy aid inefficient in promoting human rights in LICs, but even more so, the link between providing democratic support and poverty reduction in LICs is tenuous at best.

Amartya Sen⁷ further argues that freedom is essential for development but at the same time cannot find clear evidence that either authoritarian or democratic governments are most beneficial for development. What can be said is that irrespective of the type of government, those that have development and poverty reduction on the agenda have managed to reduce poverty, as in the case of Vietnam. However, as LICs become MICs the importance of reform in fa-



vor of human rights and democracy becomes ever more important, among other things to ensure the broad political and economic participation of society and that the fruits of development are reasonably well shared. Similar arguments concerning lifting people out of extreme poverty also applies to issues of gender, environment, and climate change.

While it is not easy to pinpoint which type of programs contribute most to the reduction of income poverty, this brief takes the standpoint that an inclusive economic growth policy provides good opportunities for poverty reduction. Inclusive growth encompasses short-term measures to improve rural incomes, business and infrastructure investments in general that aim at improving the effectiveness of the economy and create jobs, as well as more long-term investments in health and education that will strengthen human capital.

Assessing Swedish ODA

Where low income countries *have* managed to escape the low-income trap—among Swedish partner countries, for instance, Angola, Botswana, Cape Verde, Laos, Sri Lanka, Zambia, and Vietnam—it cannot easily be concluded that Swedish ODA had a significant contribution. Rather other factors such as natural resources and foreign direct investments played a more decisive role.

Not only this but when partner countries make the transition to MICs, the Swedish government signals an end to cooperation on concessionary terms. So instead of providing much needed support for establishing or strengthening the inclusiveness of the countries' economic and political management—through dialogue and/or sharing of systems for inclusiveness—Sweden moves into a mode of “game over.” However, such a stance is at fault, as seemingly more often than not it is fast growing economies that become political monopolies prone to rapid wealth capture by the elite, turning them into authoritarian states that eventually lead them into a middle-income trap with stagnating economies due to the low participation of society at large. While room for exercising political persuasion on other governments may be limited, previous good relations established during the period of development cooperation may well still carry some weight. Thus, when traditional development aid comes to a halt, this should not translate into a missed opportunity for dialogue and further coop-

eration.

Conclusions

The shift in Swedish development cooperation policy constitutes a double fault. Firstly, there is little evidence to show that promotion of democratization/human rights, gender equality, and the environment, reduces poverty per se—or at least not income poverty. While poverty is a more complex concept than income poverty alone, income level is still fundamental in any estimation or definition of poverty, especially for those in extreme poverty. Secondly, when economic growth and poverty reduction accelerates, and there is a need establish and enhance social and economic management systems enabling growth to become sustainable and inclusive, Swedish support to such processes is scaled down and terminated.

To avoid this double fault and to merit the good rating in future DAC peer reviews, development cooperation with low-income countries should have poverty reduction as the main focus and basis for results-based management systems. Indeed, such could be gradually combined with programs to enhance political, social, and democratic structures when such countries become MICs. Unless growth becomes socially inclusive, dramatic events such as the Arab Spring are a likely or at least possible outcome. Further, in states that have already embarked on an authoritarian path that paves the way for the elite capture of financial and natural resource dividends, expectations that development cooperation can serve any useful purpose must be regarded as void.⁸

To conclude, a strategic modification of the policy for development cooperation in this direction would not only improve the quality and effectiveness of Swedish development cooperation. It would also imply a closer coordination and integration between development cooperation and the international security policy of the Swedish government, which would further underpin its Policy for Global Development launched some ten years ago.

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- 2 See for example, Assessment of Development Results: India, Evaluation of UNDP contribution (UNDP, 2012).
- 3 David, Dollar, Aart Kraay, Tatyana Kleineberg, "Growth Still is Good for the Poor," *Policy Research Working Paper* 6568 (World Bank, 2013).
- 4 William Easterly, "Introduction: Can't Take it Anymore," in *Reinventing Foreign Aid*, ed. W. Easterly (London: MIT Press, 2008), 14.
- 5 OECD homepage on governance, <http://www.oecd.org/governance/>.
- 6 Agnus Cornell, "Does regime type matter for the impact of democracy aid on democracy?" *Democratization*, Volume 20, Issue 4, 2013: 642-667.
- 7 Amartya Sen, *Development as Freedom* (Oxford: Oxford University Press 1999).
- 8 According to William Easterly, the UN (and this also to some extent holds for Sweden) seems desperately to want to deny the existence of bad government because it threatens another cherished model of traditional aid delivery, the government-to-government aid model (Easterly *op. cit.*, 16).

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