

**INTERNATIONAL AID AND POVERTY: AN OVERVIEW OF THE COLOMBIAN PERSPECTIVE
POBREZA Y AYUDA INTERNACIONAL: UNA VISION GENERAL DE LA PERSPECTIVA
COLOMBIANA**

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Abstract: there are different positions towards what international aid is and its impact in the reduction of poverty; some authors argue that it is a must in order to overtake the poverty trap, others say that international aid causes more bad than good, meanwhile others defend that its effects depends on the particular country conditions. In Colombia, a country with a great amount of inflow foreign aid, the governmental position favors international handouts; however, there is a lack of extended research that measures the actual impact of international aid on poverty reduction in Colombia.

Key words: rievopment, international poverty, poverty trap,,

Resumen: hay diferentes posiciones sobre lo que es la ayuda internacional y su impacto en la reducción de la pobreza; algunos autores afirman que es necesaria para superar la trampa de pobreza, otros dicen que in ayuda internacional causa más daños que beneficios, mientras que algunos otros defienden que sus efectos dependen de las condiciones del país receptor. En Colombia, un país que atrae grandes cantidades de ayuda internacional, el gobierno está a favor de esta ayuda; sin embargo, hay una carencia de investigaciones que midan el impacto de la ayuda internacional en la reducción de la pobreza en el país.

Palabras clave: ayuda internacional, desarrollo, pobreza, trampa de pobreza.

1. INTRODUCCION

International aid, according to the world system theory, is a means of constraining the development path of recipient countries by promoting the unequal accumulation of capital worldwide (Wood, 1986), however, there are other approaches to what international aid is; for instance, to political realism, it is a tool originated in the Cold War intended to influence the political judgments of recipient countries in a hi-polar world, meanwhile from the liberal internationalism perspective, international aid is a set of programmatic measures designed to enhance the socio-economic and political development of recipient countries (Hattori, 2001).

There are different and even controversial approaches towards international aid aiming to reduce poverty in poor countries; Jeffrey Sachs, who is currently director of the Earth institute at

Columbia University and besides was running to head World Bank, argues that "poor countries are poor because they are hot, infertile, malaria infested, often landlocked: this makes it hard for

them to be productive without an initial large investment to help them deal with these endemic. Problems" (Sachs, 2005), this leads to the so-called "poverty trap", which is linked to the idea that foreign aid by itself is able to reduce poverty (Sachs, 2005).

According to Mosley, Hudson and Verschoor (2004), international aid, inequality reduction and anti-corruption policies are the key to positive poverty leverage. Besides, Burnside and Dollar (2000) found that in order for aid to be positive, it requires good policies in the developing countries in terms of taxes, trade and public finances, otherwise aid has little effect. These position towards aid as a way to reduce poverty and hunger worldwide are aligned to the position of the World Bank, that defends its four

Table I. Overview of International Indicators

Gross Domestic Product (Current USD)	U S\$333,4 Billion (2011)
Population	46,930.000 (2011)
Gross National Income per capita (Current USD)	US\$6,070
Life Expectancy at birth	74 years
Literacy rate, adult total (% of people ages 15 and above)	93%
Poverty headcount ratio at national poverty line (% of	34,1% (2011)
Doing Business Index	45 out of 185 countries (2013)
Unemployment rate	10,3% (est. 2012)
External debt	USD 73.41 billion (31 December 2012 est.)
Human Development Index	91' out of 186 countries (2013)
Mean years of schooling (adults over 25 years)	7.3 (2012)
Expected years of schooling. (of children under 7 years)	13,6 (2012)
Atli coefficient	0,585
Multidimensional Poverty Index	0,022
Population living below \$1.25 PPP per day	8,2% (2012)

Own table based on World Bank, Central Intelligence Unit and United Nations Development Program data

strategies in order to reach the first of the Millennium Development Goals (eradicate extreme poverty and hunger by 2015): provide zero-interest grants, offer technical assistance, use safety nets and nutrition programs and increase support for agriculture and food security (World Bank, 2012).

2. LITERATURE REVIEW

2.1 International Aid and Bureaucracy

Easterly (2011) argues that no matter how hard international aid agencies work in developing or least developed countries in order to reduce extreme poverty, hunger and starvation; these countries have a burden that does not permit the help reach people who really needs it: bureaucracy. For him, bureaucracy tries to handle with international aid through a highly hierarchical, top-heavy, top-down process that ends up to be very ineffective when dealing with political pressures, local government requirements, procedural requirements and other barriers in both the donor and recipient countries.

From his perspective, international aid has become itself into the so-called "Cartel of Good Intentions" that has overseen the lessons from the past, suppressed critical self-analysis, and favored results at any price. Easterly affirms that the whole international aid system need a fundamental reform, otherwise "the talent, resources, energy and good will of the aid community will continue to be wasted" (Easterly, 2005).

He thinks that international aid agencies, in response to outside criticism and pressures, consider money inputs as outputs, so they present the money they

Collect as a development output; furthermore, he states that these agencies rely on a tremendous

amount of verbiage to validate its own practices, which lack of effectiveness and measurable impact. However, on the other side, there are some authors that argue that aid does more bad than good, basically because "it prevents people from searching for their own solutions, while corrupting and undermining local institutions and creating a self-perpetuating lobby of aid agencies" (Mayo, 2009). Danabisa Moyo's arguments coincides with William Easterly's, who states that when markets are free and the incentives are right, people do not need handouts or any other foreign or governmental aid to get out of poverty (Easterly, 2001).

On the middle, there are other scholars that haven't assumed any deterministic position towards aid and poverty; Banerjee and Duflo (2011) said that what matters is not defining whether aid does good or had as a whole, instead, it is important to define what kind of projects requires international aid and the impact that this has on the poverty reduction. For them, what really matters is to identify effective ways to reduce poverty and hunger even the poverty trap exists.

2.2 Colombian Overview

Although the economic indicators (GDP, GNI, Unemployment rate, Inflation, Doing Business Index) in Colombia seem to have improved within the last decade as shown in the following chart, it seems that social development is not as strong. In the doing business 2013, Colombia ranks 45th out of 185 economies, it is particularly strong in "Protecting Investors" (ranked 6th out of 185 countries), "Resolving Insolvency" (21/183) and "Dealing with

Construction Permits" (27/185); whilst Human Development Report places the country 87⁴¹ out of 187; with huge problems regarding inequality, adult literacy rate, life expectancy, and distribution of wealth.

The Colombian government is clearly on the side of Sachs' arguments; furthermore, the Colombian finance minister stated that Jeffrey Sachs is the best position towards international aid defends it as a way to reduce poverty and get development, leads to the conclusion that the Colombian government has already taken a position in the discussion of the effective ways to reduce poverty.

Accion Social, which is the Colombian administrative department for social prosperity, is the hub of a set of institutions that work for social inclusion, urban/rural development, victims' reparation, children rights and poverty reduction. The National Agency against Extreme Poverty (ANSPE, for its acronym in Spanish) is an institution that reports directly to *Accion Social*, and is in charge of improving the life conditions of the poorest people

In Colombia; to do so, they have designed a strategy of international inflow aid attraction from both official and non-official sources.

There are two governmental institutions that work for the international cooperation attraction: ANSPE and ACCT (The Colombian Agency for International Cooperation), the former is focused on social innovation as a tool to reduce extreme poverty, meanwhile the latter focuses on coordinating knowledge, technology and financial transfers intended to reach development.

According to *Accion Social* (2013), the Colombian department for social issues, there are currently 2,192 international aid projects within Colombia, which represent 1.920.022.744 USD. The main aid worker is The United Nations High Commissioner for Refugees (705 projects) followed by Spain (33 8), the European Union (173), UNICEF (172) and Japan (166), the main areas in which international aid influence are: reconciliation and governance (385 projects), Millennium Development Goals (128) and drugs and environment (28). Meanwhile the issues that receive more inflow aid are: peace and regional development (2.673.342.746 USD), social development (653.549.848 USD), human rights (328.354.189 USD), environment (148.830.745) and justice (93.635.465).

Regarding the effectiveness of foreign aid in the reduction of poverty there has been abundant

Research worldwide, however the results have been so broad and even contradictory, for instance, Chong, Gradstein & Calderon (2009). Found that foreign aid is negatively linked to inequality, meanwhile Rajan and Subramanian (2008) argue that there is not sufficient evidence of the effect of aid on growth and poverty reduction; and Burnside and Dollar (2000) defend the argument that aid can promote growth by the recipient countries having good institutions.

3. CONCLUSIONS

Colombian government adheres to the argument that international aid is a must in order to reduce poverty and take people out of the poverty trap. Besides, Colombia is highly involved in the Millennium Development Goals, which were strongly influenced by the ideas of Jeffrey Sachs.

There is a lack of extended research on the field of the impact that international aid has on poverty reduction in Colombia, furthermore, the incipient existing research has been carried out by international actors such as UN and the World Bank, institutions that have already established their own position in terms of foreign aid; therefore, their analysis might not reflect the broadest scope for the Colombian case.

Easterly's position regarding international aid is deterministic; what he considers international aid is mainly the flow of monetary resources from a rich to a poor country, however his analysis does not take into account neither technical assistance nor knowledge/technology transfer, which are fundamental tools to reduce poverty gap. Besides, he helps to build a common ground in regard of the idea that poor countries are not taking advantage of their resources, talent and people's skills, however, he does not consider any realistic solution to this issue, what he argues is just that markets should be free and the political incentives to reduce poverty should him the appropriate ones.

On the other hand, there is always valuable taking into account different views of a particular issue; Easterly have inquired about something that multilateral organizations such as U NO, World Bank and OECD have taken for granted: international aid is a must and it actually helps to reduce poverty. His view has originated a tremendous and necessary discussion around efficiency in international aid agencies, international aid as a political tool and bureaucracy.

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