^ AN ASSESSMENT OF THE IMPACT OF INTERNATIONAL AID ON POVERTY REDUCTION IN DEVELOPING COUNTRIES P

BY

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DECLARATION

I hereby declare that the work contained in this Independent study paper, which is submitted in partial fulfillment of the requirement for the award of a Doctorate in Philosophy Degree in Global Business Management is my original work and has not been presented in any other University towards the award of a degree. All materials referred to have been duly acknowledged.

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This Independent study paper has been submitted for examination with my Approval as University Supervisor

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Acronyms

ACP	-	African Caribbean Pacific
EBA	-	Everything But Arms
ECOWAS	-	Economic Cooperation of West African States
EPAS	-	Economic Partnership Agreements
EU	-	European Union
FDI	-	Foreign Direct Investment
GSP	-	Generalized System of Preference
G8	-	Great 8
IGAD	-	Inter-Governmental Authority Development
IMF	-	International Monetary Fund
LDCs	-	Least Developed Countries
MDGs	-	Millennium Development Goals
NEPAD	-	New Partnerships for Africa's Development
NGOS	-	Non- Governmental Organizations
NNGOs	-	Northern Non-Governmental Organizations
ODA	-	Overseas Development Assistance
OECD	-	Organization for Economic Cooperation Development
PRSP	-	Poverty Reduction Strategy Papers
SADC	-	South African Development Community
SAPS	-	Structural Adjustment Programmes
UK	-	United Kingdom
WB	-	World Bank

INTRODUCTION

1.1 Background

The case for investing in potential promising relationships by both Northern non governmental organizations (NNGOs) and Southern non governmental organizations (SNGOs) has become necessary in the face of globalization as organizations embark on development interventions geared towards poverty reduction. The developing countries in the last two decades have experienced an influx of NGOS from within and without their countries, whose target is usually the local communities, in an effort to promote livelihoods and therefore reduce poverty.

The emergence of globalization, which has transformed the national and global economies, has had a significant impact on the way organizations at different levels function. Kenichi (1989) notes that the shift from national to borderless economies has resulted in global villages, hence the organizations' operations and engagements are influenced by the global arena. The emergence of global information or knowledge society as illustrated by Mansel and Wehn (1999) is a result of borderless economies and shared technology. As a result, globalization has caused a paradigm shift on the socio-political and techno-economic spheres, hence Reich (1997) points out that different activities of nations, organizations, firms and continents need to employ abilities, attitudes, knowledge, skills and strategies which will enable each player to work in global teams.

In development arena, a good number of NNGOs and SNGOs engage mainly on development interventions geared towards poverty reduction in developing countries. The causes of poverty, which include unemployment, insecurity, dependency, poor economic policies, corruption and resource mismanagement among others, continue to impede economic growth in spite of the enormous efforts in place.

Organizations worldwide are increasingly collaborating at home and abroad as a strategic management tool to promote economic growth, thus focusing on their core competencies and competitive advantage. Collaboration, if done well, is a means to achieve goals and objectives of the concerned organizations while reducing the costs. Different stakeholders' expectations, capacities, and perceptions need to be taken into account as organizations collaborate so that appropriate strategies to move towards a shared common vision may be developed. To achieve maximum results, the key players in collaborating organizations need to embrace ownership of joint efforts to sustain what the organizations believe in.

1.2 Globalization

The distribution of global resources is largely unequal and inequality between and within countries is growing. Europe owns 30% of the world's wealth with only 14% of the world's population, while Africa hosts 10% of the world's population but owns only 1% of its wealth. www.data.org cites Sub-Saharan Africa as the poorest region in the world with 70% of its population living in less than $2 per day.

Conflict and insecurity in developing counties have led to economic stagnation, increasing poverty and suffering at different levels. This is because secure environment is a prerequisite to human and economic development, private sector development, investment and trade. An example of this suffering is in Africa which accounts for 80% of HIV/AIDS deaths in the world, whose socio-economic consequences include collapse of institutions, leading to poverty traps. If global focus on aid was on poverty reduction, effort in place should be evident to ensure that the volume of aid to the developing countries is increased to match the need, and although European governments have committed themselves to increase their aid to developing countries, most of this has gone to debt relief. Jenkins (2004) argues that economic decisions are being influenced by global conditions and production processes are spread over several continents. On the same note, countries which make decisions on aid need to appreciate that effective and responsive aid is essential for economic empowerment; and need to embrace globalization as a process of removing barriers in all forms of international transactions, between and among nations.

Globalization refers to the increasing integration of economies around the world especially through trade, knowledge transfer and financial flows. Bigsten (2003) defines globalization as the growing integration of economies, thus focusing on markets for goods and factors of production. It is a historical process which is a result of human innovation and technological progress, shaped by dramatic changes in international markets and mobility of labor. There is an increased interdependence of the world's economies and the interconnectedness of its communication networks with converging technologies, distinctive ways of life and diverse belief systems which create a complex situation.

Globalization of politics assumes that the exercise of political authority and bureaucratic power is no longer constrained by the boundaries of the national state due to permeability of transnational forces. The development patterns in the era of globalization can be contrasted with those pursued in prior decades. Prior to 1980s, counties adopted policies which protected their economies from the world market to give them an opportunity to advance to a point where they could be competitive. This protection in the west eventually enabled them to improve their economies with stable markets. The countries in the south on the other hand are still struggling to establish their economy base and have now been exposed to free markets and borderless economies. Due to the forces of globalization, the economies of developing countries especially in Africa have continued to stagnate or decline with high inflation and increased poverty becoming the norm. Responding to poverty challenges has to contextualize the intervention for sustainable results

Developed countries continue to grow rich by selling capital intensive products for high prices and buying labor intensive products for low prices from the poor countries. This imbalance of trade has continued to expand the gap between the rich and the poor. Poor countries will lose when they keep on increasing their export volumes of raw materials to developed countries because when commodities are exported, they are cheaper than finished commodities. At the same time, their progress is slow because they are blocked from industrial capital and real technology transfer, and they will still end up importing the finished products. Reliance on few commodities for export, which is quite common in developing countries, makes them more vulnerable to global markets and other political economic influences. Dominance of raw materials in the export sector and low levels of human capital makes the developing countries fairly disadvantaged to benefit from globalization; as most of them employ conventional practices of agriculture and obsolete technology. Globalization trends and shift towards information economy heavily dependent on knowledge based products threaten developing countries' position in the global economy.

1.3 International Aid

International aid is defined in the Reality of Aid report (2006) as flow of resources from one country to another, is one of the most important weapons employed in the war against poverty. When international aid is used to target the wrong objectives, its impact ends up being reduced or not felt at all. The needs of the poor include both short and long term objectives, which need clear policies and priorities to be in place. Although international aid is one of the most powerful weapons against poverty, it has been under-used and poorly targeted in situations where the sole puipose of improving the situation of the recipient country is not given adequate priority.

When effective and focused aid is targeted to a needy country, it has the potential to increase economic growth. Most of countries with low income attach importance to international aid as it enables them to balance their budgets and provide basic services to their people. In the absence of aid, such countries are thrown into economic upheavals which more often than not result in conflicts over scarce resources which become excessively restrained. If countries are not of strategic importance to donor countries, they risk being starved of aid in spite of high levels of poverty and weak institutions. It is unfortunate that international aid providers and development agencies have been dealing with developing countries as a homogeneous entity with no proper reviews of ethnocentric or cultural specifications of individual countries.

In the United Kingdom (UK), the international aid act came into force in 2002, stating that the sole purpose of the (UK) Overseas Development Assistance (ODA) is to eliminate poverty. Diverting aid to other purposes ends up not meeting the needs of the poor. Aid should however be explored in the wider context of globalization which should embrace foreign trade policies. The challenge at hand is whether these policies are coherent with the goal of poverty reduction. Poor countries continue to become poorer as money leaves their countries in form of debt repayment and capital flight through profit remittances. This reverse transfer of funds from poor to rich countries ought to be given due attention if poverty reduction is to be realized.

Factors which may be considered for effective aid include international cooperation and the volume of aid, which include both quality and quantity. Other factors which promote effective aid include the way aid is allocated and spent; priorities whose aim is to realize poverty reduction; long term and predictable funding; use of friendly administrative structures so as not to undermine the recipients; need to make aid flows transparent so that citizens may hold their governments to account and review of conditionalities and technical assistance.

The Concord report (2007) indicates that most of aid to poor countries is phantom aid; where the amounts are not targeted for poverty reduction with most of the funds counted as debt relief. This aid is also overpriced and ineffective due to conditions, poor coordination and unpredictability. When international aid is directed by political fashions instead of the long term needs of the country, it becomes volatile and some of the projects may be left half way done. This volatility is a challenge to sustainable development and poverty reduction measures. Due to the disproportionate political influence of the northern donors, aid may end up undermining the local democracy for the recipients. For a country to qualify for aid, the criteria are based on the expected impact of its commitment to sound financial management and accountability standards. Recipient governments spent heavily on administration costs; and often lack the specific skills which are required to execute some of the tasks.

1.4 Poverty Reduction

Poverty is increasing in developing countries especially where there are commodity dependent economies. Since most of these countries do not get a fair share in the global economic growth, most of them are characterized by economic stagnation, economic regression, short growth spurts followed by economic collapse, triggered by natural disaster or some sort of external shock. The numbers of people living in absolute poverty continues to grow although poverty reduction has been a major aim of overseas development assistance for the last four decades. The poverty situation raises serious questions about the approaches and responsibilities for poverty reduction adopted by the ODA, and why the development assistance has failed to improve the situation. According to the Action aid (2004) in reality of aid report, the Great Seven (G7) countries (Britain, US, Italy, France, Germany, Japan and Canada) spent only 0.07% of their national income in real aid in 2004 compared to a UN target of spending 0.7%.

Poverty reduction is associated with better health care and education which increase productivity, and foreign direct investment (FDI) which can provide access to advanced technology and skilled management. It is also associated with technology diffusion through labor turnover and retaining skilled labor, which is needed to attract FDI and to contribute to tax revenue. Imbalances in migration however leave the developing countries disadvantaged as migration is mainly from developing to industrialized counties, leading to brain drain.

Some of the challenges which have been cited as barriers to poverty reduction include policies of World Bank (WB) and International Monetary Fund (IMF); world trade agreements; urbanization/population growth; environmental degradation; disparities between the countries and aid which is couched in terms of providing benefits for the donor countries. The IMF and WB policies have left the poorer countries grappling with more challenges, economic deprivation and increased dependence on external loans, which raises the fundamental question on whether the objectives of IMF and WB were not to deliberately keep the poor countries economically weak and dependent.

From experience, it has been proved that the rule of law and prosperity go hand in hand. It is important to appreciate that factors like conflicts neutralize the benefits of aid due to instability. The inter relatedness between countries necessitates a shift in the framework for poverty analysis so that poverty at the house hold, community and national levels can be analyzed in a global context.

1.5 Development

Himmelstrand (1994) defines development as a multi dimensional process tied to criteria. It is tied to the country's ability to use its natural and human resources to feed itself even under mounting population pressure. It is also the ability to produce basic tools needed for food production and the institutionalization of shared rules for all actors in the system. Development is facilitated by the presence of indigenous entrepreneurs capable of propelling growth.

Development entails improvement in standards of living by ensuring that all have access to basic needs like food, water, shelter, clothing, health and education. It is promoted by a stable political, social and economic environment with associated political, social and economic freedoms. Where there is development, people are able to make free and informed choices that are not coerced, and are able to participate in a democratic environment and to have a say in their own future.

Human development on the other hand involves creating an environment in which people can develop their own potential and lead productive and creative lives in accord with their needs and interests. In this regard, people become the real wealth of a nation so that development becomes the expanding of their capacities and choices to lead the lives they have.

A prerequisite to human and economic development is secure environment; for it is the whole range of economic, social and cultural progress to which people aspire. Promoting development should go hand in hand with promoting human security. According to Brundtland commission, development encompasses all the major challenges of globalization which include economic development, environmental protection, reduction of inequality and improvement of human welfare which contribute to poverty reduction. Sustainable development involves continuous engagement of those responsible for economic policy, environmental policy and social policy with representatives of various stakeholders affected.

THE CONTEXT OF INTERNATIONAL AID IN DEVELOPING COUNTRIES

2.1 Global Trends

The year 2005 was notable in development arena and international aid. This is when The G8 summit in Gleneagles, Scotland pushed for countries to secure progress on development issues and persuaded the members to agree to more aid and debt relief. The UN summit in the same year was brought closer to home with deliberations in Dakar which saw the formulation of Millennium Development Goals, which include eradicating extreme poverty and hunger; to achieve universal primary education; to promote gender equality and empower women; to reduce child mortality, to improve maternal health; to combat HIV/AIDS, Malaria, and other diseases, to ensure environmental sustainability and to develop a global partnership for development. The new citizen driven coalition, which was a global call to act against poverty was established in the same year.

The global security agenda and war on terror led by the US have become key defining elements for international policy. The international arena is characterized by increasing social unrest, growing militarism, growing armed conflict and instability due to wars. Terrorism has brought a new dimension and more attention is being given to combating terrorism, leaving millions of people worldwide to suffer in the wake of violence, preventable diseases, and violations of human rights. In the face of national catastrophes and disasters, tens of thousands of people perish. Woods' (2005) study indicates that US assistance in the areas of military, economic and ODA went to strategically important countries like the Middle East between 2002 and 2004. Northern countries have deliberately increased their efforts to work with vulnerable and strategic countries to reduce the spread and impact of easily accessible light weapons. This raises the fundamental question on why there is no binding global trade to control arms flow from north to the south.

The challenges faced by the southern countries in the face of globalization led to formation of sub-regional organizations in Africa. These include Economic cooperation of West African States (ECOWAS); Inter governmental Authority for development (IGAD) and South African Development Community (SADC). These sub regional bodies were formed to boost economic cooperation among member states but their mandate has been extended to engage in conflict management within their specific regions. The new wave of integration through regional blocks, which initially started off as economic blocs are turning or transforming into political blocks based on a set of common values. This move towards integration and regionalism is a shift from antagonistic interstate rivalry to a more cooperative approach to interstate relations, whose outcome is perpetual peace in international relations. This is a welcome strategy because conflict impacts negatively on globalization in the areas of trade, aid and economic development. Foreign direct investment will not thrive where there is conflict, because insecure environments are a fertile breeding ground for organized crime, which affect a country's economic growth rate.

2.2 Globalization theories

Governments have embraced globalization by adopting policy responses to similar problems on countries that are at a similar stage of economic development. According to Woodward (1965), contingent theory implies that organizations are dependent on environmental uncertainty; and that appropriateness of different strategies depends on the competitive settings. The Organizations' resources in any given setting therefore need to be matched with environmental opportunities and threats. Of concern in developing countries is that most counties have continued to experience long term growth failure in spite of opportunities of globalization; while the developed countries have continued to grow. Wilensky (1975) describes the situation by adopting the idea that whatever their political economies, whatever their unique cultures and histories, the affluent societies become more alike in both social structure and ideology.

The hybridization theory proponents argue for dialectical approach to globalization which acknowledges adjustment while maintaining an identity on the other hand. It is a combination of different cultural traits, attitudes and responses as stipulated in Hegel's dialectic model, in which the status quo is impacted by outside world and both cultures are transformed in the process. As is the case with Multi national enterprises, successful international expansion requires preparedness, focused management and learning from international experience; but there are cases as cited by Mitchel et al (1992) where NNGOs opt to send their own staff.

Basic structures are influenced by cultural trends in each setting or country so that what is quite obvious in some situations may be perceived otherwise by people from different parts of the world. As NGOs from different parts of the world target the poor, the management strategies to be employed in different countries need to be sensitive to cultural inclinations.

New growth theory proponents are more interested on multiple equilibria, based on ideas and creativity. In order to produce goods and services, inventions and innovations become critical to realize economic growth. It becomes useful when ideas make it possible to integrate the available labor and capital to maximize on production.

Traditional trade theory stipulates that greater openness in an economy leads to more specialization and competitive advantage. As sectors intensive in capital expand, greater demand for low skilled labor will lead to higher wages which in the long run will lead to reduced poverty.

2.3 National and International reforms

In the face of international policies which impact on all countries without their choice, the key question remains on what the right approach in international aid should be. Reforms which include conditionality, privatization, trade liberalization and upward accountability have been introduced in the global arena. In most cases, donors' decisions to provide aid to low income countries are driven by adherence to set reforms instead of by the country's needs and circumstances. Often than not, recipient countries may not have the capacity to implement the required reforms and may not even appreciate their importance for poverty reduction. If governments are weak and unresponsive to development issues, there is need to address aid conditions in such countries.

The risks of international security can not be ignored as this has severe implications for the poor countries. Since September 2001, more emphasis is being given to the countries which seem to pose a security threat to the North so that issues of responding to terrorism are given a priority.

External competition forces all nations to make their services and goods competitive in both regional and international markets. This is the case because economic decisions are influenced by global conditions. Africa's share in world wide trade flows are low so are the investments and remittances, but globalization affects its economies substantially because the shares in production are low while shares in consumption are fairly high. This raises the fundamental question on whether poor countries are likely to benefit from globalization, bearing in mind that FDI and export will only increase when there is macro-economic stability, adequate infrastructure and functioning institutions.

Some of the necessary reforms required for a country to benefit from globalization are private investment and ability to compete in a free market. This assumes there is affordable information and communication technology. Other requirements include liberalizing and ending national monopolies to promote equitable costs. Competition among providers to expand the range and scope of services is necessary to ensure there is effectiveness and efficiency. The reforms require capital to improve rural infrastructure to help it integrate with urban sector and global economy to increase attractiveness for investment on agricultural products. The poor countries continue to struggle as the international environment is posing a challenge to their comparative advantage; and are therefore being compelled to design industrial policies that provide incentives for increasing productivity at the expense of the poor.

Some of the initiatives adopted in disbursement of international aid have set out conditions in place so that parties involved are obliged to meet these conditions. It is however important to appreciate that different policy conditionalities influence the effectiveness of poverty reduction strategies. For aid to be effective, reforms in question need to be tailored to local circumstances and owned by local policy makers. The role of the government is usually overlooked, yet it has a critical role to play in facilitating the citizens to benefit from the advantage of globalization process by developing the appropriate infrastructure, which is a precondition to attract FDI and trade.

The developed countries usually provide technical assistance to accompany the aid they give to the poor, which is not taken into account when they report on tied aid. High salaries for the seconded staff take a huge share of this aid, and developing countries have no say on the terms of reference for those involved in technical assistance. The role of the technical staff is to ensure that donor policies and approaches are fully integrated into developing countries' strategies, which promotes donor country priorities instead of those of the recipients. The organizational performance as a whole has to be improved if any benefits will be reaped from the technical assistance. The impact of policies and actions of the international community and in particular the aid donors need to be analyzed on how they impact the rights, needs and interests of the recipients.

It is interesting to note that international development goals are not often tailored to the needs of all. An example is in the area of tariff reduction where there is no sincerity or consistency. Developing countries have ended up reducing their tariffs more as compared to their counterparts in developed countries. Interests of the poor are not well represented in international fora although they are usually the agenda. Although trade barriers make it difficult for poor countries to access or realize sustainability, they usually do not have a voice since decisions are made without much input from the south.

On trade, preferential access to European Union (EU) markets is given to developing countries through the Generalized System of Preference (GSP). Although the introduction of GSP gave hope to developing countries that the tariff preferences would increase their export earnings from semi-fmished and unfinished products, this has not been realized fully since the products at the beginning of the production chain are charged at a lower rate than semi-fmished or finished products. Since the nominal tariff rate rises with the degree of processing, the developing counties end up paying more for what they import as finished products.

Everything but arms (EBA) is an initiative of the European Union which allows imports from Least Developed Countries to be duty free with the exception of arms. It is part of the EU GSP which was initiated in 2001 to encourage the development of the poor countries.

In an effort to redefine the trade regime between the EU and African Caribbean Pacific (ACP), Economic Partnership Agreements (EPAs) are currently being negotiated to reach new free trade agreements; which may replace the Lome system of preferential access to the European market for the ACP from the near future. The advantage of the Lome system is that it allows ACP countries to pursue pre-development policies and protection for local industries. Replacing the Lome regime with free trade areas as proposed by the EPAs is likely to pose a major risk unlike for the EU who have nothing to lose.

Whereas the ACP countries are unlikely to gain better access to the European market, their local industries are likely to be hit by competition from cheap subsidized European imports, which may eventually lead to their collapse. The EPAs are threatening regional integration especially when there are conditions that countries are either to maintain their non-reciprocal access to the European market under EBA programme and leave their regional group; or to open their markets to the EU and continue partnering with their regional bloc. This undermines the developing countries (LDCs) and has grave implications on economic growth as regional integration has become a useful framework in global arena when countries are able to pool their resources and efforts together.

2.4 International initiatives to adopt a global approach in development

Aid priority is given to the areas which seem to be making an effort to promote security issues, which raises the concern on whether aid is being diverted to security agenda. This shift in priority has been promoted by the belief that aid can help prevent or resolve conflict when it seeks to tackle poverty through the provision and equitable allocation of socio-economic resources to strengthen the governance capacity of the recipient. This shift in international aid was highlighted by Woods' (2006) study which indicated that a good share of US ODA went to strategically important countries like the Middle East, the Fertile valley and Afghanistan between 2002 and 2004.

The Paris declaration of 2006 on aid effectiveness sought to channel aid to countries with good policies; hence counties who are quite needy may end up losing on aid due to poor infrastructure and policies. In the corporate globalization scenario, the wealthier continue to determine the rules and are therefore the ones who shape international institutions.

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The EU governments have committed themselves to increase aid to the poor countries in various fora which include the 2002 UN Financing for Development Conference in Monterrey and the 2005 G8 meeting in the UK. The official aid figures indicate that most of the countries are living to this promise; which is due to the amounts that have been spent on debt cancellation, refugees in Europe and foreign students' education as has been indicated in the European Concord. This presentation and exaggeration of aid is detrimental to poverty reduction efforts in the poor countries since aid should be more concerned about providing new resources to solve current problems, not about the balance sheets to rectify mistakes of the past, mistakes which in essence were often a shared responsibility of the lender and borrower. In cases where aid is directed to debt cancellation, there continues to be big gaps between donor commitments and financial resources made available for poverty reduction in LDCs.

2.5 Poverty Reduction measures

There is general consensus that insecurity is a barrier to development for poor people, hence mechanisms need to be in place to ensure that the environment is conducive for development, but this should not be at the expense of the poor. Due to the much attention being given to the issues of insecurity, there is conflation of development and conflict prevention which leaves the integrity of development assistance for the purpose of poverty reduction at stake. It is however important to appreciate that secure environments are prerequisites for human and economic development, investment, private sector development, trade and defending the freedom of the poor. In order to promote secure environment, Cameroon (2006) clearly states that the rule of law and prosperity go hand in hand. All issues to be addressed in any development initiative should however be based on the needs of the people who are the aid recipients for it to be sustainable and effective.

The launch of New Partnerships for Africa's Development (NEPAD) through joint efforts of African governments was aimed at accelerating growth and poverty reduction. The initiative was led by Nigeria, South Africa, Algeria and Senegal and the governments' commitment was to an annual growth of 7% to halve the number of those living in extreme poverty by 2015. The NEPAD initiative was seen as a possible solution to Africa's problems by the north; but the reality on the ground is that NEPAD leaders are still struggling with concept of holding each other accountable.

The traditional theory implies that developing countries can reduce their poverty through closer integration into the world economy which involves improvement in various sectors, infrastructure and human development. With a possibility that the lowering of trade barriers might increase the balance of payment deficits, if imports grow faster than exports, it follows that traditional trade theory oversimplifies the reality, as most of the labor markets in developing countries are highly segmented and far from perfect. Mobility costs across regions and sectors are quite high and segmented; hence employment opportunities are not exhausted.

POVERTY REDUCTION IN DEVELOPING COUNTRIES

Whereas the millennium summit emphasized on sparing no effort for poverty reduction, guided by human rights and human law, this commitment has been pushed aside by war on terrorism by the developed countries. The Copenhagen World summit for social development (1995) saw the donors set a target of spending 20% of total aid on basic health, education and water sanitation for poor countries, but the reality on the ground is different. Since September 2001, there has been a shift to spend more on war on terrorism. Aid to alleviate poverty has therefore been hijacked by the new trend and conditions which undermine the needs of the poor. Little attention is given to the MDGs as donors' commitment has shifted to strengthen security to counter terrorism.

Aid should be based solely on the principle of poverty reduction. The needs of the poor ought to supersede the interests of the donor countries. The poor continue to be vulnerable because their livelihoods are highly susceptible to shocks caused by environmental degradation, natural disasters, conflicts and decisions made by others on their behalf for their development. Too many countries who are far from poverty receive huge amounts of aid, which is due to the strategic interests of donors.

Where the genuine poor have a chance to benefit, the aid money is not usually disbursed on time hence can not contribute to sustainable development and poverty reduction, so the gap between the rich and the poor continues to widen. Adequate attention is not given in the areas of disaster preparedness and mitigation to prevent poverty which is a result of disasters.

Economic strategies being employed in developing countries emphasize on economic growth and have not done much to curb unemployment, which is a threat to peace. This is because people end up turning to the informal economy, crime and corruption when economic strategies fail, which undermine achieving sustainable livelihoods. The rising tide of unemployment and the fear of bleak future among the youth in developing countries have made them vulnerable to the manipulations of the greed politicians who end up feigning conflicts and violence for their personal gain. Employment creation which is a key indicator in poverty reduction is not given the weight it deserves in developing countries. Other factors which are deemed to reduce poverty include increased economic growth, reduction in inequality and reduction in income differences. An increase in productivity allows wages to increase therefore reducing poverty.

Poor policies and decisions by governments harm successful development in many ways. Some of these policies and decisions are due to the increasing interconnectedness caused by globalization. Behind the promises that all will benefit from globalization, there are global decisions, policies and practices which are influenced, driven or formulated by the rich and the powerful, who own the social wealth. The governments of the poor are under enormous external influence and are often powerless if they rely solely on aid.

Structural Adjustment Programmes (SAPs) are an example of these policies. The World Bank (WB) and the International Monetary Fund (IMF) have prescribed adjustment policies as conditions for loans and repayments. The SAPs have been imposed with the sole aim of ensuring debt repayment and economic restructuring, a move which has resulted in reduction in spending by the concerned governments in the areas of health, education and other social services.

As a result of the SAPs, Buckley (2002) highlights the UNICEF records which show that over 500,000 children died each year in Africa and Latin America in the late 1980s as a result of the debt crisis management. The conditionality of aid promotes reforms which fail to take account of social impacts hence they have left the poor people worse off. Provision of basic needs or human security have been given minimum attention with the highest chunk of aid going to programmes whose focus is market access and investment environment. According to the Concord Report (2007), the case for a global imbalance has been cited by department for international development (Dfid) white paper (2004) which indicates that money is flowing from the poor counties to rich countries

Developing nations are required to open their economies and compete with other powerful established nations. The IMF and WB apply the neoliberal ideology/agenda as preconditions for financial assistance to the poor. These come with liberalization, where resource extraction or export oriented open markets are part of the conditions. To attract foreign investments, poor countries have started to compete among themselves to see who can provide lower standards, reduced wages, and cheaper resources. Since most of developing countries depend on locally produced commodities for export as raw materials, her exports are challenged by modernized techniques employed by the developed countries, who export these products back to Africa at exorbitant prices. The other challenge on the export of cash crops is that there is more concentration on cash crops which bring so little money to the farmer at the expense of the country growing less food for consumption.

The role of the state is minimized as privatization is encouraged. Domestic markets are no longer assured of protection and have to compete where there are increased interest rates. This is likely to increase poverty levels due to unequal rule of trade; and poor countries end up depending on richer nations in spite of the SAPs which were introduced with the promise that they were a viable strategy for poverty reduction.

The IMF in 1999 replaced SAPs with Poverty reduction strategy papers (PRSP) as new loan and debt relief precondition for loan. Although PRSP stress poverty reduction as their key objective, they failed to involve civil society and parliamentarians in economic policy discussions. The papers stressed the importance of rapid privatization process in trade liberalization, which was supposed to be adopted by all the countries which required aid.

The privatization policies of trade and reforms have been pushed to developing countries regardless of whether they are in the countries' best interest, causing discomforts as governments tend to become more accountable to donors than to their own people. Trade liberalization affects the ability of poor countries to negotiate effectively in multilateral discussions; therefore insufficient attention is paid to factors that help poor people to benefit from trade. This has the tendency to distort national interests and priorities due to inequality which has been structured into laws and institutions.

When countries are in debt, it becomes an efficient tool for the wealthy to access raw materials and infrastructure on the cheapest possible terms. Colonial legacy and failure of many governments have therefore led to current poverty economic dependence. Poverty and debt makes it difficult for the poor to focus on stability, security and trade justice which are ideal to boost the country's economy. Poverty can be dealt with if there is democracy and good governance, sound economic policies are in place and if there is transparency in the way governments conduct economic programmes. Civil societies' participation in the formulation of policies on development programmes promotes ownership which results in sustainable efforts.

Above all, people need skills to feed themselves. World hunger is a symptom of poverty, hence there is need to address the root cause to prevent poverty and dependency. Four pillars that have been proposed as framework to implement poverty reduction strategy are growth, productivity, accountability and reducing vulnerability. Aid activities achieve more if they are linked to poverty reduction for effective and strategic interventions with full participation of stakeholders for ownership and sustainability.

Availability of mineral resources in developing countries determines their comparative advantage, but other aspects which contribute to comparative advantage include investing in literacy, technology transfer and infrastructure in order to attract FDI which results in job creation through suppliers; and an increased demand for goods and services which leads to high incomes and consequent spending.

3.1 The role of different actors in service delivery

Poverty and violent conflict in the developing counties are viewed as a threat by the developed countries. With development assistance becoming the lens for rich countries to defend themselves against the envisaged threats, what goes to the poor to combat poverty has been reduced due to change in foreign aid policies. One of the assumed or proposed roles of overseas development assistance besides poverty reduction is to counter terrorism.

Different stakeholders need to work together to protect the integrity of aid for poverty reduction. A clear mandate on poverty reduction will ensure that aid is not diverted or allocated on the basis of perceived security interests of the donors. To promote effective aid, different actors have voiced their concerns to show why priorities of the developing countries need to set the agenda in international aid. Some networks of NNGOs and SNGOs are in place to advocate for the interests of the poor. An example is the Extractive Industries Transparency International which is an evolving stakeholder. It works with Governments, NGOs, Civil societies and companies to ensure that revenue from extractive industries contribute to sustainable development and poverty reduction.

International trade is influenced by the wealthy who do all they can to protect their interests resulting in geopolitical alliances and other domestic interests of the northern countries taking precedence on why aid. Some of the challenges which reduce the benefits of trade liberalization to poor countries include supply constraints due to vast distances from ports, poor infrastructure, inefficient customs regimes, lack of attentive tax base to replace tariffs and insufficient capacity to cope with economic change.

The commission for Africa recommends that rich countries must abolish trade policies which give them an unfair advantage over poor farmers in Africa. Tariffs and other non tariff barriers need to be lowered for developing countries and also bureaucratic application of rules of origin which excludes their goods from preferences to which they are entitled.

The IMF is meant to support democratic institutions and may end up undermining democratic processes by imposing policies for receiving aid, making the power in the negotiations one sided because time is rarely allowed for consensus building or consultations with the civil society, who represent the interests of the affected. This puts developing countries at a disadvantaged position bearing in mind that governments of developed countries initially had to take major responsibilities to promote economic growth with protectionism intervention in technology transfer. This has been alluded to by Smith (1994) who notes that every rich nation today has developed because their governments protected their economy. It is therefore unfair to expose the poor developing countries to current trade tariffs as they do not allow capital to remain within the economy, which is necessary to enhance a country's economic performance.

When the IMF and World Bank were constituted in 1944 at the Breton Woods Conference, the original objective of IMF was indeed to offer unconditional loans to economies in crisis and establishing mechanisms to stabilize exchange rates and facilitate currency exchange. This objective did not last long before IMF was pressurized to offer loans based on strict conditions later to be known as structural adjustment programmes. Critics see this move and the emerging policies to have decimated social safety nets and worsened standards in developing countries. Economic development of recipient countries are planned, controlled and monitored from elsewhere, and different cultures are not even respected. Development aid is now centered on the need to put in place good governance programmes that facilitate free trade, security and other benefits for the developed countries. Scant regard for the impact of development aid to the poor is evident hence recipient countries are not given space to draw their own plans for poverty reduction.

3.2 Northern and Southern non-governmental organizations

The NNGOs whose focus is poverty reduction have been calling on their governments to critically analyze their policies and provide genuine increases in their aid. They have also been challenging the inclusion of refugee, debt and overseas students' costs in official aid reporting. Tied aid and unclear timetables on funds release have also been challenged by these NNGOs as it makes it difficult for recipients to plan on fight against poverty and inequality.

The role of National NGOs and local organizations should not be undermined as they are the ones who are in touch with the ground prior and after development interventions, hence their exclusion in decision making processes is quite common. Their participation and involvement is key to ensure that interventions are not always skewed towards a reactive agenda in disasters. When efforts are towards proactive interventions, they have the potential to empower the poor to reduce their vulnerability.

A key dimension of NGOs' competitive advantage relates to the way in which they conduct their interventions by involving the stakeholders. Some of the areas where NGOs have been quite successful include poverty reduction, HIV/AIDS economic and political empowerment. When NGOs combine their efforts through campaigns, advocacy and lobbying, the governments are likely to respond appropriately to the needs of the poor.

Development strategies based on principles which contribute equity for all contribute to effective international aid. The NGOs are in a position to assist by providing well researched reports on performance of international aid. Their experience can contribute to an informed debate on the role of aid in poverty reduction. Since they command a wide reach in developing countries, they are in a position to influence national and international policy makers through policy dialogue.

The 2005 Paris declaration on aid effectiveness contains guiding principles for aid effectiveness. One of these includes aligning donors to base their aid on countries' own strategies and institutions. The other key principle is harmonizing donors to work together to improve their collective effectiveness. Both donors and recipients are accountable to each other and to citizens for results.

The NGOs have challenged technical assistance as an ineffective way of building capacity. To be effective, aid needs to be driven by demand, not supply. Predictability on the other hand causes problems on budgets and planning. If there are no multi year commitments, the recipient countries are not in a position to manage their recurrent costs effectively. Imposing policy conditions on the other hand limits the poor countries' ability to set their own policies, priorities and undermines accountability at the same time.

The benefits of pressure from civil societies have borne fruits in some situations. In March 2005, the UK government published a new policy stating that the UK would not make its aid conditional on recipient governments to adopt specific policies, and would not impose policy choices such as trade liberalization and privatization on them. This followed increasing pressure from civil society arguing that imposing neoliberal policy prescriptions on developing countries as a condition for aid is both inappropriate and ineffective for poverty eradication.

3.3 The role of Governments

The role of the government is to secure lives and reduce poverty by creating a conducive environment for economic growth. Northern governments are doing all they can to ensure that the distinction between foreign policy and development cooperation is vanishing. This is to protect their interests especially in those countries which affect the northern security agenda. Various ministries in the northern governments have been planning their budgets together so that strategic interventions are applied jointly in recipient countries.

Since September 11^{th} 2001, the national security agenda of donor countries are dominating international relations with grave consequences for the poor. When security agenda influences development cooperation, chances of aid diversion increase which has implications on the ODA. In essence, this creates conflict as country based policies/priorities and strategies are usually overlooked by donors. The circumstances on the ground are the determining factors and may require different policy goals, objectives and strategies, hence imposing foreign policies may not address the real needs.

Poor people are likely to benefit more from international aid if the funds are well utilized on pro poor policies. It is unfortunate that recipient governments rarely have any autonomy on their own policies especially when they depend heavily on aid. To ensure effectiveness in aid, there is need for a critical analysis of how governments participate in and address the issue of poverty, and whether aid and development cooperation policies are put into practice.

3.4 Challenges in poverty reduction efforts

On the local scene, there is limited capacity to respond appropriately to the needs of the poor due to poor infrastructure, technology, planning and degradation of the environment. These coupled with violent conflict, which is caused by competition for scarce resources continue to be a breeding ground for poverty and disruptive political manipulation.

The goals of development assistance have been redefined to embrace changing aid mandates by northern countries. Notwithstanding that aid is money held in trust for the poor, tremendous pressure to make national security the key foreign policy objective has been generated in the North. Violent conflict in the south is viewed as a threat to the North, hence diverting the overstretched aid is done at the expense of working towards achieving the MDGs.

Illegitimate debts are also eating a share of the real aid that goes into poor countries, putting into account that many past loans were lent irresponsibly. When the funds which go towards settling the debts are reflected as aid, it gives the impression that a country may have received the money during the specified period.

There is brain drain as locals are not well compensated in their own countries even when they have the skills and competencies; so they find it more profitable to migrate to the west. In technical assistance, which at times may be tied to aid, the donor countries second their citizens to work in competent positions in recipient countries.

High tariffs on trade make it difficult for poor countries to access markets in rich countries. Stigliz (2005) laments that tariffs levied on products from rich countries are on average four times higher than those on products from poor countries. On non-tariff barriers, entry to Europe is being refused on the basis of the quality of goods, thus barring most exports from developing countries who are competing on the same terms with their European counterparts. The rate of trade reforms is too fast for developing countries to cope with the ensuing competition.

The case for mismanaged trade contributes to disastrous long term consequences for the poor. These include loss of income and increased debt making it difficult for them to cater for basic needs; therefore an inability to sustain their families. As a result, some will shift to other sectors where they do not have the coping skills and end up in a vicious cycle of poverty.

It is sad that poor countries face particular problems in international negotiations. They are less powerful than the rich counties and as a result their views are not given adequate attention when the whole world is trying to find a deal it can agree on. This is because of their weak human and capital bases, making it impossible for the poor to be adequately represented in important decisions which affect them. The bilateral Economic partnerships agreements (EPAs) are a prime example of flawed negotiation processes and unequal relations that result in developing countries getting a raw deal.

The IMF and the WB policies favor the powerful nations, as one of the prescriptions is that the developing countries should open up to allow more imports in and export more of their commodities; a requirement which contributes to their poverty and dependency. The developing countries' markets become exposed to competition from developed countries based on narrow economic models which perpetuate poverty, inequality and environmental degradation. The falling commodity prices force poor countries to deplete their resources as they have to increase export volumes, which do not translate into greater revenues.

The role of the poor in the global arena is to be the supplier of cheap and plentiful raw materials and agricultural products to the developed world. Large increases in export volumes from poor countries have not translated to increases in economic growth as the policy prescriptions tend to imply. This spiral web results in an inability to purchase imported goods and services, making it impossible for governments of developing countries to generate income for the much needed implementation of sustainable development programmes.

The challenge of trade policies, external competition, internal obstacles and illiteracy make it difficult for the developing countries to maximize on globalization Global trading regime is supposed to be free from all types of barriers, but the poor are yet to benefit from the fruits of globalization due to inequality, vulnerability to external shocks, brain drain, illiteracy and trade policies. These challenges are the causes of low efficiency in production and therefore economic growth.

The global economic model promotes the liberalization of capital with little attention being given to effects of rapid flows of capital which are borne by the poorer countries. Capital is freely flowing across the world, yet its shortage is evident in poorer countries.

International political interests which force the governments to divert available resources from domestic markets to western markets are a major obstacle to equitable development, as this is at the expense of social services. The policies mandated by international financial institutions have forced governments or developing countries to orient their economies towards greater integration on international markets at the expense of social services and long term development priorities. Other factors which fuel inequality include unstable governments, corrupt leadership and practices, international economic policies, debt traps, internal, regional and external geopolitics, enhancing donor policies and interfering with local governance structures.

When economic policies are determined by the creditors, little option is left to the indebted countries who have no choice but to do with what has been decided on their behalf. The biggest challenge in developing counties is their deficit in capital to compete in global economy, as the policies which affect them lead to capital volatility and outflows which makes them vulnerable.

As Shah (2007) points out, the Poverty Reduction Strategy Papers (PRSP) are a compulsory programmes where those with the money can tell those without the money what they need to do in order to get the money When governments in the south challenge projects or policies which do not promote welfare of their subjects, there is danger that they may lose on aid altogether.

The attitude of leaders of developing nations keeps them dependent on the rich nations, so the poor are forced by circumstances to export more at a loss to pay off their debts; and to accept policies which are a threat to their economy. Counties in the same region compete to export the same crops and commodities, which makes their resources even cheaper as each government struggles to increase its exports to keep their currencies stable to earn the much needed foreign exchange to pay off their debt. Governments in the process are forced to spend less on social services, reduce consumption and concentrate on regulation. This environment will eventually result in the value of labor going down with capital flows becoming volatile, which inadvertently leads to social unrest. Investors who are not too sure of their assets' safety will automatically pull out, leading to capital flights which could lead to economic collapse.

Some of these reforms therefore make poor nations to remain poor or even get worse. Risks associated with globalization include dealing with falling incomes, which creates secondary problems like migration to other locations, postponing spending on durable goods, and reduced spending on education. The beneficiaries of globalization are middle class and the poor therefore continue to get worse.

The pattern of inequality caused by the powerful keep the poor dependent on the North. The economic options available for the poor are so limiting making it difficult for them to break out from poverty or to reduce dependency from international financial institutions. An example is cited by Bigsten (2003) who points out that African markets are integrated considerably in the global economy, but the integration is asymmetric. This is because Africa depends on the rest of the world but the rest of the world does not depend on Africa. If she has to benefit from globalization, there is need to improve on her productivity to attract FDI. If the countries are not significantly diversified, there is danger that globalization might inverse unemployment/poverty. At the moment, African continent is a net labor exporter; leaving the domestic markets in a dilemma. Since the supply of the low skilled workers is very large, wages rarely increase significantly for the low skilled, which is not conducive for poverty reduction.

On the other hand, the industrialized nations have realized that some form of protection allows capital to remain within the economy; yet encourage poor countries to embark on trade which will expose them to poverty effects afterwards. The poor nations are being forced by the developed countries to cut back on the same provisions that have helped them to prosper in the past.

Reduced regulation which minimizes the role of the government leaves the poor at stake as there is uncontrolled child labor, cheap labor, imposing merciless quotas and operating unsafe practices. Smith (1994) describes this trade as both unfair, one sided or extractionist as it serves to maintain unequal trade.

Tied aid affects the quality of aid where money is only given if the recipient country is useful to the donor countries. Although Organization for Economic Cooperation Development (OECD) has recommended the need to untie aid, a majority of donors still continue with the practice. In situations where aid is coordinated by international institutions on behalf of the donor community, it is usually highly conditional for both policy and development impact. Where aid is donor centric, it fails to appreciate political and socio-economic structures of recipients which can significantly alter the lifestyles of the beneficiaries.

Integration around common objectives risks conflating development objectives with foreign policy objectives, as military and humanitarian links are blurred. Donor pledges and support have become phantom aid due to many demands, administrative costs and unpredictable funding; conditions which make it possible to halt funding any time without warning. Aid conditionality has undermined democracy by making elected governments accountable to the donors instead of their own people, which could lead to corruption. There are therefore far too many hindrances which make the realization of the MDGs appear like a dream for the poor.

The 2005 Paris declaration alluded to the fact that local ownership is a central principle guiding the effective use of new aid resources directed to MDGs, but a lot is left to be desired on bilateral aid givers who perceive aid as a resource they could allocate to implement their own agenda The NEPAD 2005 report illustrated that it is not likely to halve poverty in the next decade unless developed countries are willing to increase development aid, debt relief and unfettered access to goods from developing countries into western markets.

3.5 Sustainability and Poverty Reduction In Developing Countries

If foreign aid is to make an impact on poverty reduction, then the aid givers need to give attention to the voice of the poor and respond accordingly. They need to ensure that their commitments regarding aid by setting aside 0.7% of their GNI are fulfilled.

Efforts should be made to avoid weakening the roles and decision making structures of *the* poor. Under *the* banner of a*id,* donor countries *should avoid* promoting or transferring obsolete and unsustainable technologies or external inputs that could create dependency in developing countries. Some of external inputs will eventually disempower communities and progressively destroy local knowledge and capacities. Project acceptability which is promoted by active participation of the beneficiaries leads to sustainability of interventions aimed at poverty reduction.

Policies that form the backbone of globalization are prescribed by the International financial institutions; putting the poor countries on level playing field with rich countries. There is need to promote dialogue between the partners in development in the decision making and implementing process in order to address important policy issues. The severe financial constraints that hamper development need to be relaxed so that genuine domestic autonomy is achieved. Predictability and stability of aid flows together with donor coordination may go a long way in ensuring sustainability.

For a greater impact, the government, civil society, private sector and international institutions should collaborate and learn from each other to be more effective. For aid to improve the lives of the poor people to sustain economic growth, it needs to be coordinated and focused to the local needs so that it may contribute to the long term development by empowering the poor to take control of their own development in the shortest term possible.

There is need for the creation of a fair market for agricultural products from the developing countries. The current global arrangements with unfair tariffs, quotas and restrictions need to be addressed to reverse the stifling of poor countries' economies. This is because the policies in place promote inequality between the north and south which is bad for social justice and economic efficiency, which as Shah (2007) points out contradicts the 1948 universal declaration of human rights, which states that "everyone has the right to work, to just and favorable conditions of work and to protection for himself and his family, and an existence worthy of human dignity. Everyone has the right to a standard of living adequate for the health and wellbeing of himself and his family including food, clothing, housing and medical care"

Attaching aid to conditions promotes particular policies in recipient countries, forgetting that the poor too need room to determine their policies to achieve MDGs in order to utilize aid effectively. In order to make aid work and promote sustainable development, both the donors and recipients need to embrace mutually agreed policies linked to poverty reduction measures within the framework of the recipients' specific needs. Policies which weaken government ownership or impose unmanageable administrative burden need to be used cautiously and selectively. The International financial institutions also need to be aware that high growth rates do not automatically imply a reduced poverty situation.

One of the favorable conditions which attract aid is a strong institutional framework, but this ought to be addressed as weak and fragile institutions may in essence be the ones in need of the international aid. What has come out clearly is that aid flows should be dictated by long term needs and not political fashions. The aid could be used to build the capacity of developing countries for sustainable development. Sustainable development principles which should guide aid givers include economic growth, social equity and environmental sustainability. When aid is used to reward and encourage the "good" governments, it contravenes social equity. Any action towards sustainable development should promote long term development as opposed to ad hoc aid.

New technology being introduced to most developing countries should respond to specific circumstances of the poor and ensure that the required capacities are in place to ensure sustainability. Introducing technology which does not serve the needs of a specific community is a waste of resources.

Achieving job creation, improving incomes and living standards for poor people require a combination of social and economic measures. These need to be facilitated by governments with the participation of the citizens, who need to be strengthened to perform their roles effectively. Economic conditions and international economic reforms however limit the policy choices open to recipients and therefore undermine their democracy.

Micro and small scale enterprises are often the main sources of employment, but the access to markets and credit require a more integrated approach so that issues of limited assets, policies and regulations may be given the attention they deserve to ensure that micro and small enterprises play a more effective role in development. Access and participation in the markets by the poor will enable them identify barriers, limitations and opportunities in a participatory manner to influence the transformation of the markets, as this leads to higher productivity which in turn allows wages to rise, reducing poverty.

Limited access to productive factors will make it difficult for the people to respond to the change as required. For developing countries to respond to the challenges appropriately there is need to invest, in priority areas which include health, education, agriculture and infrastructure. The key determinants which contribute to comparative advantage include literacy and resources, which are rare among the poor; although they have abundance in low skilled labor.

The trade theory proponents reason that greater openness in an economy leads to more specialization in line with its comparative advantage. Globalization has a potential to reduce poverty if skills levels and economic structures are favorable. When the existing challenges are not adequately addressed, they will eventually make it difficult to achieve sustainable development. The challenges include absence of institutional prerequisites, tendency of developed countries to employ dictatorial measures, aid being diverted to arms and debt reduction, unpredictable aid and unfair trade.

As suggested by Wangwe (2002), the poor can harness globalization by addressing the problems of competitiveness and low efficiency of production, while embracing policies which boost labor-intensive export sectors to encourage links between foreign and domestic firms. Export processing zones are some of the possible strategies which can increase exports and attract FDI, thus promoting an outward looking strategy of development. Besides the aforesaid challenges, the diversion of land to cash crops like tobacco, coffee, floriculture and sugar cane have a negative impact on food security, which is needed to feed the people.

According to Jenkins (2004), economic decisions are influenced by global conditions. In order to enable the poor to benefit from globalization, they need to have access to modern inputs, technologies, markets and jobs to be able to increase their share in worldwide trade flows and to invest wisely to reap good returns. Shifting labor from agriculture to manufacturing sector has potential to improve livelihoods, but necessary measures should be put in place to ensure that there is food security. The poor countries have a long way to go before they fully integrate their economies with global economies due to the many challenges thereof. To promote the integration of markets, lower costs in transport and communication need to be in place, so infrastructure becomes a fundamental requirement.

Cooperation at regional level is one of the strategies which will enable the poor countries to increase the volume of trade within an agreed framework. Brain drain has robbed Africa of her qualified sons and daughters, who migrate to Northern countries in search of greener pastures. The migration of skilled personnel from the region has resulted in increased scarcity of skills, reducing the returns on government spending on education.

Regional integration may be valuable to reduce poverty as the counties in a specific region will be able to share and exchange specific knowledge using the available brain power. This requires a concerted effort by neighboring states to ensure that bureaucratic hurdles are dealt with so that firms may operate across borders with reduced delays. A coordinated effort towards this initiative would also reduce duplication once membership and protocols in overlapping communities are rationalized. The barriers across the borders in developing countries are a hindrance to a conducive business environment, and need to be addressed through improved economic integration.

The government has a key responsibility to cushion the most vulnerable groups against adverse effects of globalization by creating an enabling environment which facilitates them to invest in productive activities. To adapt to globalization, there is need for flexible markets, regulated polices and provision of basic social security. Priority needs to be given to strategies which will reduce market failures.

Aid should be geared to the priorities of recipient countries; hence advocacy is needed to challenge donor manifestations which are a hindrance to poverty reduction. Other factors which affect sustainable development include small arms trade; hence development agencies need to deal with these. As effective aid is supposed to reduce poverty, a deliberate effort needs to be made to design and implement Programmes with development principles in mind.

All the money counted or categorized for aid should be used solely for this purpose to enable the recipients to achieve the MDGs; as linking it to security, overseas education or debt cancellation has dire implications for the recipients, who are left with financing gaps to fill. Of major concern are reporting arrangements of OECD which allow donors to report debt reduction as aid, reflecting that the country received a high percentage once the books are balanced.

3.6 Corporate governance and corporate competitiveness

Governance has been defined in Reality of Aid report (2006) as *a set of values and institutions by which society manages its affairs through interactions within and between the state, civil society and private sector.* Political stability and good governance promote FDI and has the potential to reduce poverty. Good governance is required of developing countries in order to respond appropriately to local needs, but developed countries do not always meet their share of bargain since most do not live to their commitments making it difficult for the timely implementation of plans.

Appropriate advocacy strategies to monitor both the quality and quantity of aid for promoting good governance and at the same time mobilizing citizens to challenge local leadership to be accountable are necessary. This will ensure that aid is available when required and is used for what it is targeted for. In order to meet the aspirations and needs of the people, good governance needs to be promoted, which will cultivate openness, accountability, transparency and democracy. When a poor country is reliant on aid, they may end up becoming too desperate to a situation where the accountability of its government is skewed towards donors rather than its own people. An empowered civil society in place will however ensure that principles of accountability and transparency are adhered to so that funding for unsustainable and disempowering initiatives in development is avoided.

Corruption is a serious impediment to sustainable development and should be dealt with at all levels of governance. This is because victims of corruption are usually the most vulnerable groups in society; and when corruption thrives, the essential services become limited as public spending becomes distorted. Corruption has also been cited as an element which can have a negative impact on reputation. Some causes of corruption which need to be given due attention include policy dictation, where policies which encourage corruption in the first place are imposed on developing countries.

International economic systems which have shaped the current global trends have created conditions where corruption can easily thrive. This is because basic human needs have been undermined in situations where the International financial institutions have forced the national leaders to comply with policies which are detrimental to their own citizens. In the process, the governments concerned may fail to ensure that their people have access to basic services; and end up adopting unpopular or destabilizing reforms which is potentially volatile and could easily result in political instability and civil strife.

Stakeholders over time create an impression of a firm, which results from their interactions or communication received about the firm. This poses the need for NGOs to adopt transparent operational systems, especially in their accounting procedures so that their moral authority is not jeopardized. As proponents of stakeholder theory reason, different stakeholders may hold different perceptions and expectations of a firm. If a firm has a good reputation, which is based on image and identity, it becomes its competitive advantage. Corporate reputation is the alignment between how others see a firm, how this firm sees itself and what the firm says it is. If there are rational differences or gaps between the external and internal views, the reputation of a firm may be at stake. For a country to improve its competitiveness, it has to seek ways of minimizing risks caused by factors outside its control. More involvement and collaboration of governments, NGOs civil society and private sector will make this a possibility.

PARTNERSHIPS AND STRATEGIC ALLIANCES IN NON-GOVERNMENTAL ORGANIZATIONS

4.1 Building strategic alliances

Globalization and technology revolution continue to influence the speed with which knowledge can be transferred and converted into new services. This paradigm shift has facilitated a remarkable growth of strategic alliances, which enable the NGOs to anticipate and respond to challenges of globalization rather than to react to the same. The once successful strategies need to be revisited to appropriately respond to the challenges presented by a globalized and digitalized environment where customers have been exposed to specific standards and know too well what they deserve.

The reality of aid network, which promotes solidarity and equity, exists to promote national and international policies that will contribute to new and effective strategies for poverty reduction. The network was established in 1993 and involves both southern and northern NGOS. Their area of focus is on international development cooperation and the extent to which governments from both the north and south address extreme inequalities of income and structural, social and political injustices that entrench people in poverty.

Strategic alliances are deemed to be operational partnerships where firms pool, exchange or integrate resources for mutual gain, to learn or acquire from each other. Strategic alliances are also perceived as collaborations leveraging the strengths of two or more organizations to achieve strategic goals. An alliance enables firms to acquire access and learn from each other what would not otherwise be available to them as single entities, thus enhancing the partners' competitive edge. In the NGO arena, there has been a deliberate effort of building alliances as a means of transferring knowledge and acquiring competitive advantage.

Organizations which manage their alliances well demonstrate their ability to compete and make impact in the economy. The alliances are either short term or long term depending on the nature, duration and risk of the venture at hand. Das (2006) points out that alliance formation environment is constituted of venture riskiness, contractual risks, pressures for quick results, temporariness, goal incompatibilities and cultural diversities. As firms choose who to partner with, the risks involved need to be weighed to ensure that alliance functioning will be facilitated by smooth and harmonious relationships.

In order for international aid to be effective in poverty reduction, donors should engage with local organizations and networks working for inclusive change. There is need to do an analysis of power bases on the ground ensure that the interventions to adopt are founded in strong country specific analysis. Strategic management initiatives seek to answer the question of how firms achieve sustainable competitive advantage for better results.

For partnerships to thrive, open dialogue with rights and responsibilities of both sides need to be promoted. Taking into account the views and concerns of the poor, as well as ensuring that public decisions provide evidence on what they are based on is likely to ensure ownership and sustainability. Aid partnerships which stipulate predictable funding are more sustainable and have a positive impact on poverty reduction. Unpredictable funding on the other hand disempower the recipients as they can not plan since they do not know how much external support they will get, and this makes continuity of projects quite difficult. An agreed framework and dialogue on withdrawal or aid reductions need to be in place as an abrupt withdrawal within a financial year can severely disrupt the recipient's budgetary processes.

As NGOs seek to serve the communities, there is need to build successful partnerships for poverty reduction focusing on poverty outcomes rather than on policy conditions. Effective partnerships are those which will seek to reduce poverty to realize MDGs; while respecting human rights and other international obligations. In cases where partners have weak institutions, improving financial management and accountability is necessary.

Alliances are time consuming projects with high expectations from the involved partners. The capacities and cultural diversities will influence the success or failure of the interventions. For an alliance to operate effectively there is need to undertake any action which is likely to jeopardize the future of the concerned organizations cautiously.

From various studies on the internationalization, the success of organizations or their very survival is dependent on their ability to learn and create knowledge, which would then enable the firms to become competitive in their field. The organizations which are willing to enhance the capacities of their partners will promote the likelihood of long-term alliances. Collaborative knowledge combines the strength of organizations to create a core competence that can not be attained by one organization. Complementary capabilities in an atmosphere of continuous mutual learning and trust ensure that all have the required capacities to make the alliance successful. Alliances which consistently create new knowledge are able to disseminate it throughout the organization and embody it in new technologies and innovation.

What begins as short term alliance may therefore become a more fruitful and lasting relationship as the organizations seek to develop a mutually beneficial relationship and expect mutual commitment and adherence to relational norms. Nonaka (1994) points out that alliances should be build on the concept of mutual learning and trust to ensure cooperative and open transfer of information, resources and knowledge, which in turn enables the organizations to gain advantage over

their competitors as they are able to develop their capacity to continuously learn and improve the effectiveness and intelligence of their operations.
The NGOs need to recognize and address the structural and international causes of stress to the capacities of the poor countries. Some of the policies and requirements on the international scene contribute to the fragile status of developing nations. Poor people who are in charge of their situations need to have their capacities developed to manage micro-finance schemes, which will enable communities to ensure sustainability of their projects. If poor countries are to gain from benefits of globalization, the issue of dependency needs to be addressed so that more emphasis is on regional cooperation framework as opposed to donor dependency.

There is need to transform the illiterate people into skilled manpower, bearing in mind that casual laborers with no access to land or formal education are usually among the poorest. There are far too many low skilled workers whose skills need to be updated to use the available technology to become economically empowered.

4.2 Sustaining partnerships

If organizations are to survive in the global environment, there is need to adapt their strategies to meet the new demands to effectively address the challenges of poverty. Success of alliances is determined by strategic symmetry, complementary capabilities, shared expectations, commitment and trust. The tension in balancing the alliances' interests with those of stakeholders needs to be managed effectively. The stability of the alliances in the long run is determined by how multiple conflicting forces are balanced and managed to achieve a common goal. This calls for continuous learning and flexibility by all stakeholders to modify the structural arrangements in the alliance in order to adapt to changing economic and market conditions; so as to capitalize on opportunities as they present themselves.

4.3 Inter-organizational relationships and related concepts

Development interventions take place in complex environments, which are characterized by power differences, values and agendas at micro, meso and macro levels; because there are various actors involved in any intervention. Working in isolation may not always achieve the most desirable results, because interventions are bound to be affected by actions of other organizations.

Oliver (1990) proposes six motivations on why organizations inter-relate which include reciprocity, efficiency, stability and legitimacy. Reciprocity refers to pursuit of common or mutually beneficial goals. Efficiency is enhanced where there is cooperation which produces higher output. Firms are able to share uncertainty through risk sharing when they combine their efforts. When more than one reputable organizations cooperate, their legitimacy is enhanced. There are situations when organizations can not avoid to inter-relate, especially when the target is the same. In this case, they will need to develop relevant strategies to work together to achieve a greater impact.

Development Management is defined by Thomas (1998) as the management of interventions aimed at external goals, themselves directed at the expansion of capability of function. The interventions take place in contexts which are characterized by value based conflict and multiple actors. Roles played by different organizations may create conflict if not well managed.

4.4 Managing The Tension Between Fragmentation and Integration

It is not automatic that organizations can work together without friction on the way things are done. When there is integration, multiple actors and/or organizations are able to work in a coherent way in a given area of activity. Although integration is desirable, the diverse nature of organizations is a challenge for development managers to recognize that unifying their strategies may lead to negative consequences, hence they need to seek strategies that will achieve development without undermining the identity of different organizations.

Fragmentation will however be evident where actors choose to function independently of each other in a given area of activity. The challenge functioning independently is that a lot of resources may be directed to the same community without any consultations among the stakeholders. As a result, coherence is bound to break down with no account taken of the joint impact of activities. Organizations are entities with their own boundaries and repositioning these calls for willingness to learn and risk from the relationships that are part and parcel of development management.

Each organization will influence development interventions in different ways depending on its power base. Politics of power can shape development strategies and result in imposition of agendas and vision depending on the type of power base they choose to operate from. In Robinson (2000), Kabeer (1996), Nelson & Wright (1995) have distinguished types of power relations to encompass power to, power over and power with. Power to is the ability to change the condition of one's existence; Power over is control over other people. Power with, which is desirable for inclusiveness, is the ability to achieve control through joint action with others.

4.5 Building inter-organizational relationships and institutional development

In inter-organizational relationships, there are three institutional forms, which address the problems of development management. These are Co-ordination, Competition and Co-operation which different organizations may choose to adopt in development interventions.

4.5.1 Co-ordination

Managers in development arena, especially in a multi- actor situation, have a challenge to co-ordinate people whose goals may be overlapping or 'parallel'. Co-ordination has been defined by Robinson (2000) as an effort to bring together disparate agencies to make their efforts more compatible.

Co-ordination and integration are vital components of development management, but the diverse characteristics of different organizations are important too. In Robinson (2000), Sen defines Development management as the expansion of capabilities. When capabilities are expanded, people are at the same time empowered to choose between different ways of living, which does not imply a unified functioning. Value based conflict is inevitable because of different perspectives and agenda, hence need to appreciate diversity of views and perceptions in management of inter-organizational relationships.

Non- hierarchical co-ordination tries to avoid fragmented competition through sharing of resources and information, thus minimizing duplication and wastage. Diverse perspectives are likely to give richer strategies, leading to high levels of efficiency and effectiveness. It is realistic to appreciate that co-ordination may not always be desired by all organizations because most actors value their independence, and protection of interests is only human.

4.5.2 Competition

Robinson (2000) defines Competition as rivalry between two or more actors over limited resources where each party wants to thrive. Competition is useful in market industry and service delivery, if it is orderly. Murray (1992) supports its usefulness, citing that innovation thrives in diversity. Integration of all interventions would render some organizations redundant if they were completely overshadowed by the powerful ones. Where there is competition, standards are maintained ensuring that the products or services available to the consumer are of good quality. Management of inter-organizational relationships even when there is competition is necessary because of the interdependencies between organizations, which may be targeting the same communities.

4.5.3 Co-operation

Co-operation has been distinguished from co-ordination on the basis that it assumes power based on knowledge, expertise and/or contribution. Unlike coordination, it does not derive power from role, function or hierarchy. Co-ordination is associated with the hierarchical structures, but co-operation is based on trust, shared rights and responsibilities. Trust is important in co-operation to reassure the actors that what they share will not be divulged maliciously to a third party or even to undermine the activities of the organizations involved. Success of co-operation strategies to a greater degree is influenced by social capital which includes features of social organization, such as networks, norms and trust for mutual benefit. Clear roles in partnerships/co-operation strategies are necessary to promote reciprocal respect so that the parties' actions are complementary and mutually supportive.

The strategies in this institutional form are to capitalize on common goals, ground and interdependencies rather than on the differences, which calls for a shared vision between the actors. Co-operation does not require identity of mission, principles and values, so it does not imply that organizations will lose their identity if they overlap.

4.6 Institutional Development

Institutional development refers to the process of change and evolution of institutions in a society. It also embraces development through institutions, which is intervention aimed at achieving development goals by deliberately changing the institutions. It is necessary to embrace institutional development since organizations are limited in their ability to undertake all aspects of any one project, program or other development activity effectively. Development through institutions enables organizations to achieve more than if they were working in isolation, but it is an intervention that needs to be managed to be effective.

Institutions contribute to people's understanding of their social environment due to particular norms and values that can not be ignored, because they will shape social interactions to a certain degree. In development interventions, dynamics of local institutions will have a bearing on inter-organizational relationships, hence need for appropriate strategies to manage the situation. Success or failure of development interventions depends on how relationships are managed.

4.7 Networks and Synergy

Networks in inter-organizational relationships are described by Robinson (2000) as "*connectedness, dialogue or human interaction*." Relationships in networks eventually instill mutual trust between organizations which makes it possible to promote knowledge and resource sharing. The main idea is pooling resources to enhance capability, know-how and expertise, making it possible for organizations to complement each other. Employing various strategies in managing inter-organizational relationships has the potential to contribute to effective management of international aid which will contribute enormously to poverty reduction.

Evans (1996) perceives synergy as '"complementarity" - or mutually supportive relations between public and private actors. Pooling resources with other organizations in both private and public sectors achieves better results. The relationships between agqjncies would need to be managed to produce desirable institutions, which would benefit from the endowments of social capital.

CONCLUSION

5.1 Introduction

For international aid to achieve positive results for the poor, useful analysis needs to be done involving all the actors to embrace the interests of the recipients. Proper planning, designing and implementation of development interventions are necessary to address the root causes of poverty.

Actors in development management can not ignore the importance of community empowerment; which seeks to enhance the capacities of the beneficiaries to advocate and lobby for those policies which are responsive to their needs. The northern NGOs have been quite active in responding to the needs of the poor, but the poor also have their own priorities which need to be put into consideration. The resources availed by aid givers to some communities are enormous, but they are unlikely to yield positive results if the community is not an active player as there will be no ownership which is a prerequisite to sustainability. One of the challenges of aid is that it can make communities to become dependent, hence there is need to embark on interventions which will promote self reliance so that poverty may be addressed by all the stakeholders with an aim of promoting ownership, sustainability and poverty reduction..

The governments from both north and developing countries influence all the activities of NGOs and their role can not be ignored. They may become very useful in providing the required machinery to ensure that aid efforts are coordinated as this complements their social services delivery responsibility. The governments may also be useful to ensure that self seeking NGOs are not left free to mismanage resources by providing the necessary legislation and adequate monitoring of all the interventions of NGOs.

Strategies employed in international aid are influenced by the wider global context, which can not be ignored as it impacts on various aspects of how decisions are made. The global trends like international policies and security of the developed countries influence the policies and decisions that are made on who receives aid and for what purpose.

Bearing in mind that the needs on the ground are enormous, no single NGO has the capacity to make a lasting impact if it chooses to work in isolation, and hence the importance of partnerships and building alliances becomes crucial in development arena. This enables the NGOs to exchange skills, knowledge, resources and also to learn from their counterparts who may have more experience. This involves an aspect of managing the inter-organizational relationships as there will be times when they need to coordinate their efforts to avoid duplication and fragmentation of effort. As a result, the NGOs may opt to put measures in place to ensure that there is accountability by all the stakeholders, including the community which will require the relevant skills to manage their own situations. Community empowerment ensures that there will be systems in place for the recipients once the aid givers withdraw their support, and this calls for necessary participation to enhance ownership and sustainability, which contribute towards poverty reduction.

5.2 Conceptual Framework and Model

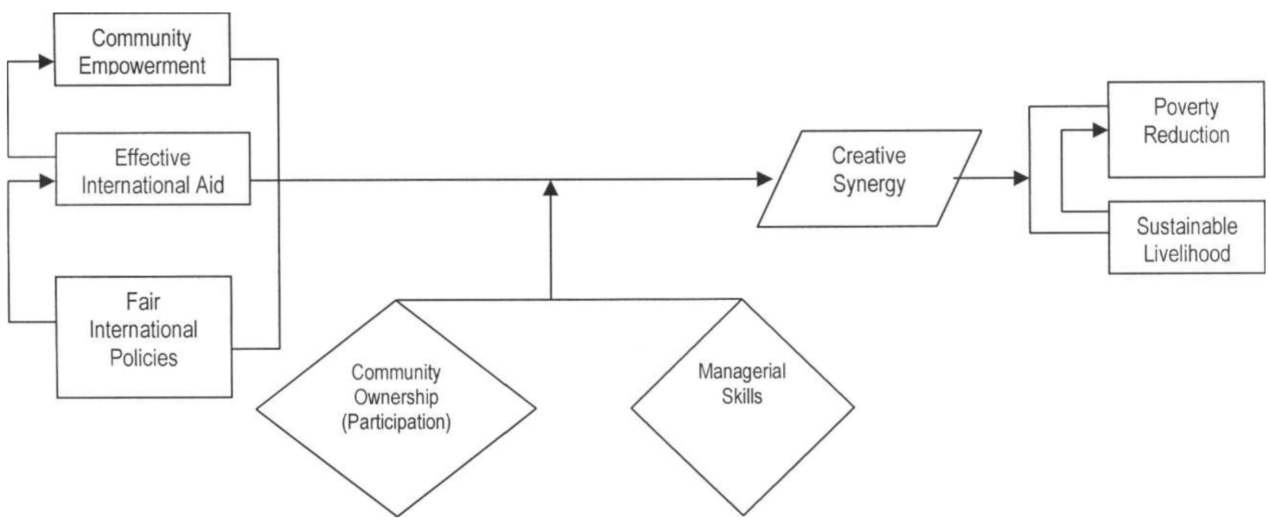
This review has identified various variables as critical for development management actors as they seek to work with communities in identified areas of need. As illustrated in Figure 1, the dependent variables are poverty reduction and sustainable livelihoods. These are explained by three independent variables which are fair international policies, effective aid coordination and community empowerment. The moderating variables are community participation and managerial skills, while the intervening variable is creative synergy.

The Dependent variables, poverty reduction and sustainable livelihoods, are explained by three independent variables which include fair international policies, effective aid coordination and community empowerment. The fairer the international policies, the greater the commitment of governments from developing countries in providing appropriate infrastructure necessary for basic needs provision for its citizens, thus promoting sustainable livelihoods and poverty reduction. When government budgets are influenced by global trends like trade and foreign direct investment, chances are that little attention will be directed towards promoting infrastructure which responds adequately to the needs of the citizens of that recipient country. On the other hand, when donors or development partners fail to embrace coordination of their aid efforts, it is unlikely to have a lasting impact as there is too much duplication and competition among the actors, hence interventions are not coordinated and therefore recipients become dependent instead of improving their status. Failure to embrace community empowerment in development and aid interventions distances them from any effort of seeking sustainable methods to improve their livelihoods, and does not promote poverty reduction or sustainable livelihoods.

Although various actors may step in to provide aid, their efforts are only temporary if international policies continue Jo undermine the real needs of developing countries, hence unfair international policies will have a negative effect on effective aid coordination as most of the interventions will be geared towards emergencies which are reactive rather than being proactive. Effective Aid coordination on the other hand contributes to community empowerment.

Community participation and managerial skills are moderating variables in this model. The philosophy in this relationship is that community participation and managerial skills are likely to contribute to sustainable livelihoods and poverty reduction. Managerial skills and community participation moderate the relationship between fair international policies, effective aid coordination, community empowerment and creative synergy. Without community participation and managerial skills to facilitate development interventions, it is unlikely that there will be adequate coordination to harness all the available resources for creative synergy. This latter variable thus becomes the intervening variable in this model.

Figure 1: Conceptual framework on factors that affect Relationship between International Aid and Poverty Reduction



5.3 Hypothesis

The following hypotheses are developed from the conceptual framework:-

5.3.1 The fairer the international policies, the higher the resources available for social services delivery

5.3.2 The effectiveness of aid and development interventions depends on community participation and managerial skills

5.3.3 Communities' perception of their roles and responsibilities determine their level of participation in development interventions

5.3.4 International Aid (Non-Governmental Organizations' efforts) impact will be greater if there is a coordinated effort

5.3.5 There is a relationship between community empowerment and sustainable livelihoods

5.3.6 If governments are committed to invest in basic infrastructure for their citizens, then their reliance on external aid will be reduced

5.3.7 The more the international policies undermine the efforts of weak governments, the more the status quo of the poor is maintained

5.3.8 The ratio of international aid going towards defense, debt repayment or security systems is too high compared to what goes to development.

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