

DEVELOPMENT COOPERATION INTO THE 21st CENTURY

The Inaugural
K. William Taylor Memorial Lecture
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Development Cooperation into the 21st Century: the inaugural K. William Taylor memorial lecture
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K. WILLIAM TAYLOR, AO

The Foundation for Development Cooperation was founded by the late Bill Taylor in 1990, after extensive consultations with government, business, academic and NGO leaders in Australia and overseas. Its establishment was the fulfilment of his personal vision. Bill spent many years with the United Nations Development Programme and long advocated the need for an independent Australian organisation dedicated to supporting international development activities in the Asia-Pacific region. In the mid-1980s it became financially possible for Bill Taylor to consider establishing such an organisation through his own philanthropy.

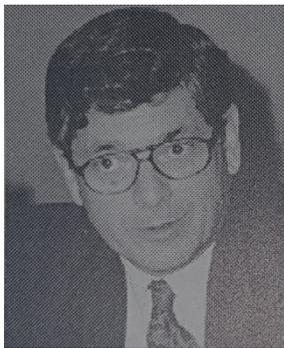


K. William Taylor, AO
1926 - 1995

THE FOUNDATION FOR DEVELOPMENT COOPERATION (FDC)

The Foundation, based in Brisbane, is an independent, not-for-profit and non-partisan organisation. It has a growing international reputation arising from its work in policy-oriented research, dialogue and advocacy. FDC works to improve the quality and effectiveness of development cooperation in the Asia-Pacific region and to improve Australia's relations with its regional neighbours. It has a particular interest in programs that alleviate poverty and disadvantage and which encourage individual and community self-reliance. FDC is active in the field of microfinance, and its *Banking with the Poor* program now has partner organisations in nine Asian countries.

FDC also sees a special role for development cooperation within APEC, the Asia-Pacific Economic Cooperation process. It has undertaken policy studies addressing economic issues of the small island states of the South Pacific. The Foundation has a growing publications list on these and other subjects and has developed funding and operational partnerships with AusAID, the UN Development Programme, The World and Asian Development Banks, and the Ford, Japan, Asia and Myer Foundations.



BERNARD WOOD

In September 1999, Bernard Wood completed a six-year term as Director of the Development Co-operation Directorate within the OECD in Paris. This Directorate services the Development Assistance Committee (DAC) of the OECD and is responsible for the DAC's annual Development Co-operation Report. The DAC is also responsible for reviewing the aid programs of the member countries of the DAC, of which Australia is one. Mr Wood personally led the review teams which examined Australia's development assistance program in 1995 and 1999.

Mr Wood is Canadian, and is a former Fellow of the Center for International Affairs at Harvard University. From 1989 to 1992 he headed the Canadian Institute for International Peace and Security. From 1976 to 1989 Mr Wood was the Founding CEO of the North-South Institute, an independent institute for research and information on international development. During this time he was consulted by the late K. William Taylor, AO, about the latter's plan to establish an independent Foundation for Development Cooperation in Australia. Bernard Wood has held a series of special appointments, including as a Special Advisor to Canadian delegations to the UN General Assembly, and Canadian member of the UN Secretary General's Expert Group on the relationship between Disarmament and Development.

Mr Wood has maintained contact with the Foundation since its establishment, and FDC was privileged to bring him to Australia to present the inaugural K. William Taylor Memorial Lecture.

DEVELOPMENT COOPERATION INTO THE 21st CENTURY

The K. William Taylor Memorial Lecture – 1999
by Bernard Wood

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I was honoured and touched, many months ago in Paris, when Brian Scott asked me if I would be able to inaugurate the Distinguished Visitors Program of the Foundation for Development Cooperation and deliver the first K. William Taylor Memorial Lecture here in Brisbane.

I was honoured because I have believed in the promise of this Foundation, from those early days before its formal establishment when Bill Taylor first shared and tested his vision with me, here and in Canada. Now I have the chance to see the Foundation as a vibrant reality, and to take this opportunity to recognise John Conroy's special contributions as its Executive Director for the past eight years.

I was, and I am, deeply touched to take on this task because I remember Bill Taylor so well as a kindred spirit in matters of development. I admired and shared his respect for the poor and their capabilities, and his respect for our own peoples and their capacity to do the right thing in the world when its challenges are brought home to them. There are many here, beginning with his family, who knew Bill much longer and better than I can ever claim. But I have never forgotten the times and ideas we shared, from steamy Brisbane to frigid Ottawa, where he came on a February visit in an extremely large overcoat, proudly explaining that he had borrowed it, since a heavy overcoat would never justify the investment for a resident of this city.

Stephen Taylor has encouraged me in the view that his father would want me to use this precious time with you to focus on the issues that we now face in development cooperation, after a half-century of effort and learning, as we move into the 21st century. This is indeed fitting because my view of those challenges still revolves around these two basic precepts that I shared with Bill, and that have shaped the mission of the Foundation. First, given a fighting chance, the poor can battle their way out of poverty; and second, given a sensible strategy for doing so, nations like this one will be ready to give the poor a hand up.

The philosophy of self-help by the poor has indeed permeated and inspired the Foundation's deep and broad work on the powerful, grass roots instruments of microfinance. The Foundation has also taken a strong role in region-wide debates about development and development cooperation, and this lecture and visitors program are intended to contribute further to those debates in Australia.

This time, on the cusp of the Millennium, is the right time to be thinking about how development will move from a century that began with colonialism to one that begins with globalisation. This country is the right place to be thinking about this challenge - the one industrialised country that has mostly developing countries for neighbours, where the national interest and the development interest are immediately and inescapably linked.

I have not been asked to present an academic analysis, but one that is clear to non-specialists and oriented to policy and action. I will try, especially drawing on my experience of the past six years leading the development cooperation work of the OECD, to chart what I think we have learned about development and development cooperation, and what we should now be doing to put those lessons into practice.

I will emphasise three main sets of issues that have immediate and enduring importance for the development challenge, in this region and around the globe:

- first, sound policy, good governance and managing conflict
- second, responsibilities and fears in an era of globalisation, and
- third, the challenge of building real partnership in the development cooperation relationship.

I will focus a great deal on what governments can do, and should do, and what citizens should expect of them. I have no doubts that development must be bottom-up, and that it is non-governmental actors - the private sector and civil society - that move the world. But the frameworks set by governments do play the critical role in making development possible, or impossible. I should also stress that many of the comments that I will make apply just as much to private actors as to governmental ones.

MAINTAINING COMMITMENT: CLEAR GOALS AND INFORMATION

When we take stock, at the turn of this century, of the record and prospects for development, I believe that we can legitimately bring a message of empowering optimism to our fellow citizens, in developing countries and our own. Hundreds of millions of people have lifted themselves out of poverty in the past few decades. They have done this primarily through their own efforts but, where the setting was right, aid has also made a major difference. The green revolution, reaching manageable birth rates, improving infrastructure, reducing disease and chronic poverty, have all been effectively supported by aid programs at their best.

At the same time - and I think again of Bill Taylor - our optimism must be tempered with modesty and determination. The number of people in absolute poverty and despair is still growing. Reversing that trend will require re-doubled effort, political will, and applying all the lessons that we have learned and are still learning, sometimes far more slowly than we should.

To be modest, however, is not to settle for modest goals. An important breakthrough in development thinking in recent years is a new clarity about the basic things we are trying to achieve in development. Distilling from a wide range of objectives coming out of global conferences, governments and international organisations have rallied to support a program that would open up a new world for the poor in a new millennium, through reductions in poverty and concrete improvements in basic education, gender equality, and basic health, all underpinned by improved governance and environmental sustainability.

This clear vision should also be able to capture the imagination and harness the commitment of the global community¹. The key question now for all our countries, is whether we will be able to generate, and maintain, enough concerted support, through our aid programs and our other foreign and economic policies, to help these goals become a reality for those who have so far been left behind.

In most cases there is little doubt that humanity can muster the *technical* capacity to achieve these improvements.

¹ The clearest synthesis of the converging international thinking about shared goals for development and strategic approaches for advancing them, is still to be found in a report by the Development Assistance Committee (DAC) of the OECD (Organisation for Economic Co-operation and Development). OECD (O DAC). 1996. *Shaping the 21st Century: The Contribution of Development Co-operation*. Paris.

The questions about achievability thus lie mainly in the realms of *political wisdom and political commitment*; in our democracies, this depends, in part, on sustaining public understanding and public will.

All the analyses I have seen confirm that there has always been quite strong basic support among the publics of OECD countries for development assistance. The strongest motivation has always been some basic form of solidarity, and support has consistently been strongest for emergency assistance to people who find themselves in truly desperate situations, and for backing self-help efforts by the poor. It is fair enough for our fellow-citizens to ask that they be able to see how aid serves those ends. Aid fatigue is real, in all our countries, but I firmly believe it is fatigue with aid that is often badly explained and sometimes badly used. There is no evidence that our publics are fatigued with support for the long and arduous work of development itself.

International development is different from many other fields of public policy in our countries in that most voters and taxpayers, and indeed legislators, can have only indirect exposure to what is being done with their money - they must look to others to be their eyes and ears, and interpreters. The most credible interpreters, I have always believed, are not journalists, or career professionals in development, but representatives of the poor themselves and those of our fellow-citizens who have taken some part of their lives to try to help on the ground.

They can describe the achievements, and the frustrations, in ways that do not gloss over the very real problems, but show trust in their hearers to see these difficult tasks in a sensible perspective.

The messages that our publics are now hearing are still often inaccurate and unhelpful. The appeal to our peoples' compassion alone is still easier to make than enlisting their backing for self-help efforts by the poor, but it is less empowering and less durable.

The ways we report on advances and setbacks can make a great difference. For example, when the Asian economic crisis hit at the poorer people in a number of high-performing countries, some of the cries of alarm went too far. Just as real development is such slow, hard work for any society, it also has a little more durability than many people seemed to think. With all the flaws in their development models and the problems still to be overcome, the Tigers had made enormous progress in reducing poverty, particularly through the most durable investments in education and skills-development. Rather than leading people to believe that the progress achieved was so flimsy and vulnerable, it would have been far more accurate, and motivating, to show how these setbacks might be contained, protecting the much stronger foundations for development that had been laid. I will return to some of the new challenges around public debate in my comments on getting globalisation right.

POLICY, GOVERNANCE AND CONFLICT

So I argue that there is an urgent need to point to, and draw encouragement from, examples of success in development, recognising that there is no absolute standard. Development is never finished - as soon as societies master one set of development problems, another looms ahead. But it is difficult to imagine improving an imperfect world without the inspiration of some models of at least relative success.

Just as all human societies and systems have shortcomings and imbalances, they must all find their own policy paths to development, conditioned by their particular cultures and evolving situations. There are no simple, universal formulas for enduring success, even in economic policy in its narrower senses. At the same time, there are some basic, and demanding, policy foundations that have been proven to have wide applicability. The Development Assistance Committee set out the basic requirements well and succinctly in 1995:

- a sound policy framework encouraging stable, growing economies with full scope for a vigorous private sector and an adequate fiscal base

- investment in social development, especially education, primary health care, and population activities
- enhanced participation of all people, and notably women, in economic and political life, and the reduction of social inequalities
- good governance and public management, democratic accountability, the protection of human rights and the rule of law
- sustainable environmental practices
- addressing root causes of potential conflict, limiting military expenditure, and targeting reconstruction and peace building efforts toward longer term reconciliation and development.²

In very broad terms, these are the same policy conditions that prevail, and often prove elusive, as a basis for sustainable development in industrialised countries. Thus they are enormously tough for developing countries, whose capacity is by definition limited and whose margin for policy error is even less forgiving. There may be some room to give more or less weight to different objectives at different times, and some scope for creative and adaptive choice as to how to apply these basic disciplines, but we have seen that ultimately there is no escaping any of them if progress is to be achieved and sustained. Recent empirical studies have reinforced this fact.³

It is because these policy challenges for developing countries are so central, and so difficult, that the issues of governance have become increasingly dominant in development thinking in recent years. The primary rationale and purpose for foreign assistance can be seen as helping developing countries to strengthen the governance capacities they require for sustainable development. Because there are so many needs for strengthened capacity, the inputs of external assistance need to be especially strategically targeted to make an appreciable difference.

The ultimate challenge of governance, and one that is all too immediate for many developing countries, is that of managing conflict without violence. By 1997 the donors were able to make a firm commitment to this sensitive and difficult work. They stated that

Work in war-torn or conflict prone countries must be seen as an integral part of the development cooperation challenge. Wars have set back development severely in many countries, including in some of the poorest; excessive military expenditures have too often taken priority over more productive public investments and responses to complex emergencies have come to represent a major claim on development cooperation budgets. More basically, helping strengthen the capacity of a society to manage conflict without violence must be seen as a foundation for sustainable development.⁴

Australia has been an active participant in working through these questions of development and conflict, and as the world recognises, has now accepted further special responsibilities, on behalf of the whole international community, in the forbidding challenges of East Timor.

No one could claim that development cooperation holds any magic key to preventing conflict. Conflict is inescapable in all societies, and it is often intensified during processes of development. The ways that societies manage that conflict without violence - through the enhanced rule of law and effective participation by the population in democratic processes - must be carried by their own efforts and must

² OECD (DAC). 1995. *Development Partnerships in the New Global Context*. Paris. (Annexed to *Shaping the 21st Century*. pp.19-20)

³ See World Bank. 1998. *Assessing Aid: What Works, What Doesn't, and Why*. Washington.

⁴ OECD (DAC). 1998. *Conflict, Peace and Development Co-operation on the Threshold of the 21st Century*. Paris. p.5

take root and grow in the unique soil of each country. Peacebuilding is an appropriate term for the long and arduous toil of preparing the ground, and nurturing and protecting the seedlings of peaceable governance and participation.

Painful as it is, experience shows that sooner or later every society must work through these processes, and the struggles of power and vested interest that accompany them. I think, for example, that we have now moved beyond simplistic arguments about an "Asian Way" to development. The debates are no longer about "whether" governance is opened up, and the rule of law respected, in different societies and cultures, but "how". Nor is there much room for debate anymore about "when". In the era of globalised expectations, societies no longer have the luxury of the centuries that much of this ongoing work has taken in our own societies.

The struggles of those post-Communist societies that had the least of this social capital on which to draw exemplify the terrible paradox: the aspiration for freedom can be so urgent and irresistible, but the institutions and social habits to sustain that freedom can prove so elusive. We will live through more turbulent and dangerous times as these struggles work their way through different societies.

For the work of development cooperation, however, the messages are clear, although far from easy to put into effect.⁵ First, do no harm. Every program or project undertaken should be examined to try to judge if it may effect what can be called the "structural stability" of the society in question, including social peace, respect for human rights, accountable security forces, and broadly shared social and economic development; all of these conditions supported by dynamic and representative political structures capable of managing change and resolving disputes through peaceful means. Anticipating impacts in all these complex areas is of course a very tall order indeed, and no one could ever get it right all the time. But the bald fact is that much of what has been done in the past has been done without giving sufficient thought to all these factors and how they relate to each other. Let me quote a humorous, but serious, lesson from a great deal of experience in development cooperation: "Don't just do something, stand there."

Having stressed the need for a base of careful analysis, there is a wide range of positive measures that we can support to reinforce conflict prevention and peace building. A great deal of learning about effective forms of assistance has come from "post-conflict" or "post-crisis" situations but these lessons are also often highly relevant to longer-term preventive efforts.

Peoples' basic security is the starting point, assured by legitimate governing structures, from the local to the national. The donors now understand that vigorous institutions of civil society and state are both essential. Alongside work with non-governmental actors, this has led donors into much more active involvement with technical and policy support for political institutions, which include a democratic opposition and political parties, and for the justice sector, including the judiciary, police and prisons. In civil society, work with communities, and between communities has led into innovative support for dialogue and cooperation, mediation and negotiation, education and cross-cultural training. Donor support for stronger journalism, as well as for access to official information, can do much to promote the flow of free, fair and complete information. This is the lifeblood of democratic debate, and the only known antidote to biased, distortive, and divisive propaganda.

A sound framework and capacity for macro-economic stabilisation and management is always vital, and especially so after a crisis. Donors have learned a great deal about how to help effectively, and about some mistakes to avoid. Basic necessities such as food and essential social services have to be assured, but even in the midst of crisis, external help must be geared to reinforcing the local capacities that can be found, rather than replacing them, or the legacy will be one of dependency rather than sustainability. The transitions from emergency relief to longer term development assistance need to be managed so that we move as quickly as possible from saving lives to saving livelihoods.

⁵ See OECD (DAC). 1998. *Conflict, Peace...* for useful elaboration of the following points.

A great deal has been learned about the challenges of reintegrating uprooted populations, from the ground up, taking account of the needs for human rights protection, health, education, production systems, infrastructure and environmental rehabilitation. In many former conflict zones, the lingering curse of land mines must be overcome, alongside the challenges of demobilising and reintegrating former combatants, including many thousands of child-soldiers. There have been promising precedents from Central America, to East Africa, to other regions as well.

Yet more daunting still in post-conflict situations is the task of trying to promote peaceable co-existence and, ultimately, as much reconciliation as possible between communities. These last questions go all the way to the historic innovations now being pioneered around the international prosecution of suspected war criminals, and different approaches to the issues of immunity and reconciliation. Nobody can be sure quite where these efforts will lead, and when they may begin to show more of a tangible deterrent effect, but we are finally seeing the most basic standards of human rights beginning to find more tangible recognition in a world where sovereignty has too often been used as a shield for atrocity.

It is quite clear, when one begins detailing some of these sensitive political issues that are now such a part of the development cooperation agenda, that there can no longer be any illusion that issues of economic and political development can be divorced from each other, no matter how much easier that might sometimes make our lives. For the industrialised democracies this has also meant that the handling of foreign policy has had to change. Especially when the stakes are high in the relationship with a troubled developing country or its neighbours, publics and heads of government in our countries become heavily engaged, and so must many ministries and agencies.

We have also learned over decades that the enduring influence of outside actors always has its limits, and that simplistic prescriptions for using aid as a "carrot" or a "stick" are almost always ineffective, and sometimes deeply counter-productive.

GETTING GLOBALISATION RIGHT

It is one of the unsung benefits of globalisation that it has begun to globalise information, and sometimes a common conscience of humanity. In the post Cold War world, responding to "Third World" conflicts has become a matter of high politics, as witnessed in the UN Security Council and G8 Summits. Public awareness and concern are far higher than in the past, our countries are risking more blood and treasure in peace operations, and the economic and other interests at stake are much greater in such an interdependent world. The possibilities for conflict prevention must be pursued and, as I have outlined, many of these possibilities may lie in the realm of development cooperation.

This means that development cooperation is no longer cast so readily as the junior partner to foreign policy, trade or defence. Its special expertise and tools are valued, working with the other ministries and agencies concerned, and influencing their approaches just as they influence aid policy and objectives. This mutual influence and the pressure for greater policy coherence have grown - publics, parliaments and the international community are ever more alert to and intolerant of inconsistencies between economic, human rights, security, environmental and developmental interests. The connections have been drawn between Third World conflicts and the proliferation of weapons, and increasingly they will be traced between these conflicts and the international economic and sometimes criminal interests that can fuel and sustain such conflicts - the current UN Security Council investigation of the embargo-breaking diamond traffic in Angola is a harbinger.

To say that the need for greater policy coherence is increasingly recognised and given greater weight in relation to issues of conflict, human rights and governance in developing countries is not to suggest that it is always acted upon. Even when it is, finding the right policy course is far from simple, and successful influence is far from guaranteed.

But what about the coherence of other policies by OECD countries and their support for development as embodied in their aid programs?

When I think back to the answer to this same question 25 years ago (or even 35 years ago) I am struck by how much some things have changed, how much some other things have remained the same, but especially by how some of the basic parameters of the issue have been transformed by some globalising trends that receive too little attention.

Only three decades ago, we faced a developing world that unequivocally included all of Africa, all of Latin America, and all of Asia except Japan. It was in many ways a bloc of common characteristics and interests - generally very heavily dependent on unprocessed or semi-processed primary commodities for its export earnings, dependent on imports from industrialised countries for manufactures, and even more so for infusions of technology and foreign capital. "Marginalisation" was a cruelly apt description of the status of these countries.

How many of that original "Group of 77" are almost unrecognisable today? Some have become "major players" in the world economy, and many others can certainly no longer be ignored. We can debate how this transformation has been brought about, who has benefited and how much. But, for whatever sets of reasons, the international economic system has adapted a good deal to the strength of the widening group of industrialising countries.

At the same time, there are too many countries, and parts of others, that still fit the mould of marginalisation or find themselves with an even weaker base, as the world's dependence on many raw materials has been steadily reduced. In the least-developed countries as a group, exports represent only some 9 per cent of GDP, compared to 24 per cent in the developing world as a whole. Real per capita income in Sub-Saharan Africa was only \$28 higher in 1995 than in 1960, while during the same period it had nearly tripled for the group of all developing countries taken together.

It is, of course, nonsense to suggest that globalisation or liberalisation have in themselves been damaging to the poorer countries, but it is true that the benefits of liberalisation to them have so far been much more modest than to others, and the overhang of unsustainable debt has threatened to further lock in the marginalisation of some.

There are always more things that the poorer countries can do to help themselves, for example, in my view, through much greater regional economic cooperation and integration. But the international system and its central actors, the industrialised countries, could do much more to make their tough road a little easier.

There are now widening calls for a new Millennium Round of trade negotiations to be a "Development Round", and to finally address some of the special problems of these countries. It is high time, and high priority for the whole international community. It is simply unconscionable that the balance of liberalisation has still not been in favour of developing countries, and that many barriers and hurdles are still in place that specifically or disproportionately work against them.

To a degree that would not have been thought possible 25 years ago, developing countries have embraced and applied the economic principles and practices so long advocated to them by the industrialised countries, only to find that we fail to apply those principles consistently to them ourselves. I will simply list a few examples here:

- even in our aid programs themselves, many donor countries still restrict or "tie" procurement under their aid programs to their own national suppliers, rather than opening them up to international competition. For the sake of efficiency, and credibility, we must hope that the initiative in the OECD to untie aid to the least developed countries will bear fruit

- the OECD countries' average tariffs against manufactured exports of developing countries remain almost four times as high as those against other OECD countries, with "peaks" three times as high again against some of the products of most interest to developing countries - footwear and leather, agriculture and food products, and textiles and clothing
- in the textile and clothing industries, the liberalisation promised in the Uruguay Round with the phasing out of the Multi-Fibre Arrangement has in many cases been slow and grudging
- in agriculture, of major interest to developing countries, it has been estimated that only 14 per cent of the products that underwent "tariffication" as a result of the Uruguay Round now enjoy lower rates than their pre-Uruguay Round tariff equivalents.

A "Development Round" would have to confront, and resolve, some these anomalies, and also to take into account some other issues of special interest to developing countries:

- even where access is formally accorded, it is again being increasingly threatened by anti-dumping and countervail measures that can be impossibly difficult and expensive for developing countries to defend against
- in agriculture, developing country exporters share an interest, with some others, in reducing the export subsidies of developed country exporters, together with achieving further reductions in tariffs, and "peaks" in such areas as processed food products
- on trade in services, all could gain from further opening on the right terms, but will the movement of people, and shipping, two areas where developing countries could benefit most, be adequately reflected in an outcome?
- to what extent can restrictive business practices or monopolistic behaviour be curbed in new international disciplines? To what extent, and how, should issues of labour standards and environmental protection be linked with the trade regime?

Finally, we must recognise that for many developing countries the burden of negotiating and implementing existing trade agreements, with the best will in the world, has simply proved beyond their capacity. They have fallen behind, and the idea of taking on major new issues - at least with the normal trade negotiator's insistence on reciprocity - is doomed to backfire. Moreover, for many of them, the principal constraint to expanding their trade is not one of access, but one of supply capacity - the basic nuts and bolts of production; human, physical and administrative infrastructure; marketing and so on.

Simply put, many developing countries need more help to play their part in trade negotiations and in the trading system. Some donors have worked relatively hard on this front, others much less, but it is now a crucial and urgent challenge for policy coherence in all our countries.

I have focused in some depth on trade issues and not on international financial flows which, if anything, have undergone even more revolutionary changes, as we have seen so graphically in recent years. I cannot claim to add much to the mounting pile of diagnoses, arguments and prescriptions for this new international financial system. The world's greatest powers and institutions have not yet been able to decide clearly on the appropriate paths between the wide-open operation of financial markets, and those measures of oversight and management that may be essential to cope with a vastly different world. The worst of one set of storms may have been weathered, but they are not yet stilled. The debate has on occasions been refreshingly open and healthy, and it has also often been fevered and rancorous.

On no topic has the fever risen higher than on the proposed Multilateral Agreement on Investment (MAI), and the way the debate has unfolded is a warning about the new dangers that developing countries may face from the populist politics of fear in the industrialised countries.

Not only is their export success frequently unfairly blamed for the difficult adjustment pressures in our economies, but an important opportunity to improve their investment situation has also now been set back by panicky opposition almost exclusively coming from within industrialised countries.

I cannot here go into all the concerns, real and imagined, about globalisation. But I will contend that the greatest thing we have to fear about globalisation is fear itself. This fear, and the failure so far to respond to it effectively, now threaten to damage the hard-won prosperity in our own countries and at the same time to deny or obstruct the opportunities for prosperity to the developing countries. Let me illustrate briefly by pointing to some of the frightening gaps in the debate about the MAI.

I readily acknowledge that there were many aspects of the draft MAI that needed much further work and negotiation, including some of special concern to developing countries. But developing countries themselves recognise, and so should we, that an international investment regime as such is very much in their interest. Some basic facts have not received the attention they should.

First, the lack of norms for international investment is not really a concern for the biggest countries and the biggest companies - they, by definition, can take care of their own interests better than most. Smaller and weaker actors have most to gain from rules of the game, and much could have been done to ensure that the rules would not be solely stacked in favour of the stronger players.

Second, rather than exacerbating the kind of financial volatility that we have lived through in recent years, as the critics claimed, greater shares of foreign direct investment would have precisely the opposite effect. They would be a major stabilising factor, since direct investment is far more rooted in the host economy, in contrast with the "footloose" forms of capital whose electronic flight so shook the global economy. Of course, some critics oppose foreign investment in general, for all manner of reasons, but in the interest of good governance in our own countries these issues should be debated more on their merits, and less on misinformation and fear.

One of the builders of globalisation, Peter Sutherland, the former Director General of the World Trade Organization, has underlined the enormity of the governance challenges we now face, both in our own countries and at the international level. He wrote last year:

Turmoil in the world financial system is the first major crisis of globalization.... The current crisis is undermining confidence in free-market capitalism and motivating some governments to reverse course on liberalization.... International institutions and agreements must play a larger role in managing competition and promoting cooperation on globalization challenges. They must also help governments better manage the economic insecurity accompanying globalization. Above all we must expand the circle of international decision-makers. We can no longer make progress on global issues without the participation of key emerging markets and low-income countries.⁶

IS REAL PARTNERSHIP POSSIBLE?

Not only must we build a more balanced partnership with developing countries on issues of global governance, but in the development cooperation relationship itself, and this will be my final theme. We must face the fact that the ideal of partnership relationships animated the Pearson Commission report 30 years ago, and it also underlay the Lome Convention of the European Community. But, with some few exceptions, this ideal has not taken hold over the intervening decades.

Relationships defined primarily by traditional aid, between "donors" and "recipients", have lacked the mutuality and balance necessary to any real partnership, and the psychology and the results have too often reflected this imbalance.

⁶ Sutherland, Peter D. 1998. *Answering Globalization's Challenge*. Overseas Development Council, Washington.
K William Taylor Memorial Lecture: 1999

Even the Cold War political leverage that some believed developing countries could wield over one side or the other led more often to passing "marriages of convenience" than to durable partnerships.

The rusty relics of donor-driven projects have long littered the landscapes of many developing countries, and cultures of dependency and entitlement have grown up with the weeds. The enormous additional burden of working with the demands of multiple donors - heaped upon developing countries that are already over-strained - has in fact been a far greater scandal than any of the much-reported "projects gone wrong" over the years. This has finally been recognised by all concerned.

Have the foundations of the relationship now changed enough to allow the ideal of partnership to become a working reality? The realities of increasing global economic interdependence - together with the global scope of environmental challenges, burgeoning migration, and the spread of international crime and disease - have certainly made it more difficult to ignore developing countries. As one indicator, the last three or four G7-G8 Summits have probably devoted more attention to developing countries than the previous dozen Summits combined - the need for effective responses is gaining hold. And the history of aid itself has come to exert powerful pressure for reform. Having publicly analysed that history, and drawn the lessons, the donors have quite consciously created a rod for their own backs.

In the 1996 DAC report on *Shaping the 21st Century: the Contribution of Development Co-operation*, OECD Ministers published their own balance sheet of successes and shortcomings. With rare candour, they acknowledged how fundamental a shift would be required on the issue of ownership by the developing country, saying, "We will need to change how we think and how we operate, in a far more coordinated effort than we have known until now." The Ministers went further, to suggest lists of partnership undertakings to underpin development cooperation compacts, under the headings of "joint responsibilities", "developing country responsibilities" and "external partner responsibilities".⁷

Since it is well known that statements, even frank and detailed ones by ministers, cannot by themselves change the world, this effort to make partnership real has been followed up in many ways. The first, of course, was to further engage developing country partners themselves, bilaterally and multilaterally, test the acceptability of the proposals and agree on joint action to improve partnership. A specific case study of the aid relationship with all donors was carried out in Mali, with strong Government involvement and lively public interest, and its results shocked even those who had commissioned the work by how little improvement in local ownership and donor coordination had been achieved by the latter 1990s.

In the light of this work, and after a consultation with representatives of government, civil society and donor field offices in five other countries in early 1998, DAC members at the next level below Ministers set out a working checklist of eleven points for *Strengthening Development Partnerships*⁸ These points bring the action program one level down from the governing principles to some increasingly specific tests of implementation. They range from standardising or harmonising accounting procedures, to pooling funds for sector or program support, to untying of aid. Not surprisingly, some donors are experiencing difficulties with one or other of these, where their own policies or practices diverge.

There may be a major breakthrough in prospect as a result of the strong engagement of the multilateral assistance agencies, most notable now in the World Bank's proposal for a Comprehensive Development Framework, which twelve countries have agreed to test on the ground.⁹

⁷ *Shaping the 21st Century*, pp.9 and 14-15

⁸ OECD (DAC). 1998. *Strengthening Development Partnerships: A Working Checklist*. Paris. (See DAC website at www.oecd.org/dac for this and other key references.)

⁹ See World Bank. 1999. *World Development Report 1999-2000*. Washington. pp.20- 21, and World Bank website, www.worldbank.org, for evolving work on the Comprehensive Development Framework.

Of course all these efforts at the policy level to improve partnerships were not simply conceived at the policy table. They reflect the experience and frustration of both external funders and developing countries with the problems I have described. Notably, some of the developing countries themselves had already carried out their own initiatives to take the leadership of the aid relationship in hand, with some success. In a number of these countries, where determined and competent leaders were ready to take an assertive stance with donors, backed by reasonable analysis and participation by their own people, most donors seemed ready and willing to accept that lead and support their programs.

But some of the biggest tests are yet to come. On local leadership: how will the donors react where a country or countries, on the basis of their own analysis and citizen participation, persist in asking support for a course of action that diverges in some substantial ways from what the donors consider to be proven strategies for success?

On performance requirements: how will the growing determination of donors to allocate aid according to performance and results in partner countries be reconciled with the fact that many developing countries, by definition, will fall short of some goals through a lack of capacity, or they would not need assistance in the first place? Would it not be more appropriate for the *types of aid* to be provided, rather than *funding levels*, to be calibrated to reasonable measures of performance? Is this new form of conditionality to be a mutual one, as it should in a partnership? How will donors be held accountable for their own share of responsibility in the results achieved? Will they accept mutual performance and accountability requirements of the kind that might be found in other types of partnership agreement? What are reasonable timeframes for mutual performance expectations in a partnership of this kind?

Finally, will the donors actually be willing and able to discipline their divergent or competing interests, and their individual legislative and bureaucratic requirements for accountability, to work genuinely together in the interest of easing the task of the partner country? There will be risks in doing so, and these should be explained honestly to publics and parliaments. But so should the greater risks of not letting the developing countries really take in hand the responsibility for their own development.

Even for dyed-in-the-wool New World optimists, the development cooperation agenda as we enter the 21st century is a daunting one. But we now have on our side some powerful examples of successes. We have documented many lessons in a difficult field and they have been taken to heart. We can count on the skills, energies and expectations of the billions of people in developing countries determined to build a decent place for themselves and their children. We have the technologies and know-how - with patience - to resolve many more problems. And if we do our work properly, we finally have on our side the knowledge by our own people that, for good or ill, their destinies are now so closely linked to those of the people of the developing world.