Development Cooperation Forum

Human Security and the Future of Development Cooperation

Co-chaired by Jimmy Carter and Robert Rubin
February 2002

THE CARTER CENTER

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Development Cooperation Forum

Human Security and The Future of Development Cooperation

Co-chaired by Jimmy Carter and Robert Rubin
Feb. 21-22, 2002

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Terms And Abbreviations

ACP ........................................ Africa, Caribbean and Pacific Group of States
ADB ...................................... African Development Bank
CARDS .................................. Community Assistance for Reconstruction, Development and Stabilization
CARICOM ............................ Caribbean Community and Common Market
CAS ....................................... Country Assistance Strategy
CCA ....................................... Common Country Assessment
CDF ....................................... Comprehensive Development Framework
CGCED ................................. Caribbean Group for Cooperation in Economic Development
CSAG .................................... Civil Society Advisory Group
CSO ....................................... Civil Society Organization
DAC ....................................... Development Assistance Committee
ECOWAS .................... Economic Community of West African States
ESA F ................................. Enhanced Structural Adjustment Facility
EU ......................................... European Union
EURODAD ..................... European Network on Debt and Development
FRELIMO ........................ Front for the Liberation of Mozambique (Portuguese acronym)
FTAA .................................. Free Trade Area of the Americas
FUSADES .................... Salvadoran Foundation for Economic and Social Development (Spanish acronym)
G8 ....................................... The group of eight main industrialized countries
GAO ..................................... General Accounting Office
GDI ....................................... Global Development Initiative
GDP ....................................... Gross Domestic Product
GPRS .................................... Growth and Poverty Reduction Strategy
HDI ....................................... Human Development Index
HIPC ..................................... Debt Initiative for Highly Indebted Poor Countries
HIV/AIDS ........................... Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IDB ....................................... Inter-American Development Bank
IFI ....................................... International Financial Institution
ILO ....................................... International Labor Organization
IMF ....................................... International Monetary Fund
I-PRSP ................................ Interim Poverty Reduction Strategy Paper
IT .......................................... Information Technology
LDC ....................................... Least Developed Country
MDG ..................................... Millennium Development Goal
MTEF .................................... Medium Term Expenditure Framework
NAFTA ................................... North American Free Trade Agreement
NCASAG .............................. National Civil Society Advisory Group
NDSD .................................. National Development Strategy
NDSC .................................. National Development Strategy Committee
NEPAD .................................. New Economic Partnership for Africa's Development
NGO ....................................... Non-governmental Organization
NHDR .................................... National Human Development Report
I have long been concerned about the lack of vision, policy coherence, and overall effectiveness of international development cooperation. Yet, Carter Center programs over the past 20 years have been able to demonstrate that where sound nationally owned policies exist, where people are able to participate in determining their future, where enabling resources are made available, and where the donor community effectively cooperates and coordinates — development assistance yields effective results. I am, therefore, pleased to see that after years of dialog and debate the international community finally is beginning to show signs that it is committed to taking meaningful action to attack global poverty and reduce human suffering.

It has been a decade since the Carter Center’s first development cooperation conference, which I co-hosted with then U.N. Secretary-General Boutros Boutros-Ghali. In 1996 we held a second development cooperation conference to review the experiences of our Global Development Initiative in Guyana. With our Guyanese partners, we were able to demonstrate that the successful formulation of a comprehensive long-term national development strategy is dependent on its methodology — one that is country-driven and involves as many different interest groups as possible — including the political opposition. The national development strategy (NDS) that Guyanese civil society produced with broad-based participation in 2000 provides a long-term policy framework, which has already helped guide the preparation of Guyana’s Poverty Reduction Strategy or PRSP process. It is hoped that a parliament-endorsed NDS will further serve to guide Guyana’s sustainable development.

Unlike our two earlier conferences, this year’s Forum on Human Security and the Future of Development Cooperation occurred in an emotionally charged environment of both hope and trepidation. At the beginning of the millennium a special session of the United Nations General Assembly, attended by over 150 heads of state and government, unanimously endorsed a declaration that, for the first time, coalesced the international community around a set of monitorable and achievable Millennium Development Goals. Nine months later the tragic events of Sept. 11, 2001, made global development a strategic as well as a moral concern. This atmosphere, combined with the unprecedented gathering of development thought leaders, practitioners, and decision makers at the Monterrey Conference on Financing for Development, added meaning and purpose to our third Forum, held a month before the meeting in Monterrey.

This year’s discussions were informed by the development cooperation experiences of our four partner countries: Albania, Guyana, Mali, and Mozambique. When I addressed the Forum, I repeated what I have said many times before: the greatest challenge of this millennium is the growing chasm between the world’s rich and poor. This is not only a moral and humanitarian challenge, but also one that impacts on our personal and national security. The consequences for neglecting this challenge have never been more apparent.

Recognition by the international community of the need to reverse the negative trends of the past by promoting more coherent development policies, positive resource flows to poor countries, and more effective development cooperation mechanisms are all welcome new signs, which are reflected in the Monterrey Consensus. During our Forum and at the conference in Monterrey, I was pleased to see that there is now widespread recognition that sustainable development can only be achieved if guided by widely participatory and country-owned development strategies. The World Bank’s PRSP process offers promise as a mechanism for helping rationalize development cooperation. The agreement of the international community to time-bound and quantifiable Millennium Development Goals will allow performance to be measured and lead to greater accountability by both donor and recipient countries. The New Partnership for Africa’s Development (NEPAD) offers hope for improving the effectiveness of
development assistance on that continent. Recent decisions by the European Union to increase ODA and the announcement by the United States that it finally will take action to increase its aid budget and create a Millennium Challenge Account reflect growing confidence in the more businesslike, accountable and goal-oriented development environment. It is my hope that this promising new environment for more effective development cooperation will lead to policy changes and resource flows that will narrow disparities and reduce human suffering in a meaningful way.

Through its country-level activities, The Carter Center will continue to work toward improved development cooperation and keep the international community informed of the obstacles and opportunities our partner countries encounter. By doing so, we hope to help ensure that both recipient and donor countries alike will adopt the more effective policies and practices that will be required to achieve sustainable development, peace, and security in the new millennium.
Acknowledgments

The Carter Center is most grateful to the Carnegie Corporation for helping with our Global Development Initiative, and to the Kellogg Foundation, the United States Agency for International Development, Norway, and the Netherlands for making this Forum possible.

I would like to extend a special thanks to the presenters of the two excellent conference papers — Dr. Nancy Birdsall and Dr. Roger Norton — and to the panelists who ably led the discussions on these papers, especially our panel moderators Dr. Carol Lancaster and Gus Speth for effectively guiding the rich exchange of views. The success of our third meeting on development cooperation was due in no small part to the dedicated and tireless efforts of the Global Development Initiative Atlanta staff Jason Calder, Hannah Feinberg, Irene Langran, and Annabel Azim; GDI field staff Michael Hoffman, Mark Simpson, Andrew Blum, Xhevi Hasa, and Brian Lewis; GDI consultant Idrissa Dante; Carter Center staff from our Events, Public Information, Development, Security, and Volunteer offices — especially Susan Johnson, Kay Torrance, and Jackie Culliton.

Edmund J. Cain
Director
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In 1992, The Carter Center hosted a conference for Global Development Cooperation. The purpose of the conference was to identify specific and practical ways to improve development cooperation on a global scale. President Carter and United Nations Secretary-General Boutros Boutros-Ghali co-chaired the event, which convened world leaders, development experts, and representatives from donor institutions, developing nations, international organizations, nongovernmental organizations, private foundations, and the private sector. In the ensuing decade, the need for improved development cooperation was central to the formulation of strategies designed to reduce human suffering and narrow disparities.

The Carter Center has long understood that conflict resolution and the promotion of democracy are preconditions for sustainable development. However, during the last decade the Center increasingly recognized that the success of its efforts — as well as those of the international community — to consolidate democratic institutions and achieve lasting peace was equally dependent upon countries, both developed and developing, following sound development policies and practices. The Center, therefore, established in 1993 the Global Development Initiative (GDI) to demonstrate a new model of development cooperation leading to country-owned and broadly participatory development strategies. In 1996 GDI hosted a second development cooperation conference at which this new model was analyzed by a high-level group of policy makers and practitioners.

A decade of U.N. conferences, international institution reforms, and the development of innovative mechanisms for delivering assistance that emphasize country ownership and participatory planning have shaped the formation of a new development agenda aimed at eliminating poverty. The Millennium Development Goals (MDGs), agreed to by the international community, are the first attempt to measure progress in achieving this agenda. The Carter Center welcomes this new attempt to measure the effectiveness of development cooperation but remains concerned over the willingness of governments to take the actions necessary to support the agenda’s implementation.
Despite unprecedented international consensus on what needs to be done to reduce poverty, disparities between rich and poor continue to grow and human suffering remains unacceptably high. At the time of our third meeting on development cooperation, a decade of donor fatigue had continued unabated while the least developed countries continued to fall further behind. Recognition of the need for country-owned processes to facilitate cooperation had yet to be translated into strategies that would lead to a meaningful increase in aid effectiveness. Duplication of efforts by donors and a lack of accountability among recipient countries continued to perpetuate donor fatigue and developing country disillusionment.

The ability of the global community to reach consensus on goals and targets is, therefore, not enough. Equally important is reaching agreement on strategies to be followed, processes to be employed, and resources to be allocated for achieving them.

Recent reports from both the United Nations Development Program (UNDP) and the World Bank indicate that many countries are not making enough progress to meet the MDGs. If the Millennium Development Goals are going to be achieved, a number of issues affecting strategies, processes, and resources still need to be resolved.

On Strategies...

- Can there be a consensus on the means of achieving the MDGs? In view of the MDG agenda endorsed by the international community, how can human development and poverty reduction goals be reconciled with the need for sound economic policies and practices that promote growth?

- Should bad governance practices continue to be tolerated where business and/or geo-economic interests exist? What is the responsibility of the private sector in helping to promote a more equitable distribution of a country's income?

- What strategies are likely to encourage democratic, transparent, and accountable governance? Are developing countries and donors doing enough to implement these strategies?

On Processes...

- Are developing countries in control of their own national development strategies? What factors are compromising or preventing that control? Do they have both the commitment and capacity to produce their own national development strategies through participatory processes? What are the constraints? What are the incentives?

- Are the donors truly cooperating with each other under country-led strategies? Do their different conditions, programs, policies, and strategies converge or collide? Can a donor-mandated approach like the World Bank's Poverty Reduction Strategy Paper be truly country-owned, or is this another “one size fits all” approach which undermines national leadership and participation?

- How can the development of national strategies be best facilitated — and by whom? How can the roles of the international financial institutions, U.N., NGOs, and the private sector be made more supportive of country-led strategy implementation?

On Resources...

- Are enough resources being made available for achieving the MDGs? Did the March 2002 International Conference on Financing for Development identify practical and realistic ways to resource the national development strategies of those countries that demonstrate a commitment to necessary policy reforms and practices?

- Are all OECD-DAC members committed to finding ways to provide these necessary resources? How can more support be mobilized in industrialized countries, and particularly in North America, for the MDGs and for providing the resources necessary to achieve the MDGs?
As an experienced NGO with a reputation for results, political neutrality, and integrity, The Carter Center provides a unique forum for helping build consensus. While U.N. conferences, World Bank, IMF, WTO meetings, and privately sponsored forums such as Tidewater and Davos address issues of development cooperation, none involve the full cross-section of actors on an equal basis and draw on the specific experiences of a select group of developing country partners. The Carter Center, as it did in 1992 and again in 1996, demonstrated that it can contribute to improving development cooperation and bridging the gap that still exists among many development partners by facilitating this dialogue. President Carter’s convening authority is among the Center’s advantages in being able to bring together decision-makers at many levels from across the full development spectrum and influence public opinion.
The Carter Center’s Development Cooperation Forum was held on Feb. 21 and 22, 2002, to take stock of the reforms of global development cooperation instituted over the last decade, with the experiences of the Carter Center’s partner countries as a reference point. The Forum was scheduled in advance of the International Conference on Financing for Development in Monterrey, Mexico, so that the deliberations at the Center might inform the outcome of the conference.

Among the other senior figures who attended the Forum were the heads of state of Guyana, Mali, and Mozambique; Hilde Johnson, minister for International Development of Norway; Luis Amado, secretary of state for Foreign Affairs and Cooperation of Portugal; James Wolfensohn, president of the World Bank; Mark Malloch Brown, administrator of the United Nations Development Programme (UNDP); Andrew Natsios, administrator of the United States Agency for International Development; and Jean-Claude Faure, chairman of the Organisation for Economic Co-operation and Development’s Development Assistance Committee. The Forum also brought together delegations of civil society and private sector representatives from Albania, Guyana, Mali, and Mozambique, as well as scholars, nongovernmental organization representatives, the private sector, and other government and international officials.

While the Forum was closed to the general public, the Center took the opportunity of using the event to raise public awareness of key issues. The Feb. 20 Conversations was entitled Are We Really Attacking Poverty? and featured an expert panel to discuss actions needed to halve global poverty by 2015.
The theme of the third Forum itself was Human Security and the Future of Development Cooperation. Following opening remarks by President Carter, Robert Rubin delivered a speech entitled Global Interdependence: Recognizing the Realities, and the Need for a Political Strategy that highlighted the linkage between global human security and U.S. national security and called on the private sector and civil society to lead an urgent campaign of public education to generate greater public support for global development cooperation, particularly in the U.S. The three heads of state then delivered remarks reflecting their vision of development concerns about the flagging international support for development cooperation and the need for a more equitable system of global governance.

During lunch on the first day of the Forum, UNDP administrator Mark Malloch Brown delivered the first report on the progress of nations in achieving the Millennium Development Goals, with particular reference to GDI’s partner countries. Brown brought attention to the remarkable international consensus emerging at the global level around the Millennium Development Goals and at the national level around national poverty reduction strategies. He considered the goals and strategies to offer an unprecedented opportunity for improved development cooperation.

For the first of two panel discussions, Nancy Birdsall, president of the Center for Global Development, delivered a paper entitled Rethinking Our Global Development Architecture: Good Markets Require Good Politics, which examined the record of globalization in terms of alleviating poverty and reducing inequality and concluded that while globalization has had some positive impact in these areas, the “global development architecture is fundamentally unfair and does not afford the least developed countries equal opportunities to grow and develop.” Following dinner, James Wolfensohn delivered a moving speech on the importance of the fight against global poverty in the post-Sept. 11 environment.

The second day featured a panel discussion of GDI’s partner countries’ experience with the design and implementation of National Development Strategies. A research paper prepared by GDI informed this panel discussion on issues in participation and ownership and the need for capacity building and facilitation to support national development strategy processes. It also highlighted the urgent need for greater consistency
between global development objectives and the policies of rich countries in areas such as trade, debt relief, and private investment. The Forum was closed with a press conference covered by local and international media.

An important outcome of the Forum was President Carter's decision to attend the International Conference on Financing for Development in Monterrey, Mexico, on March 19, 2002, to add his voice to those calling for greater generosity from donor countries to achieve the Millennium Development Goals. In Monterrey, President Carter met with three of the four “Utstein ministers” and philanthropist George Soros to discuss GDI’s Development Cooperation Forum and to plan how to respond to Robert Rubin’s call for a public education campaign to increase public support for global development initiatives. President Carter also participated in one of the official roundtables of the Monterrey conference and gave an official press conference and interviews to the Financial Times and CNN. The visit generated a strong positive response from conference participants.

The Forum and the Monterrey conference were watershed events and helped to reaffirm GDI’s position in the global community’s efforts to pioneer best practices in global development.

Endnotes

i The Millennium Development Goals are a set of eight quantifiable, time-bound development objectives to improve health, education, and the environment across the world, with the overarching goal of halving extreme poverty by 2015.

ii The “Utstein ministers” included Dutch minister for Development Cooperation Evelyn Herfkens; Norwegian minister for International Development Hilde Johnson; UK state secretary for International Development Clare Short; and a senior official representing Hedemarie Wieczorek-Zeul, German minister for Economic Cooperation and Development.
Global Interdependence: Recognizing the Realities, and the Need for a Political Strategy

Robert E. Rubin
Director and chairman of the executive committee of Citigroup Inc.

Let me begin by thanking President Carter for inviting me to join him at this conference — it is one more example of the remarkably important role that he and The Carter Center have played in the life of our nation and the life of the entire world over the past two decades. I have had the opportunity to get to know President Carter somewhat better since he left Washington and I am consistently struck — as are so many around the world — at both his vision and his effectiveness in public life. I have also had the opportunity to see the presidential fisherman in action, when he and I went on a fly fishing trip, together with a few friends of his, to Tierra del Fuego — a wonderful trip, though I never understood why, Mr. President, when we were standing next to each other in the river, you blamed me when you lost two fish in a row. With that, let me now turn to the subject of our conference, combating poverty.

Looking back over the past several decades, I have no doubt — though I know some might disagree — that globalization, by which I mean greatly reduced barriers to cross-border trade and capital flows, the spread of market-based economics and technological development, has, on balance, contributed very positively, though very unevenly, to global economic conditions. However, these forces also further tightened the ever-greater interconnection of the various parts of the world, and, in this vastly more interconnected world, poverty is not just an issue primarily for the developing and emerging market countries but can enormously impact the economic and national security interests of the industrial countries, very much including the United States. Rather early in the Clinton administration, President Clinton passed around a book by Robert Kaplan that basically made the point that the gated-community approach to life will no longer work for industrial countries, and that book crystallized for me a set of thoughts that had been developing for a long time. Most of you here are deeply involved in the issues of poverty, so I will not delve into this set of interconnections, telling you what you already know. But, just to make the point in brief, poverty in an increasingly interconnected world can generate cross-border environmental degradation from countries where environmental focus gives way to the struggle each day for enough to eat or can drive flows of illegal immigrants — as is happening now in large numbers in Europe and has been for a long time in the United States. Diseases that develop in countries that cannot afford decent healthcare can readily spread, with today’s vast movement of people and goods across borders, to the industrial nations, and poverty can — in my view, understandably — foment hopelessness, resentment and anger that feeds political instability and even terrorism.

For all of these reasons, poverty in poorer countries seems to me as critical to our national interest as defeating the spread of communism in Western Europe after World War II, a threat which produced the Marshall Plan as a response.
global poverty as well. However, he also used to say that a strong economy was far from sufficient in overcoming poverty — and that too applies to global poverty.

Thus, I think that the debate between the globalists and the anti-globalists is simply the wrong framing of the issue. In some sense, both are right and both are wrong.

As I said at the beginning of my remarks, I believe that globalization, the spread of market-based economics, and the development and expanded use of technology is the best path forward for global growth. However, these forces also create terrible dislocations for large numbers of people, and these forces do not adequately address, and in some respects may exacerbate, poverty, the failure to achieve broad-based sharing of growth, environmental degradation, and financial crises. Thus, we must also have an equally important parallel agenda of programs that do what markets by their nature won’t do to specifically address these issues.

And that takes us to practicality. When I was at Treasury, I saw many proposals from well-meaning people that seemed to me unlikely to have the effects desired and even to risk serious unintended consequences. As an example that may well be controversial amongst some here today, debt relief is certainly necessary in some instances; on the other hand, advocates of broad-based debt relief run the real risk of undermining the principle that debts must be repaid which underlies all credit extension. And if that principle is weakened, borrowers could become less disciplined in their borrowing, and, of great concern in many emerging market finance ministries, credit could become less available, and more expensive, to many emerging market countries’ public and private sector borrowers. The key is to find the right balance.

In that regard, there is broad recognition that combating poverty depends not only on assistance but also indispensably on emerging market countries having sound economic and social policies, and that raises the exceedingly difficult threshold issue sometimes referred to as good governance. I will return to this issue of governance in a few moments.

When I visited emerging market countries as secretary, I almost always set aside time to see World Bank or other programs on the ground, and clearly, at least in my view, many programs were having real effect. The current debate about measuring results seems to me very useful, because sensible measurement can improve effectiveness. However, there are also many pitfalls here that need to be recognized in designing measurements, for example: the risk of programs being run to meet the metrics rather than to do what is best, the danger of emphasizing quantity over quality, the multiyear timeframes often involved in program impact, and the risk of tending towards “one size fits all” rather than custom fitting to local conditions. Moreover, given the evidence of programs that are effective, the laudable effort to improve measurement should not serve as a reason for failing to greatly increase the resources committed to combating poverty now, even as work to improve the effectiveness of programs and improve the measurement of effectiveness continues. Moreover, I do think — as evidenced by the U.N. High Commission’s report on financing the struggle against poverty, admirably chaired by former President Ernesto Zedillo of Mexico — that development thinking has become far more practical and businesslike.

But first, while the industrial countries spend a great deal of time advising emerging market countries on policy, economic policies of industrial countries themselves — so critical to global economic growth — are not subject to any effective evaluation and influence by each other or by the emerging market nations. Nowhere can the emerging market countries effectively promote industrial country adherence to the very policies...
that are so powerfully urged upon the emerging market countries; for example, sound, long-term fiscal policy in the United States, structural reform in labor markets and other areas in Europe, and a whole host of issues in Japan.

This leads to a related matter, the politics of combating poverty. One of the lessons I drew from my six-and-a-half years in Washington was that the politics of good policy is at least as important as making the right policy decisions, because if the politics are not effective, the policies will never be put in place. I remember visiting a congressman key to World Bank funding during my time at Treasury. He said that in his district, a vote for foreign assistance would produce an avalanche of constituent criticism, while none of his constituents would object to a vote against foreign assistance. I am no political expert, but even though some polls show that Americans might support substantially higher levels of foreign assistance than are currently provided, I do not believe, based on my own experience, that any meaningful degree of the struggle against poverty suggests, it seems to me, that the leadership and financing for a campaign could be developed.

Let me now return to public policy.

Foreign assistance is critical, especially for social infrastructure that private sector capital won’t finance and for countries not yet able to obtain private sector
capital. But so is private investment, not only for the capital provided but for the expertise, training, management practices, and global interconnections that accompany the capital. However, private capital — except for special situations involving natural resources — will only go where economic, social and political conditions are at least adequately attractive, which is determined in fair measure by public policies and practices. Moreover, the successful impact of foreign assistance is also heavily dependent on good policy in recipient countries. We strongly supported policy conditionality for foreign assistance, including debt relief, when I was at Treasury, but I was always troubled by the concept of relegating very large numbers of desperately impoverished people to misery because of bad government they could not affect. I don’t know the answer to this quandary, but much more attention is needed on how to affect policy regimes in poorly governed countries and on how to help people in those countries despite their governments.

I will not delve into emerging market macroeconomic and structural policy — issues all of you know well — except for one issue. The more I became immersed in development while I was at Treasury, the more I became convinced that in many countries the threshold and key issue for development is effective government, including some practically reasonable degree of freedom from corruption. When I first came to Washington, “corruption” was not a term that could be used in discussion about development, and the euphemism “good governance” was used instead. I believe that Jim Wolfensohn deserves enormous credit for bringing this issue to the fore and for making the struggle against corruption central to the development effort of Transparency International and The Carter Center. On the other hand, the way forward is most unclear. I organized a dinner one evening when I was at Treasury with leading experts on combating corruption, to seek policies we could promote. After the dinner, my Treasury colleagues and I concluded that while a lot of studies have been done, beyond remedies like less regulation, we had not heard much in the way of concrete, promising approaches. The industrial world could have a significant impact here, through criminalizing corrupt acts of their citizens in emerging market countries — along the lines of the U.S. Foreign Corrupt Practices Act — aid conditionality, dealing as effectively as possible with the use of industrial countries’ financial institutions as repositories for corrupt funds, transparency, and ostracism of the corrupt in the international community.

However, many of the industrial countries have seemed quite unready to undertake that effort. The Organisation for Economic Co-operation and Development only relatively recently, and after great struggle, declared that corrupt payments in emerging market countries should not be tax deductible, and no agreement yet exists on making such payments illegal.

Although my focus on the politics of combating poverty was on the industrial nations, a similar issue exists in emerging market countries. In my years in the private and public sectors, I have met and worked with many very impressive political and business leaders in emerging market nations, with an acute sense of the importance to their countries and to their personal lives of overcoming poverty. However, too many private sector leaders still tend toward a gated-community approach, rather than using their influence to support sound policies and adequate resources for combating poverty. Thus, the campaign in industrial countries should be accompanied by a similar campaign amongst the political and private sector elites in the emerging market countries.

Let me now spend a moment on the International Financial Institutions and financial crisis, an inherent part of any discussion with respect to combating poverty. All of economic and financial history suggests financial crises will occur periodically, perhaps because of a seemingly inherent tendency in human nature to go to excess. Many significant changes have been made in the global architecture over the past few years to reduce the severity and frequency of crises, and clearly that work should continue — with the caution that in my experience, many proposals that sound good, like advance warning mechanisms, are either impractical or even dangerous in the complex of realities that give rise to crisis. In any case, once crisis occurs, the international community, in my view, has a powerful interest in
reestablishing stability and in making practical, non-
dogmatic decisions as to what is most sensible in each
situation, given the complicated competing considerations,
including moral hazard. This is not a charitable use of
industrial country resources for the benefit of emerging
market nations, but rather pursuit of our own interests.
Financial contagion occurred to some extent in the
Mexican crisis in 1995 and clearly occurred extensively
in 1997 and 1998. In both cases, emerging market
instability had adverse impacts, and threatened worse, on
our economic and national security interests, and I would
guess that August and September of 1998, and perhaps
December of 1997 in Korea, came fairly close to severely
impacting us. The
Argentinean crisis suggests
that the likelihood of
financial contagion has
probably diminished, perhaps
because market participants
have become more attuned to
differentiating amongst
countries, but financial
contagion is still possible. Moreover, Argentina seems to
have created a new risk, political contagion, with
opponents of globalization and market-based economics,
pointing — in my view wrongly — to Argentina as
showing that the market-based model does not work.

I believe that in the crises of 1995 and 1997 and 1998,
the IMF and the international community, on balance,
reacted well to complex, rapidly moving, and in certain
ways unprecedented challenges. The fiscal, monetary and
structural conditionality, including controversial matters
like corruption-related measures in Indonesia, were not
the cause of economic duress — the crisis was the cause —
but the response necessary to reestablish financial
market confidence. There is extensive criticism of the
International Financial Institutions from all directions —
and clearly work should continue energetically on
improving both prevention and response — but most of
the criticism in my view doesn’t relate very well to the
messy realities of coping effectively with financial crises
and reestablishing financial market confidence. And the
response did reestablish stability and growth in the
countries that took a reasonable degree of ownership
of reform, and the response avoided what could have
become a far more severe global crisis. The two criticisms
that seem to be right are, first, with the benefit of
hindsight, some programs might have been somewhat
different and, second, far more importantly, distributional
effects should have had greater focus and might have
been improved through program measures and through
greater private sector burden sharing, where practical.

One area in international economic policy where
change could have a major impact on poverty — with
little fiscal cost — is greater industrial country market
opening to the products of emerging market nations.
Doha provides a great opportunity here.
Unfortunately, however, agriculture and textiles,
the goods most at issue, pose
extremely difficult political
challenges. The right answer
for all nations seems to me to continue growth-
enhancing trade liberalization, combined with another
set of policies — a domestic parallel agenda in each
industrial country — that addresses the issues of the
dislocated and equips people to succeed in economies of
rapid change.

Let me conclude where I began. Global poverty is an
immense moral issue — the contrast between the avowed
principles of all of our religions and our inadequate
actions on the misery and hopelessness of so many of our
fellow human beings is stark and should be deeply
troubling. But even if the moral issue is set aside, our
practical self-interest is overwhelming. President Carter,
in his leadership, The Carter Center, Kofi Annan and
the United Nations, Jim Wolfensohn and the World
Bank, Bill Gates, President Zedillo and the “Zedillo
Report,” and so many others are making great contribu-
tions to combating poverty. But the challenge for all of us
is to take this effort to a vastly increased next level. That
means working, as many of you are, to improve practices
and increase resources, but also to develop an effective
campaign to educate and energize our fellow citizens in the industrial and emerging market countries as to their critical stake in the struggle against poverty. I believed when I was at Treasury, and I believe today, that our future depends on succeeding in this struggle. I wish all of you the best with the rest of your conference and the work that you do in your day-to-day lives to engage in this great challenge.

Thank you.

Endnotes

i Speaker is referring to articles by Robert D. Kaplan published in The Atlantic Monthly, which have since been compiled in “The Coming Anarchy” (Vintage Books, 2000).

ii Robert E. Rubin is a former U.S. Treasury secretary under the Clinton administration, 1995-99.


v James D. Wolfensohn, president of the World Bank, 1995-present.

vi Transparency International is an international nongovernmental organization devoted to combating corruption.

vii The U.S. Foreign Corrupt Practices Act was enacted in 1977 to prohibit American companies from making corrupt payments to foreign officials for the purpose of obtaining or keeping business.


ix Doha, Qatar, host of the Fourth World Trade Organization Ministerial Conference, Nov. 9-14, 2001.
Remarks: Co-operative Republic of Guyana

Bharrat Jagdeo
President

First of all, I wish to thank President Carter for the invitation to be here and say to him that my country, my people, owe him a debt of gratitude for the role he played in returning democracy to our country and the continuing engagement of The Carter Center in Guyana in terms of development. This morning, I had the pleasure of listening to my colleagues from Mali and Mozambique speak in a private meeting. I have always admired what they are doing in their countries, and I want to say my admiration just grew enormously this morning, when I heard both of them say they are thinking about not running for another term in the future. This is sometimes necessary, and it is such a refreshing thing to see that leaders can move from office in Third World countries and want to leave office, not being forced out of it, because sometimes when we are there for very long, we start to feel that we have an entitlement to political power. And that is why it was so refreshing to see this point of view.

The way I see our presidents here, today, is from one perspective, and I want to thank President Carter for this. It is very rare that small countries like ours (get a chance to speak out). If you were to plot the share of investment or trade for the three countries present here, in terms of global trade or investment flows, on a graph as big as this room, we probably would not even have a little blip on that graph. We have the opportunity to speak with some of the key policymakers in the world, the president of the World Bank and some of the distinguished presenters, and many of you from other institutions. However, we do not get this opportunity often. We get to pay courtesy calls from time to time to heads of states and heads of various institutions, but if we do not pose a systemic risk, or we are not a Brazil, or Argentina, or India, or China, then we do not have a forum in which to give our perspective and have it listened to seriously. And we have issues too. The developing countries fill a wide spectrum, and many issues that affect some do not affect others. What I am saying is that small countries have key issues that they want to speak about. So President Carter, thank you for giving us this opportunity today.

I want to quickly tell you what has been happening in my country over the last decade, and this has happened with the help of some very good, kind, people within various institutions, within the International Monetary Fund (IMF), within the World Bank, and others from...
other nongovernmental organizations, the Inter-American Development Bank (IDB), etc. But it is not necessarily the prevailing thinking within these organizations, and that is why I am saying it happened with the help of some kind people within these institutions. I want to speak about the role of these institutions in countries like ours.

We had a debt that was $2.1 billion, the servicing of which accounted for 94 percent of our revenue when we assumed office in 1992. Today, it is about 35 percent of our revenue, and we are hoping, after the Enhanced Debt Initiative for Highly Indebted Poor Countries (HIPC), that it will come down to about 12 to 15 percent of our revenue. We had a fiscal deficit that was 25 percent of our gross domestic product (GDP), and this has come down — it fluctuates — between one percent and 6.6 percent of GDP, although we had a target of seven percent with the multilateral financial institutions. We had a balance of payment deficit that was 47 percent of GDP, and it is in single digits today. Inflation was triple digits, and over the last five years, we have been running single-digit inflation. Last year, it was 2.6 percent. We had over 40 state enterprises; we now have about six remaining, and three are on the market currently. In the financial sector, the government either owned or controlled interests in seven out of 10 financial institutions in 1992. We have privatized five, and the two others are on the market, so we will soon exit the financial sector totally. Trade has been liberalized. We do not have any exchange control and we do not have a capital issues act anymore — anyone is free to issue capital — and interest rates have come down. In 10 years, we have had to pass new financial sector legislations and new financial institution acts to strengthen the Bank of Guyana. We have passed new securities legislations, setting the basis for a stock exchange. We have modernized our insurance sector legislation and passed a new companies act. And all of this in a country where sometimes, at the level of the state, we have less technical people than one office from a multilateral financial institution represented in the country. I recall, one time, the IDB local office had more qualified people than we had in the whole financial sector.

But we still have problems. Recently, it was quite interesting for me to see a report that went to the boards of the IMF and the World Bank, speaking about the countries that are benefiting from the Enhanced HIPC. Of the 23 countries that had reached the decision point, Guyana, in the last decade, received the least net transfer of resources. We got on average $3.3 million a year, so it meant that what we were paying for the reforms or debt servicing over the last decade was equivalent to all of the loans and grants we were receiving from abroad. The idea of going into a structural adjustment program is to get help through that period, but we paid for the reforms. It has been a difficult path for us and I just wanted to give you that quick perspective.

Today, I attend various conferences. We have the Caribbean Community (CARICOM), heads of government meeting, the Rio Group, and so many that sometimes I think I am too often out of the country, in the Commonwealth, etc. A nd one thing that I find very common in all these conferences when I speak to leaders is that they all have a deep fear about the future. They have a deep fear, and out of this fear, tremendous insecurity. Because they are seeing many things evolving — trade systems, financial systems which we have been accustomed to traditionally — and they do not know what will fill this gap. And the signals that they are getting are that the things that will fill the gaps are going to further marginalize their countries. And they feel powerless because they cannot change this. They don’t have an institution to go to. Their voices are not heard. They get to make the occasional five minutes speech at the U.N. or at the annual meetings of the multilateral financial institutions, and then it all disappears. And their issues are not really addressed. And they are worried about unfairness and double standards.
And let me give you a brief idea of some of the things we are worried about. But let me make it clear that we are not saying that we want to get our way every time, because sometimes that impression is created. We just want to be listened to. Developing countries want the international community to understand that if things were reasonable, they would be taken into account in developing the new systems. For example, double standards. We have this all the time. Argentina — and what I say here is not meant as a criticism of every country; I am just using this as an illustration — because Argentina poses a systemic risk, in three weeks they can get $8 billion from the IMF. It would take us two years of negotiations to get $15 million, and 30 conditions!

The Organisation for Economic Co-operation and Development’s (OECD) Harmful Tax Initiative — I am not going to speak about the Financial Action Task Force because that has to do more with money laundering, and I support efforts that strengthen the judicial system in Third World countries to ensure that we do not have money laundering. But the OECD came up with this initiative about harmful taxation. They are saying that because of loopholes in their countries and because of our tax system — for instance some countries in the Caribbean do not have a corporate tax; they raise their taxes from other sources, indirect taxes — we are going to be blacklisted and sanctioned. Now, if you have a tax problem in industrialized countries — evasion — you deal with evasion in that country. But we are always told, “You have to compete for investment.” We are using our tax regime to compete for investments, and here we are told that we have to probably harmonize it with the rest of the world. Would the rest of the world, the industrialized countries, agree to harmonize fiscal policy across the board? So, [developing countries] feel it is unfair again.

Let us take the Cotonou Agreement for instance. We enter a long discussion that is for the Africa, Caribbean and Pacific countries (ACP), years and years of discussing this new partnership agreement to replace the Lomé Agreement. A nd just as we signed it, the “Everything But Arms” Initiative came up. Now, we do not have a problem with extending more help to the least developed countries, but there was a process within the Cotonou Agreement which said that the countries must be consulted. So from the time we sign a trade agreement, or partnership agreement, with Europe, weeks later it is modified by a third-party arrangement, which will affect us tremendously in the ACP.

We have the FTAA (Free Trade Area of the Americas). We are pushing for a negotiating group on small economies, and all we got is a consultative group. The World Trade Organization (WTO). You know about the issue we have been fighting for some time, which is when you have situations where public safety is threatened, countries may be allowed to break the patent rules that they have. It was only after the public safety issue — after September 11th — became a concern of the U.S. government because of the problems they had with Bayer over the drug Cipro® that the U.S. changed its position, and the WTO, basically, allowed it.

People speak about donor fatigue. What I have to say here does not in any way detract my support for the Afghan people, because I support them fully and I think they should be given all the help they need. But we hear about donor fatigue and that the industrialized countries are unable to come up with money, small sums of money, for replenishing many of the facilities through which we have access to small concessional loans, etc. Yet here is a political initiative, and within weeks, you can raise $10 billion in pledges for Afghanistan because it comes out of a political initiative and it is driven by the United States.
We talk about global warming. Some countries are told of their international obligations, and then we are told in Third World countries that we have to conserve the forests. If we are all living on this planet, then we should all share equal responsibility. And the polluters, the people who pollute most, should have some obligation. If it is going to affect [a country’s] investments, then the compensatory schemes must match the level of pollution, because this planet belongs to all of us.

We spoke about fiscal policy in the industrialized countries. Mr. Rubin spoke about fiscal policies in the industrialized countries and the developing countries and the fact that the multilateral institutions would come into a country and say, “You have to do this.”ix I would say, “The U.S. is doing something totally different to stimulate their economy: they are expanding the deficit; they are giving tax breaks. You want me, on the other hand, to tighten the tax system?” And they say... Well, they do not answer. And you have to do it; otherwise your program gets delayed.

So, then we have the issue of coherence. Everyone is going to hear about the Millenium Development Goals and the target set by the OECD countries of cutting poverty by half by the year 2015.x But we do not have any policy coherence. Many of the policy positions taken by the countries will increase poverty. We are not going to achieve those targets. And just have people read out these things — in a mechanical way — from time to time is not going to solve the problems, because the trade system is worse, we are losing markets.

We do not want any help... A nyhow, let me not say that because I was going to say we don’t want aid... We want aid. But we eventually want to grow out of it and we want, 15-20 years from now, to pay our own way, to develop our countries so that we do not have to rely on the industrialized countries for aid. But the only way we can do that is through market access, etc.

From time to time, we hear — and I am speaking about why people feel the system is unfair — we hear very progressive statements coming out from the president of the World Bank or the managing director of the IMF, or we see the G8 communiqués, and they promise, like the Cologne Initiative, to give debt relief quickly.xi And we have all of these Millenium Summits and Monterrey plan of action, South Summit, etc.xii And we say, “Yes, the political will is there; it is all in these declarations.” But let’s examine the reality of it. When the staff of the IMF comes to negotiate with you and you show them the statement from the managing director of the Fund which says flexibility and country-ownership, they do not pay an ear to that.

“Many of the policy positions being taken will increase poverty. We are not going to achieve [the Millenium Development Goals]. There is a big dichotomy between public declarations and what actually happens on the ground in countries like ours.”

So, there is a big dichotomy between public declarations and what actually happens on the ground in countries like ours. And the negotiating power that these missions have is disproportionately in their favor. If you do not eventually agree to things sometimes in your heart you know will not solve the problems, your whole program gets stopped, and it means a lot for our people. So, this is why we have this huge feeling that the system is unfair, and many, many leaders in the Third World countries talk about this when they get together. And they are concerned because they do not know how we are going to address these problems.

The other issue I wanted to talk a bit about is the labels. Mr. Rubin mentioned Argentina and the model they set. We have done almost everything that the multilateral financial institutions have asked: privatization, we have had some macroeconomic growth, we have liberalized our financial sector, we have in some cases reduced the public sector, we have removed restrictions on movement of capital in and out of the country. And the point, here, is that in this model, in a country like mine that has done all of this to practice sound economic policies at the national level, what happens in Argentina affects me.
And I do not know what is right or wrong, whether Argentina did it correctly or not. That is not the issue here. But why should a poor person, who has been saving his money all his life, maybe to get his children educated, putting the money in the bank, see overnight, not because his country is not practicing sound economic policies, but what happens in a far-away country, wipes all the value of his savings because of exchange rate depreciation? How could that be a fair system?

People say to us as leaders, “You are following this model but it is not helping us because we do not have control over these variables, look for an alternative.” And the search for alternatives is often seen as ideological. It is often ideological but not always because we all believe in a market-based system. The search has to be within the framework of the market. I am sure we can find ways of dealing with those issues. But we never have the opportunities, because it is stereotyped, and in many cases, the institutions have a clichéd approach, because they are following this predominant model which says, “Open up everything, the capital accounts, everything.” And then they are reluctant to examine the experience of other countries that have had more restrictions on capital flows and how they are coping with issues, and maybe adopt from them some of the good things, the good lessons that we may learn. But there is almost an institutional block from the multilateral financial institutions.

I want to tell you a bit about our Poverty Reduction Strategy Paper (PRSP). We have gone through a very extensive process in Guyana, and it built heavily on the National Development Strategy, for which we are extremely grateful for the help of The Carter Center. We completed it in October. I want to relate to you my experience over the last four months. I hope that it will not sour any relationships with any multilateral institutions, but I think that we should speak about these things.

We were supposed to complete our PRSP in June, and we delayed it because we wanted it to be very extensive, so it came out in October. And the Fund mission to Guyana at that time said to me, “Do not go for the second annual arrangement on the Enhanced Structural Adjustment Facility; let’s advance the discussions on the Poverty Reduction and Growth Facility (PRGF) so that we can go by the end of the year to the board of the institutions with the PRGF.” So I agreed and I did not go for the second annual midterm review; so we didn’t receive the money, because I was hoping that we would go for an early PRGF and we would reach a completion point.

Then in November, the mission came down to Guyana, and they said they did not have a mandate to negotiate. So I asked, “Why is this so?” They told me that there were concerns among the countries at the board of the institutions: “We have a concern that Guyana has given out a lot of tax incentives from the last time we set the target in June till the end of the year, and you have to cut $4 billion Guyana dollars of tax exemptions.” But I know that was not true, because we did not devote any additional tax concessions. They had it wrong because the exemptions are ad valorem. I just want to use one example. There is a 50 percent common external tariff on petroleum products within CARICOM, so we normally remit that because we import our fuel from extra regional sources. When the price of fuel was $10 a barrel, the remission level, exemption was X; so when it grew to $40 a barrel, it increased by 300 percent. They saw the increase without understanding how it came about.

The second concern was, “You had a ‘fiscal slippage.’” Now, once the word “fiscal slippage” is used — I do not know if you have had any experience with this — it seems as though suddenly you grow horns, the country grows horns, and everyone shuts down in all of the institutions, and there is a big buzz in the multilateral institutions: “fiscal slippage,” this word... Well, let me tell you what happened. I went to Washington and spent a week going to the institutions to talk to the staff, directors and the president of the World Bank. He was very gracious there. He gave me time. But I also spoke with the managing director of the IMF and he said to me — I should not be doing this, but let me read you a part of my brief; staff was there. He read me a part and he said, “You give out a lot of tax concessions.” Now, I
thought we had resolved this issue in Guyana because when the Fund team found that it was not so, they said, “Alright, let us commit to a study next year to see whether there is a possibility of reducing exemptions, which are all across the board, and many of them are related to government activities, so if you buy more exercise books for the school, you have higher levels of exemption.” So I agreed with that. If the managing director of the IMF had not read his brief to me, he would have felt that my country had a fiscal slippage because of some wild tax exemption policy that we practice. I said to him that was not true. I explained to him. There was no response from the staff, because they didn’t have a response. But if he had not done that at that meeting, within the institution, they would have felt that the government was practicing unsustainable policy. And guess what happened. The team came back down and found out that there was no “fiscal slippage,” because they did not have all of the figures. We had a target of seven percent and they told the institution it was 9.4 percent, and it ended up at 6.1 percent. I am just making this point, just telling you, if we do not get [access] — if I did not have access to the managing director, and I know very few countries have that kind of access — what could happen to a country.

I wrote Clare Short and she mentioned the tax exemption policy. So word had already spread to the UK and the Department for International Development! It has gone all around the world! The reason why I am saying this is because we need a mechanism today to ensure that when these things happen, we can [have access]. I may know people within the institutions because I have worked as finance minister with many of the people in the institution, and there have been many very helpful people within the multilateral institutions, but many countries don’t have that access. We need a world system that gives us this access. We need a system within the multilateral institutions. We need an audit to look at all the communiqués and all the summits, etc., and see how much has actually been implemented. We need groups, maybe through The Carter Center, and I see some of the wonderful foundations — I read this excellent paper by Dr. Birdsall — maybe through those foundations, to support our negotiating teams. Because the balance is disproportionate.

I know I am taking up too much time so I don’t want to go on to the other issues. I just think that if we are going to address human security, and that is the theme — Human Security and the Future of Development Cooperation — we have to understand that the solution or the cause of human insecurity, in many cases, is deprivation, want. Those cannot be solved by selective programs and interventions from time to time. They have to be solved through sustained intervention. These are just some of the thoughts I had.

Thank you, President Carter, and thank you very much.

Endnotes

i The Debt Initiative for Highly Indebted Poor Countries is a comprehensive approach by the World Bank and International Monetary Fund introduced in 1996 to reduce the external debt of the world’s poorest and most heavily indebted countries to sustainable levels.

ii The Rio Group is an expert group on poverty statistics created in 1996 to identify and assess the indicators, methodologies, and statistical sources being used in the measurement, interpretation and use of poverty data.

iii The Organisation for Economic Co-operation and Development’s Harmful Tax Competition Initiative is a program created in 1998 to tackle the distorting effects of harmful tax competition practiced in the so-called tax havens.

iv The Financial Action Task Force on Money Laundering is an intergovernmental body whose purpose is to develop and promote policies at the country and international levels to combat money laundering.

v The Cotonou Agreement is a comprehensive trade and aid development partnership agreement concluded between the members of the African, Caribbean and Pacific Group of States and the European Union. It was signed in June 2000 in Cotonou, Benin.

vi The Lomé Agreement refers to a series of five agreements concluded between 1975-2000 in Lomé, Togo, to favor more equal trade between Africa and the European Union.
The “Everything but Arms” Initiative is a plan adopted by the European Union (EU) in February 2001 to provide the world’s 48 least developed countries full access into EU markets through the elimination of quotas and duties on all their products of export, except arms.

Cipro® is an antibiotic used in the treatment of the inhaled form of anthrax.


The Millennium Development Goals are a set of eight quantifiable, time-bound development objectives to improve health, education, and the environment across the world, with the overarching goal of halving extreme poverty by 2015.

The Cologne Debt Initiative adopted by the G8 at their 1999 Summit in Cologne, Germany, provides for the reduction of up to 70 percent of the total debts of the Heavily Indebted Countries.

The Millennium Summit refers to the United Nations 2000 (Millennium) General Assembly at which more than 150 heads of state and government pledged to promote development and reduce poverty by adopting the Millennium Development Goals.

The Monterrey plan of actions refers to the “Monterrey Consensus,” the text adopted by the heads of states and governments gathered at the International Conference on Financing for Development, March 18-22, 2002, in Monterrey, Mexico.

Poverty Reduction Strategy Papers are national macroeconomic, structural and social policies and programs to promote growth and reduce poverty. They are prepared by governments with the participation of civil society and the partners of development, including the World Bank and the International Monetary Fund.

The Enhanced Structural Adjustment Facility was the International Monetary Fund’s main concessional financing facility for low-income member countries. It was designed to support macroeconomic adjustment and structural reforms and lay the basis for sustainable growth and external payments viability.

The Poverty Reduction and Growth Facility (PRGF) is the International Monetary Fund’s new concessional financing facility. The PRGF, which replaces the Enhanced Structural Adjustment Facility, intends to broaden the objectives of the Fund’s concessional lending to include an explicit focus on poverty reduction in the context of a growth-oriented strategy. It is based on a country’s Poverty Reduction Strategy Paper.
Remarks: Republic of Mozambique
Joaquim Alberto Chissano
President

On behalf of the people and the government of the Republic of Mozambique and on my own behalf, I wish to join the previous speakers in congratulating you most sincerely for inviting me and my delegation to participate in this important global development forum. I am sure that your proven skills, wisdom, and guidance will be essential for the success of our forum. We are committed to the welfare of our peoples as well as to a sound and bright world for the future generations. Hence, it is our obligation to make the world safer and prosperous. This is possible only if we can identify adequate ways to improve the existing instruments of cooperation. Bearing in mind the experience of Mozambique in the context of global change, I will slide over some of the main challenges faced by our countries as well as by our cooperation process.

Over the last century, we have been witnessing the phenomenon of globalization that is increasingly commanding the dynamics of international relations.

Currently, among international political, financial, and business circles, we witness an increasing awareness on the serious problems posed by poverty, affecting the developing countries, in particular those of sub-Saharan Africa. It is widely recognized that increasing poverty has been part of the globalizing world, with unwanted critical consequences in various fields.

As a consequence of weak social and economic development faced by many countries, a systematic and serious deterioration of welfare imposed on millions of human beings over the world prevails. Progress seems to be limited to a few countries. In a globalized world, this picture raises questions on the effective adherence on moral values, on social justice, and humanitarian principles. A potential for social and political instability as well as for violence has been often mentioned as a threat resulting from inequity. On the other hand, poverty brings about serious constraints to social and economic progress, due to the consequent “quasi impossibility” of exchanges. The desirable flows of trade, investment, technology and knowledge find barriers from the low incomes and lack of assets worrying the poorer people, countries, and regions. In fact, we need to
innovate our multifaceted forms of interaction in order to cope with the challenges arising from the present world situation.

Cooperation is intrinsic to mankind. It progressed with human history. Presently we face the challenge of pursuing it wisely, in a way that all of us can share the benefits and responsibilities in an equitable manner. The role of development cooperation is foremost to contribute to the conditions required for sustainable national development, fair international commercial relations, and smart global partnership with scope for win-win solutions for all actors and partners involved.

An important characteristic of African culture is reciprocity, literally meaning you give something today expecting that you will get something tomorrow or, someone, directly or indirectly, will reciprocate. In the present world context, where we can no longer isolate the poor from the rest, the point is how and what the poor can reciprocate with. From what we observe, if you give them nothing, they tend to reciprocate with massive migration, environmental destruction, civil wars, or become fertile ground for terrorist and drug-trafficking organizations. Accordingly, international development cooperation should also target the eradication of absolute poverty. Having said that, Mr. President, I would like to make a few points, relevant for effective efforts towards poverty reduction and social and economic development.

It is important to recall that the present explicit and global recognition by some of our partners of the relevance of poverty reduction in government policies is relatively recent. Up to three or four years ago, notwithstanding pervasive absolute poverty continuously affecting our countries, poverty reduction had been ignored or taken as a secondary objective in our partnerships for development. It seems that a “wave of discovery” of poverty arose suddenly. I think we have to ensure that this is not a “wave of fashion,” hence, likely to disappear and just be replaced by some other fashions. In this case, we would be facing the danger that absolute poverty issues would be ignored once again, although far from its eradication or reduction.

An important characteristic of African culture is reciprocity. At present, what can the poor reciprocate with besides massive migration, environmental destruction, civil wars, or the fertile ground that breeds terrorism and drug trafficking?

For this reason, I would like to stress that the centrality of poverty eradication objectives in government policies, plans and programs corresponds to the genuine interests of poor countries. Hence, in the first place, it is the responsibility of our governments, we from the developing countries, to ensure that we will persist in designing and pursuing consistent social and economic strategies, policies, plans and programs directed to the central objective of absolute poverty reduction and its subsequent eradication through the promotion of social and economic development. This respect is part of the developing countries’ ownership, a finally recognized requirement for successful policies as well as for the needed persistent engagement in long-term processes.

Facing the challenges of designing and implementing consistent social and economic strategies, policies, and programs directed to the objective of absolute poverty eradication implies realizing that we are confronted with a serious and deep social and economic problem. Essentially, we are faced with the challenge of enabling citizens and institutions to have initiative, expand their choices and
develop efficiently and effectively their activities in pursuit of better living conditions. This involves behavioral changes.

Activities of individuals and institutions do generate income, and they depend on the volume, quality, and efficient use of assets. Expanding income contributes to sustainable expansion of consumption, and above all to the expansion of savings, a requisite for building assets, which are the bases for viable initiatives and activities, expanded opportunities for choice and consequently improving the standards of living of the people. Among institutions, we include both private and public ones. In particular, we refer to the following: families who are important microeconomic units, developing activities mainly in agriculture, in the rural areas, and in urban informal sector; religious groups; companies, including individual entrepreneurs, micro, small, medium and large enterprises; public institutions; and nongovernmental organizations. Hence, the essential challenge of enabling the citizens and institutions has to be translated into the setting up of adequate human, institutional, and physical infrastructure, contributing to a sound environment. This encompasses public sector effectiveness and efficiency, serving the citizens and their institutions, in particular boosting the private sector initiative and investment. In this sound environment we also include the need of promoting an open economy, allowing for exchanges and adequate flow of resources. Sound macroeconomic management is another key element of a set of consistent policies to be pursued.

In the case of Mozambique, with its specific history, which includes wars and their disruptive consequences, the above underlying thinking led to the selection of priorities and shaping the strategy and plan of action for poverty reduction and promotion of economic growth, PA RPA (Plan for the Reduction of Absolute Poverty, Mozambique’s Poverty Reduction Strategy Paper).1

I would like to underline that the poverty reduction strategy in Mozambique depends critically on the basic assumption of the maintenance of peace and socio-political stability. The PA RPA defines the following areas of action as fundamental:

a) Education, which comprises primary, secondary, high, technical, and professional education as well as literacy and adult education, teachers training, and special education. Emphasis is placed on the reduction of gender inequalities.

b) On health and nutrition, the plan integrates the primary health care: combating endemic diseases, particularly malaria, tuberculoses, leprosies and HIV/AIDS; health care facilities; the development of human resources; and improvement of the management of the health sector.

c) Basic infrastructure, which includes roads, water supply, sanitation, and energy.

d) Agriculture and rural development, for which the plan comprises the extension services, research, support to agricultural production, animal husbandry, forestry, wildlife, land management, irrigation, micro-finance, rural communications, and institutional development. A comprehensive strategy and program has been created for development of agriculture, known as PRO AGR [Agricultural Sector Public Expenditure Programme], the objective of which is to create conditions for sustainable and equitable growth in the fields mentioned above. Success in this area is critical to the entire program because around 80 percent of the people depend on agriculture, animal husbandry and the utilization of forestry as their primary source of income. Furthermore, absolute poverty in Mozambique is mainly a rural phenomenon.

“... it is the responsibility of our governments, we from the developing countries, to ensure that we will persist in designing and pursuing consistent social and economic strategies, policies, plans and programs directed to the eradication of poverty.”

... it is the responsibility of our governments, we from the developing countries, to ensure that we will persist in designing and pursuing consistent social and economic strategies, policies, plans and programs directed to the eradication of poverty.
e) Good governance, which includes the reform of the public services, the reform of the judiciary and legal system, the strengthening of public order institutions, the deconcentration and decentralization of government activities to the provincial and district levels, the transformation and strengthening of public institutions dealing with the promotion and the protection of private sector, the strengthening of border protection and inspection at sea, rationalization and strengthening of the public financing system, and the fight against corruption.

f) Macroeconomic and financial policies, which comprise fiscal and monetary policies, mobilization of budgetary resources, management of public expenditures, development of financial markets, international trade policies, and management of public debt.

At the present stage we do face the challenge of implementing the actions so far identified in our programs and consequently delivering results. Only good results may match the high expectations raised among the population and the poorer in particular.

Our efforts for social and economic development are undertaken in the context of regional cooperation and integration. Complementarity and joint efforts within the Southern African Development Community region are important dimensions increasingly taken into account in designing and managing our strategies and policies. This approach is fully in line with the recommendations coming from the New Partnership For Africa's Development (NEPAD), a recently launched Africa-wide initiative, intended to boost change, bring about development over the African continent, while countering its marginalization from the world economy in partnership with the developed world. It is our hope that NEPAD will be endorsed by the G8 at the next summit meeting.

Fighting poverty through social and economic development requires a substantial expansion of public and private activities, in the short and medium run. As a consequence, a substantial increase of resources is a requisite for the implementation of the identified programs and action.

The primary responsibility falls on the poor countries themselves, on our own governments. It is our responsibility to mobilize and engage more and more domestic resources for the sustainable implementation of our options. It is our responsibility to ensure the needed increase of efficiency in domestic revenue collection. It is our responsibility to hire and engage credits, ensuring that their expansion is demand driven. It is our responsibility to ensure an effective and efficient use of all resources, both domestic or foreign, including credits and grants. We do have the responsibility to drive our countries towards a normal situation, where the resources are effective and efficiently used, credits reimbursed, and aid dependence reduced. The effective and efficient use of all resources calls for the enforcement of adequate mechanisms of control, auditing, and transparent practices.

However, in a realistic approach, we have to recognize that the volume of resources required to significantly implement priority programs and actions are, in the short to medium term, beyond the real possibilities of mobilization from domestic sources or from efficient and adequate credit system. Hence, aid dependence cannot be eliminated in the short run. Actually, aid flows will have eventually to expand before an expected decline in the medium and long run, let’s say, after 20 to 25 years. This is a critical issue we would like to share with our development partners. This is one of the challenges of development cooperation: availability of resources has to be increased and be predictable, with a longtime perspective, to ensure a systematic and
significant action to promote sustainable social and economic development and to reduce poverty in a foreseeable time frame.

Private sector development is a critical issue for development and poverty reduction. Prosperity depends also on private sector development, and it comes from wealth and income expansion, opening the room for an effective transition from aid dependence. The continuous efforts to build infrastructure and create an enabling environment pave the way for the flourishing of private sector initiative and expansion of domestic and foreign investment flows. However, practice urges us to mention the following aspects:

a) Foreign investment has to expand and play its role fully. Simultaneously, the expansion of indigenous private sector cannot be forgotten. This is an important issue for long-term sustainability. The domestic private sector faces real problems, mainly the access to financial resources, particularly for start-up capital. There is a role to be played by the partners from the developed countries and International Financial Institutions in addressing this issue through suitable and special financial engineering.

b) Private sector development is also a question of availability of markets and consequently of foreign trade. An important contribution by donor and developed countries for private sector development and for a sustainable reduction of aid dependence would be a further reduction of protective barriers against the exports of developing countries. In this context, free access to the markets of the developed countries, through significant improvement and expansion of initiatives like the African Growth and Opportunity Act, would be a good objective.ii

Mozambique has associated herself with those who, being poor and trying to resist marginalization, have been asking for more democratization of international relations, including the restructuring of international institutions such as the United Nations system, the World Bank, International Monetary Fund, and World Trade Organization. We need to have more participation in determining the rules of the game, by allowing opportunities for all voices and ideas. We should all endeavor to build a partnership for poverty eradication and development by involving all stakeholders, including the poor, with a view to meet the international development goals enshrined in the Millennium Declaration that we all adhere to.iii

I Thank You!

Endnotes

i Poverty Reduction Strategy Papers are national macroeconomic, structural and social policies and programs to promote growth and reduce poverty. They are prepared by governments with the participation of civil society and the partners of development, including the World Bank and the International Monetary Fund.

ii The African Growth and Opportunity Act is an agreement signed in 2000 between the United States and African countries to provide reforming African countries — i.e. countries that open their economies and build free market — with a liberal access to the U.S. market.

iii The Millennium Development Goals are a set of eight quantifiable, time-bound development objectives to improve health, education and the environment across the world, with the overarching goal of halving extreme poverty by 2015.
Remarks: Republic of Mali

Alpha Oumar Konaré
President

First, I would like to thank President Jimmy Carter for the honor to be invited to participate in this Development Cooperation Forum. I am pleased to commend President Carter for his action in favor of world development, be it for the health of populations through the Guinea worm eradication program, or in terms of rural development, or in assisting democratic processes, and finally in the area of conflict resolution.

I also want to salute the tremendous efforts deployed by the leaders of the Global Development Initiative in trying to improve Mali’s policy-making in the area of development, all the while coordinating its cooperation with the international financial organizations and its bilateral partners. The Global Development Initiative will allow Mali to better improve its capacity to elaborate robust indigenous development strategies by making a large place for the participation of the actors of civil society and the different socio-professional categories which make up the social fabric of our country.

It is time today, in the light of the past four decades, to assess the state of development cooperation. We are compelled to observe that there exists, among donors, a justified frustration, and a no less justified disillusion and dissatisfaction among beneficiaries. Clearly, both partners are dissatisfied with the way things are evolving.

Thus, at the beginning of this new millennium, at the eve of the United Nations Conference on Financing for Development, which will take place in Monterrey, Mexico, next month, it is important to emphasize areas of reflection, with the view to promote a new development agenda that will be in accordance with the legitimate aspirations of the most deprived peoples.

There are matters that fall into our responsibility and for which we commit ourselves to take on responsibility. They are, first, to ensure democratic governance which will encourage the full and entire participation of our populations. They are, second, to elaborate robust indigenous strategies which will mobilize socio-economic actors around clear development goals. There are matters that fall in the area of responsibility of our external partners: on the one hand, they must make the effort to understand our development priorities. On the other hand, they must provide the indispensable substantial resources which will create fundamental changes. Finally, they must agree to coordinate their efforts for a better effectiveness of development aid.

President Konaré fears AIDS will reduce the good economic results registered over recent years by some African countries to nothing.
Development cooperation has had a positive evolution through time and has taken on different forms. In spite of the different initiatives and processes involved, the gap between the developed and developing countries is widening more every day, and poverty rises. In the face of this situation, we must question the relevance of the strategies and approaches of development cooperation. The “Millennium Declaration” has identified the problems which affect humankind and has drawn priority goals, the achievement of which will help to establish a prosperous, more equitable world and which will show more solidarity. The “Millennium Declaration,” while seeking durable solutions, aims at mobilizing the international community around essential concerns, namely: misery; hunger; the lack of drinkable water; the insufficiency, if not absence, of elementary education; infectious diseases and HIV/AIDS; and conflicts, only to mention a few. The achievement of these goals requires national and regional strategies soundly elaborated with the participation of all the components of society. It also requires another partnership and sufficient resources for implementing the projects and programs agreed upon.

Over the last four decades, Mali has benefited from international aid so as to meet the fundamental needs of our population and fight poverty. In spite of advances at the political level and the courageous economic reforms undertaken over the last few years, we must observe that the levels of economic and social development indicators remain unacceptable.

- More than 50 percent of Malians are less than 15 years old and have a life expectancy at birth of 55 for men and 58 for women.
- One Malian out of five dies before the age of five.
- One child out of three suffers from chronic malnutrition.
- One Malian man out of two, and one Malian woman out of three does not have the chance to go to school.

- With an average per capita annual revenue of $230, only one of eight Malians has access to potable water; more than 50 percent of Malians have a daily revenue less than $1.

Available social indicators for the period 1998-2000 reveal a worrying increase of poverty, even if the growth rate of poverty is slowing down as a result of considerable efforts. This alarming observation arouses a number of questions:

- The correct evaluation of the extent of poverty and the measures advocated to respond to structural problems;
- The relevance of development strategies and policies;
- The effectiveness and the level of development aid resources.

The present economic and social difficulties of Mali are a very serious threat to the democratic process, the peace, and the stability of Mali. We must recognize that these difficulties are due essentially to structural factors, such as isolation; desertification; vulnerability to external economic shocks, in particular the deterioration of the terms of exchange; the increase of the price of hydrocarbons.

Mali, with the support of the international community, has elaborated pluri-annual strategies and programs in the sectors the most vital to the economy and in which poverty shows the most, in particular education, health, and rural development.

Besides, the government of Mali has adopted the Poverty Reduction Strategy Paper, which defines a medium-range global development framework based on a long-term perspective. Today, this instrument constitutes the frame of reference of all the partners who wish to support Mali in its fight against poverty.

Progress achieved as a product of the implementation of these strategies is noticeable in view of resulting indicators. However, the road to be traveled is still very long in order to take up current challenges.
I would like to call your attention to an extremely worrisome situation, which must find a solution urgently, otherwise all the efforts undertaken for the development of our countries will remain vain.

As you know, the two-thirds of our African populations live in rural areas. However, we have observed, over the past decade, a considerable decrease of the resources allocated to this sector, among the bilateral as well as the multilateral partners. This situation is in contradiction with our commitment to make the fight against poverty an absolute priority, as the poor live in majority in rural areas. In the face of this situation, it is our responsibility to give a largest priority to agriculture, food security, the struggle against hunger, the increase of agricultural revenues, and investments in rural areas. If present tendencies are not reversed, all our efforts will be jeopardized since the majority of the population will not have the resources to maintain infrastructures and the state will not have the means to reimburse its debts, as it is getting its revenues from taxes paid by the farmers. Let us be clear, the fight against poverty will first be won in rural areas or it will not be won. This is why Mali and other African countries have decided, with the assistance of the United States of America, to give a decisive impulse to the Partnership to Cut Hunger and Poverty in Africa between now and 2015. This partnership seeks to increase investments in rural areas and to improve governance in rural areas by promoting farmers associations and providing them with the instruments that will allow them to quickly master the new information technologies.

We must also put a particular emphasis on the financing of education and the reinforcement of capacities. We must initiate a revision of our education systems, taking into account the emergence of local collectivities. It is also our duty to review the strategies and approaches of the development partners, privileging the financing of teachers over infrastructure, and also taking into account local realities.

We must always keep in mind that the heavy and crushing burden of the external debt undoubtedly constitutes a serious hurdle to the march of our states towards rebirth, industrialization, the transfer of technologies, knowledge, and skills. The debt burden annihilates all our efforts to promote a human development or fight diseases such as AIDS.

Africa longs for the alleviation, even indeed the simple cancellation of its debt, which is a hurdle to its progress.

I also would like to underscore that one of the keys to winning the struggles of tomorrow is the promotion of the new information and communication technologies. New technologies constitute a chance for developing countries, as they allow them to skip some stages of their evolution. They also offer a big opportunity to establish better governance through the implementation of a registry office and accurate electoral rolls and a better control of public resources.

The maintaining of durable peace requires some advances in the area of human development and security. As a member country of the human security network, Mali, as other state members of the Economic Community of West African States and several other African countries, subscribes to the vision that there needs to be a synergy in the efforts deployed to fight the illegal trade and proliferation of light and small calibers weapons in order to alleviate the human sufferings caused by this scourge. Besides the fight against the illegal trade of light weapons, we must require from export countries a greater transparency in the legal trade of these very weapons. This transparency shall apply to the
entire line, from the production to the importation, the exportation, and the circulation of light weapons.

Antipersonnel mines are another source of serious concern. I would in that matter like to make an urgent call to all states to apply the Ottawa Convention rigorously, by proceeding to the destruction of their stock of antipersonnel mines.\textsuperscript{iv} The phenomenon of child soldiers is of much concern and needs to be fought vigorously as a challenge to the human conscience and a serious threat to development. In this matter, we are delighted of the entry into force, last Feb. 11, of the international treaty forbidding the use of children less than 18 in armed conflicts.\textsuperscript{v} We must also pursue our efforts for a quick ratification and implementation of the International Penal Court statutes so the groups or persons who resort to this shameful and inhuman practice can be brought before justice.

We must also rally to the campaign undertaken by the International Labor Organization against the work of children and provide assistance to the states that are committed to combat child labor.

The AIDS pandemic is another source of serious concern and an offense against the security of the individuals and the countries. Africa, it must be recalled, is the continent most affected by this disease, whose victims on the continent account for two-thirds of all victims. The effects of this disease on the perspectives of economic and social development and on life expectancy are countless. The good economic results registered in several countries over recent years face the risk of being reduced to nothing.

This is to say Africa is in an emergency situation. Only an exceptional commitment of the international community and unfailing solidarity can bring an end to this pandemic, which decimates entire populations. We are very pleased with the United Nations secretary general’s initiative to create a Global Health Fund, which must be granted sizeable resources to become operational quickly. The first cause of mortality on the African continent, malaria, must also retain our attention.

We must be fully conscious of the correlation between peace, security and development. There is no peace without development... and no security or administrative fence can protect the richest nations against such a threat.

The democratization of the United Nations Security Council is a fundamental requirement in order to better take into account the concerns of an important number of countries, in particular African countries. The reform of the Security Council must be accompanied by a restructuring of the International Financial Institutions in order to better take into account the concerns for development, solidarity and social justice. The democratic control of the activities of these institutions must be an essential goal, and the states sitting in the governing bodies of these organizations must take their full responsibility in this matter. Without negating...
the big advances accomplished over the past years, I shall say that the new culture does not infuse the entire body of these institutions.

The activities of the development partners must fall within the framework of African initiatives such as the African Union or the New Partnership for Africa’s Development (NEPAD). With the African Union, Africa provided itself with a major instrument to affirm its leadership in the promotion of peace, security, stability, cooperation, and development. It will also allow accelerating Africa’s political, economic, and social integration dynamic and will favor its insertion in the world economy. More than ever, regional approaches must be an integral part of the activities of the development partners, as some development or security-related issues can only find an answer at that level. Particular attention will need to be paid to the activities of regional economic communities. In this perspective, NEPAD testifies of a realization, by Africans, of the need for them to commit themselves to promote sustainable economic and social development in the context of an African vision, with the ambition of filling the gap which separates us from the other continents.

For the achievement of these projects, we recognize that it is indispensable to consolidate democratic advances on the African continent to promote peace and good governance.

The current realities of Africa fully justify today that the donor countries firmly commit to stand by our sides, in the context of a new partnership, based on responsibility and solidarity and centered around the following elements:

- The reaffirmation and recognition of the responsibility and political leadership of recipient countries in the definition of their development strategies and policies;
- The commitment of the development partners to support the strategic choices of recipient countries on the basis of an objective evaluation of their real needs;
- The mobilization of exceptional, massive and immediate financial resources at the international community level in terms of official development assistance so as to create a critical mass which will favor the real economic takeoff of our countries;
- The cancellation of the debt in order to support the social sectors;
- The integration of the regional approach in cooperation policies;
- The increase of foreign private and national investments in order to obtain a sustainable economic growth;
- The promotion and stimulation of decentralized cooperation in order to encourage the emergence of new actors and reinforce the capacity of the new decentralized collectivities.

One of the strategies for implementing this new development cooperation approach is to constitute, around emerging countries, a coalition of partners favoring a specialization in the activities of the partners.

In this context, we must review the procedures of resource allocation and alleviate the conditionalities which hinder the implementation of the projects. A mechanism for coordinating the aid provided by different partners should be implemented so as to overcome the multiplicity of procedures and reinforce the national implementation of projects and programs.

In concluding, I would like to express my conviction that with the commitment that is ours to take on our full and entire responsibility, and the availability of the partner countries and institutions, the rise of civil society, the dialogue among civil societies across the world, we can, in the context of a renewed solidarity, take up the poverty challenge. But we must be conscious that this requires a different world, especially since the awakening of the world public opinion since the terrible events of Sept. 11.
More than ever, today, we are interdependent, more than ever, today, the wealth of the world lies in its diversity. All the events in the world, today, concern each citizen, each state, and each country: the events in Congo, the drama lived by the peoples of Palestine and Israel are linked. There is a duty to intervene — with due respect — to allow the advent of a more just and unified world. We do not have the right to let things go. Those who take a hands-off approach have the most to lose. The others will not continue to live in fear and humiliation.

Thank you.

Translated from French by Carter Center staff

Endnotes

i The Millennium Declaration is a resolution adopted by the United Nations General Assembly in September 2000 by which more than 150 heads of state and government pledged to promote development and eradicate poverty, adopting the Millennium Development Goals, a set of eight quantifiable, time-bound development objectives to improve health, education and the environment across the world, with the overarching goal of halving extreme poverty by 2015.

ii Poverty Reduction Strategy Papers are national macroeconomic, structural and social policies and programs to promote growth and reduce poverty. They are prepared by governments with the participation of civil society and the partners of development, including the World Bank and the International Monetary Fund.

iii The Partnership for the Reduction of Hunger and Poverty in Africa is an independent effort formed by U.S. and African public and private sector institutions and international humanitarian organizations to formulate a vision, strategy, and action plan for renewed U.S. efforts to help African partners cut hunger significantly by 2015.

iv The Ottawa Convention, open to signature in 1997, is designed to prohibit the use, stockpiling, production and transfer of antipersonnel mines and to facilitate their destruction.

I am rarely intimidated by an audience but we have got some presidents here who this morning demonstrated what this issue of development is really all about at the country level. And I think it is a very hard act for the rest of us to follow after what we heard this morning. I am also particularly in trouble, because I have my old boss, Jim Wolfensohn, here and my predecessor, Gus Speth, here, and many others who I always lose my words in front of. But let me try.i, ii

When I moved to the United Nations Development Programme (UNDP) from the World Bank, going from a rich institution to a poor one, I was struck by the fact that when I tried to step back and see what it was that UNDP did that made the most difference to development, it was not our projects, it was not even our policy advice, but it was our “National Human Development Reports” (NHDRs). With over 160 of these now published, they represent an extraordinary spontaneous outgrowth of our better-known global flagship “Human Development Reports.” Countries, and states within countries, and communities within states have all spontaneously gone ahead to benchmark themselves on the quality of life in their community vis-à-vis that of their neighbors. It has created an extraordinary competitive public policy within big countries like India or Mexico and between smaller countries and their neighbors all over the world on how they are relatively doing on education, infant mortality, life expectancy, on per capita income, and the other issues that together make up the human development index (HDI).

It was a very important reminder to me that the impact UNDP could make would not come just from my success in securing more resources for the organization. It had to instead be by generating the demand for better public policy at the developing country level — demand for access to better education or health care or whatever — and then using our policy expertise and project work to help governments find a solution to the problem.

I like using the example of Brazil, a country where President Cardoso has in essence transformed his whole poverty programming to align it with the human development index, where he first set up a major anti-poverty program for the 15 poorest states measured by their HDI and made the funds available for them to address the components of it. And as the “National Human Development Report” in Brazil has gone forward, increasingly, they focused on disappointing educational performances in the Northeast of the country. That
generated a vigorous policy debate focused on finding a solution to this problem. And the final policy outcome was a special monthly subsidy of something on the order of six dollars a month paid directly not to heads of households, but to mothers, if they kept their children in school. Now, how do you deliver six dollars a month? And this is where the projects came in: Working with the government, we found an information technology (IT) solution: a smart card that the mothers in the Northeast use in the large state banks to get the monthly payment. And the result has been really dramatic improvements in school attendance in a very short space of time.

So I saw this extraordinary connection between the NHDRs building this demand for a solution to educational enrollment amongst other issues, the policy people coming in behind that and innovating a solution, and then turning to very new ways, such as IT, to actually find those solutions. And it is that link between advocacy and the building up of political will, the creation of good policy, and the implementation of an effective project producing real improvements in human development for the poor which I have tried to make the key process by which we at UNDP now think about development.

And it is exactly that kind of connection that I think we can now start to seize with regard to the Millennium Development Goals (MDGs) — adopted by nearly 150 heads of government and 189 countries at the United Nations Millennium General Assembly — and use them as a set of global benchmarks to drive a real expansion of that political will. Not just in the public opinion of developing countries, but in the public opinion of developed countries as well. Was there a way of tracking development outcomes, of breaking development up into constituent parts which we could follow, which people would support, built around real, easily understandable issues like education, health care, and the reversal of the HIV/AIDS epidemic? Could these become goals around which it was possible to build not just a high level of political energy, but where we could then at the country and the global level benchmark and track results? And by doing that, could we create a new, great, political bargain, where North and South combined to achieve these eight Millennium Development Goals?

Clearly we are not there yet, but we have left the starting blocks. Because after the Millennium Assembly comes the Monterrey conference, which was referred to this morning. A nd if the Millennium Assembly established these goals and was the highest expression of...
political support from heads of government to achieving these dramatic gains in the quality of life in the poorest countries, Monterrey is, if you like, the next step in the story line: It is how to begin thinking through how to pay for it.

It will be followed in the summer by Johannesburg, the Rio plus 10 conference, the World Summit on Sustainable Development, which for many of us is the step after that: beginning to agree on how to do it; what are the business plans, if you like, for achieving basic health care for all or ensuring that every kid is in primary school by 2015?\textsuperscript{vi, vii}

So we are starting to see a very different approach to how you put together the support for a global campaign like this. I, and my own comrades in arms in this, see these international meetings as critical steps to legitimizing this process and building the political will, but we don't see the meetings themselves as the vehicle for tracking this thing to going forward. We have had too many of these conferences already: Beijing plus five, Cairo plus five, Copenhagen plus five, and so on.\textsuperscript{viii, ix, x} Now we have got either Stockholm plus 30 or Rio plus 10, but this static coming back after 10 years to see how we have done is, I think, just not good enough given the scale and urgency of the needs we face.\textsuperscript{xii}

What we need to do is create a system that works in real time with real politics, where, in a very real sense, annually, we are tracking progress on these goals and where, annually, the political head of steam that we build up in the North and South alike about their achievement builds on itself.

Now, as the debate has gone on around the measurement of [assistance granted through the World Bank's] International Development Association and its outcomes, it is clear that you cannot plausibly measure changes in educational enrollment, let alone harder goals to measure, such as infant mortality, on an annual basis. Some of these move more slowly. But nevertheless you can build a real sense of direction on where they are going. And you can perhaps take one of these goals every year, returning to others in sequence so that you are tracking them on a three- or four-year interval.

But beyond the benchmarking lies the importance of the campaign, because it is not that the evidence that comes out of these statistical works alone is what is going to drive it. It is lots of angry young men and women in the North and South alike saying this is what politics should be about; it should be about achieving these goals. Clare Short, the development minister in my country, the UK, is very fond, when talking about this, of referring to the social reformers in Britain at the beginning of the 20th century who measured poverty in the inner cities of Britain and, in so doing, transformed British politics.

Some of you may have gotten for Christmas the wonderful new Roy Jenkins' biography of Winston Churchill.\textsuperscript{xii} Winston Churchill, as an upper-class young liberal minister in the Asquith government in the early years of the 20th century, was awoken to the prevalence of poverty in Britain by the breakthrough Rowntree social reporting in the city of York: the first systematic study of poverty ever undertaken at grassroots level. And you can track what happened to British politics after its publication: from the early social reforms that Lloyd George and Churchill introduced in part as a result of the way that Rowntree sparked their conscience on to Beveridge, one of the civil servants who worked with them then, later designing the modern welfare state that was introduced after World War II in Britain.

Now, with an old mother who is a victim of the National Health System at the moment, it is not that I want everybody to get the British health care system. But what I do want to see is politics, in country after country, reorganizing around these issues of poverty reduction and...
educational access as a result of much greater awareness of both the size and scope of challenges we face in meeting the MDGs and much better, more targeted, more sustained policy and resource interventions to address them.

I see governments in parts of the world like Africa — and we have two represented here today which I think are excellent examples — moving beyond the old politics of personalities, and factions, and ethnic groups towards a new politics of development driven by good, democratic governance. What the two African presidents we have with us today — President Konaré [of Mali] and President Chissano [of Mozambique] — have done is convert the politics in their countries to being about issues. When the electors next go to the polls — very shortly in Mali and in a few years in Mozambique — the debate will be: Has this government done enough to reduce poverty; has it got enough kids into schools; which of the candidates will do better in terms of addressing that? And having that kind of debate shaping and framing the politics at the country level is worth more than millions of dollars of UNDP project assistance in terms of the difference it is likely to make in human development of their citizens.

But it is not just at the level of the South. It is at the level of our politics too in the developed countries that I think we have to ring a similar change in terms of priority. And this, as Bob Rubin said this morning, is not easy. T hnk of Sonny Callahan, the congressman who said that there were no votes in foreign aid and a lot of lost votes if you were for it. T his has been for too long the prevailing mood in the United States.

But I must say, what I see when looking across the Atlantic to Europe, is, as politics at home become more homogenized by the disciplines of international competitiveness and by the reduction of differences between national politics, an awful lot of the energy of the new generation of voters is being exported to foreign policy and particularly to development assistance. If you again go to my own country Britain, and look at the quality of young applicants trying to join the Development Cooperation Ministry, DfID [Department for International Development], they are as good as the people trying to get in to the Treasury and the Foreign Office, the traditional homes of the best and brightest. That is an extraordinary shift, and it is symptomatic of something much wider stretching across Europe and other parts of the developed world. If you see the energy which went in to the debt relief movement, and before that to the land mine movement, I think we all know that we can capture it into a similar effort for global poverty.

But if this is going to work, it cannot be a United Nations campaign. Whether it is in Mozambique or whether it is in the United States, it must be an American and a Mozambican campaign, drawing on the benchmarking material that we produce about progress towards these goals, but then transformed into the national political debate in an accessible way. And that simply can’t be done by outsiders. It needs a lot of domestic political energy, and it is very much what we hope will happen on both the South and the North sides.

Now having given that by way of introduction, let me hone in on the relationship of these MDGs to the PRSPs and the division of labor that I think Jim Wolfensohn and I — and I would say Horst Köhler of the International Monetary Fund as well — are very much in agreement on. First, as either the most statesmanlike thing I have done in my time at UNDP or the most suicidal, depending on your viewpoint, I have drawn the U.N. system, with the full support of the secretary general, into fully accepting that the PRSP is the dominant macroeconomic instrument for developing countries to organize their priorities internally and their relationships with donors externally. And this is despite continued uneasiness about the extent to which these PRSPs are being internalized and owned and about the extent to which the macroeconomic tail may still be wagging the poverty dog.

My own view is, if those are problems, we need to work them out in the framework of the PRSP, not by reintroducing a plethora of confusing and uncoordinated alternative planning instruments. We should have honest, fierce fights, with the government in the driver’s seat,
about what goes on within the PRSP, about what are its priorities, about what are the consultation processes and whether they are sufficiently inclusive.

So in that sense we now see the U.N.’s own instruments for activity at the country as very much just doing our bit to provide a more coordinated and coherent development approach within the PRSP framework. And we are not just working in that way, but we are fully supporting both governments and the Bank and Fund in PRSP design, on the consultations with civil society, and in many other roles. And I am very proud to be part of that.

Now how do the MDGs fit into all of this? In essence, we see the MDGs as the U.N.-led supplement to the PRSP that makes them and their underlying goal of successful poverty reduction and human development much more effective. So in that sense the kind of campaigning and awareness-raising I was describing earlier around the MDGs — from the country-level reports on progress we hope to have underway in nearly every country building on the lesson of the national human development reports to the broader political campaigns I outlined — would be very consistent with the PRSP process. In fact I would go so far as to say that the MDG campaign, done right, will create the foundation for a truly bold PRSP that focuses on clearly defined, measurable national needs and enjoys real political support.

Critically, we are being given just as much support from the Bank and Fund for the development of these MDG reports and campaign as we have been giving them on the PRSPs. And I think in that sense it is a very good and important new division of labor between us. But at the same time, I think we are all very aware that both processes will go nowhere if they are not nationally owned and led. It is in a sense rather incidental how we, on the international organization side, divide up the tasks. The real issue is that developing countries have to embrace this powerful idea of unleashing the political debate about effectiveness and poverty reduction and then using the PRSP to create coherent powerful solutions to solve these problems. And because these goals are set for 2015, it is going to be a long-running debate.

Let me close by saying that all of this agreement on goals and targets and the importance of the PRSP and the MDGs does not mean we have answers. Different developed countries followed very different routes in meeting their own social and economic priorities over the years, all responding to the same demand to reduce poverty. So I am personally very wary of this idea that “we know the solutions” and it is all about implementation. Rather, for me it is a debate about political will and then smart people, in the country, who want to win the next election campaign sitting down and working out what are the most likely wins in the policy terms to deliver on that political demand for results in this area, based very much on local needs, local perceptions of priorities, local constraints, and so on.

To illustrate what I mean, we only need to look at the three countries whose presidents spoke this morning. If you take Guyana, which has had good gross domestic product growth of seven percent or so for most of the 1990s, it has been quite successful in halving urban poverty. But in the coastal, rural areas, the numbers have barely moved at all in the 1990s. So while poverty has come from 43 to 36 percent, it is stuck in the rural economy.

And obviously, as we heard from President Konaré, the rural economy in his country is also still the heart of the problem of improving human development. After having had five percent per annum growth in the early years of office, he has now seen the commodity price crisis really dent that. And even during the high-growth period, poverty reduction was disappointing. I suspect it may have to do with low levels of educational enrollment, particularly among girls — education is a classic variable which tends to determine poverty — and seems to be a real vulnerability. And the president seems to be doing a lot to try and address it.
And of course Mozambique — which, as President Chissano I think knows, I use much too frequently as my favorite example. The point about Mozambique is that for many of the years of the president’s term in the 1990s, it had Southeast Asian rates of growth of 10 percent a year. And the finance minister who did it is over there. It has calmed down a bit because of the drought and then the problems in the regional economy with Zimbabwe, but even when they were doing 10 percent growth a year and really being very successful of ensuring that growth was distributed equally across the country, when you are compounding a per capita income of less than $200, even 10 percent a year seems to take a lifetime to get you out of poverty. So here is a country where the debt burden has been dramatically cut because of the Debt Initiative for Highly Indebted Poor Countries (HIPC) from $6 billion to $2 billion, which is a darling of all the donors, which gets very high levels of international development assistance, is very strong in claiming it does not want to be permanently aid dependent, and yet the success in poverty reduction is quite modest. xvi

So I think, far from the international organizations being able to afford to fall back on formulas, solutions, and believe it is just an issue of will and implementation capacity on the developing countries side, we have to acknowledge that countries which have been following our prescriptions for years have had disappointing results. And in that sense, the ultimate outcome and aspiration we have for this MDG campaign is to generate a new debate about development policy, but not to generate it in the think tanks of Washington — excuse me, Nancy level, there is a much more energetic comparison of notes about what is working and what is not working, what is applicable and transferable, and what is not. Because there is a real sense that, beaten down by years of official development assistance decline, combined with certain intellectual complacency that seems to be the curse of the international organization community, we are failing to both understand the crisis and urgency of world poverty or to think very clearly, or originally, or innovatively about solutions.

And I hope that, starting with Monterrey, something very big can happen: a new global deal, if you like, where developing countries recommit to better policies as far as growth is concerned and better policies as far as social spending goes, [and where] the countries of the North commit to aid, trade, debt, and investment on new and increased scales. And all of that is monitored, and the debate managed, through these MDGs as indicators of our success.

Because I really think we are at a turning point. We have an opportunity to take development from the backwaters of politics in the North and from the backwaters of politics in the South and make it the issue for people to think about and argue in the cafés in Cairo and the beer halls in Munich. — or New York or Europe, but in developing countries themselves. xvii

We need to make sure that in each MDG debate, at the political level, at the subregional, and at the global

"We have an opportunity to take development from the backwaters of politics in the North and from the backwaters of politics in the South and make it the issue for people to think about and argue in the cafés in Cairo and the beer halls in Munich."
a café in Cairo or a beer hall in Munich. It is to give it that energy and that broad-based support, which goes way beyond the circle of those of us in this room today, which is our aspiration for this MDG campaign — and its success in meeting our overarching goal of making real, measurable, sustainable progress in the fight against poverty.

Thank you very much.

Endnotes

i James D. Wolfensohn, president of the World Bank, 1995-present.

ii James Gustave Speth, dean and professor in the Practice of Sustainable Development, Yale School of Forestry and Environmental Studies, and former administrator of the United Nations Development Programme, 1993-99.

iii The Millennium Development Goals are a set of eight quantifiable, time-bound development objectives to improve health, education and the environment across the world, with the overarching goal of halving extreme poverty by 2015.

iv The World Bank’s Comprehensive Development Framework is a long-term holistic approach to development that recognizes the importance of macroeconomic fundamentals but gives equal weight to the institutional, structural, and social underpinnings of a robust market economy.

Poverty Reduction Strategy Papers are national macroeconomic, structural and social policies and programs to promote growth and reduce poverty. They are prepared by governments with the participation of civil society and the partners of development, including the World Bank and the International Monetary Fund.


vi Rio refers to the 1992 Earth Summit, Rio de Janeiro, Brazil.

vii The World Summit on Sustainable Development, Aug. 26-Sept. 4, Johannesburg, South Africa.

viii Beijing refers to the 1995 Fourth World Conference on Women, Beijing, China.

ix Cairo refers to the 1994 International Conference on Population and Development, Cairo, Egypt.

x Copenhagen refers to the 1995 World Summit on Social Development, Copenhagen, Denmark.


xiv Sonny Callahan, representative of Alabama to the United States Congress, 1984-present.

xv Horst Köhler, managing director of the International Monetary Fund, 2000-present.

xvi The Debt Initiative for Highly Indebted Poor Countries (HIPC) is a World Bank and International Monetary Fund comprehensive approach introduced in 1996 to reduce the external debt of the world’s poorest and most heavily indebted countries to sustainable levels.

xvii Nancy Birdsall, president of the Washington-based Center for Global Development.
 Comprehensive Strategies for Poverty Reduction: The Challenge of the 21st Century
James D. Wolfensohn
President of the World Bank

This has been a remarkable day with such a galaxy of talent and ideas. It has been a remarkable day for a number of reasons, remarkable not only because we have heard from Presidents Jagdeo [of Guyana], Chissano [of Mozambique] and Konaré [of Mali], all great leaders in their countries, set off by Bob Rubin, who gave us such a wonderful introduction, and of course, by President Carter himself, who reminded us that the greatest challenge of this century is the growing chasm between rich and poor, a phrase that I have used before, with attribution, Mr. President, but which is really the focus I think, for all of us being here.

We are united in this issue, as has been very clear today, more by the things that we agree upon than by the critical comments. A few misunderstandings still exist on the role of the Bretton Woods Institutions — ourselves and the International Monetary Fund. In relation to that issue, I want you to know that the relationship between ourselves and the Fund is a very constructive one, and one in which both Tim Geithner and his colleagues and the Bank have a very clear focus on the issues of poverty together. You will be interested to know that Michel Camdessus came to visit me just three days ago, and Michel was talking about poverty, about water, about governance, about gender. And I said, “Michel, you used to be head of the Monetary Fund.” He said, “But I always wanted to be head of the World Bank.” So I just want you to know that there is a very close relationship between us, and Tim is representative of the new leadership and does a remarkable and very forceful and very worthwhile job.

On the things that we agreed upon this morning — I was very struck by the fact that we started with a description by Bob of the world in which we are living, and it is a world that is not easy. As we look around our planet at this moment, it is plagued by inequity. It is also plagued by an uncertainty as to the economic future. That puts a lot of pressure on issues of development and development financing, because the classic finance minister looks at domestic budget before he looks at global responsibilities, and that is what we are finding at exactly this moment. Minister after minister is telling me, “We would love to do more, but we are under budget constraints, and until we see the way it is going, it is unlikely politically that we can move forward.” So there is the backdrop of the economy, which clearly affects everything that we are talking about today.

There is also the backdrop of uncertainties in many parts of the world. Argentina was mentioned, a serious issue; the issue of Central Asia; of Afghanistan itself; of Gaza West Bank, Israel; of some problems that are emerging in a more continental way through Central Asia and through the Middle East, with issues of fundamentalism on many sides. It is a world which is not tranquil. It is a world which in many senses is living with problems, and again I give you that background because we are not in a steady state of growth; everything is not harmonious there. So when we come to the issue of overseas development assistance and we come to approach the conference in Monterrey, which is an extremely important conference, we cannot abstract ourselves from the reality of a world which is concerned with terror, which is concerned with uncertainty, where economic activity from Japan to Europe to the United States in different proportions is described as having at least uncertainties if not difficulties. Some pressure — as was said today — not of fiscal problems that will move from country to country, but of political problems that may move from country to country, in the case of the Argentine situation, were it not to be resolved in a satisfactory way. It is important that we start with the planet we live in, and it is not an easy moment.

The other thing that I think is agreed is that although there has been a lot of criticism about efforts on development, we have in fact, in the last 20 years, made progress. We have made progress on the anticipated life going up by some 20 years in the last 30 or 40 years. We have made progress in relation to poverty itself. We have
made progress in relation to education and health targets. But what is clear is that if you take out India and China, there are areas of the world that either have not advanced at all or others that have in fact receded.

There are clear areas of the world that have very specific problems, noticeably Africa, and especially sub-Saharan Africa. With its 600 million people that will double in the next 30 years, with problems also of conflict, which development policy can help to alleviate but cannot solve, with 25 to 30 percent of the countries in sub-Saharan Africa affected by conflict, and with the ravages of AIDS, the issue of getting an orderly program of development is surely made more difficult.

But all that is by way of background to the things that I believe we agreed on. Among them is the issue of partnership that is recognized now between donor countries and recipient countries, never more importantly than in the case of the New Partnership for Africa’s Development (NEPAD) initiative. This is an initiative in which the African leadership — and President Konaré is well involved in it, as is President Chissano — says: “This is a real partnership. We are not looking for charity. We are not looking for handouts. We are looking for a partnership, which is in the interests of all of us. We, for our part, will give proper leadership. We will deal with the question of governance. We will deal with the questions of legal and judicial reform. We will deal with the questions of financial systems that are transparent. We will confront corruption. We will come up with plans, whether they are called Poverty Reduction Strategy Papers (PRSPs) or whatever they are called.”

So I pay tribute to you, President Carter, and to The Carter Center, because you recognized the crucial importance of having countries develop for themselves their ownership of their programs, and you recognized, as we have now all since, that development is not a matter of individual projects. Development is a matter of a cooperative, coordinated, comprehensive development strategy, which needs to be implemented with things going on beside each other and with sequencing that is agreed by the government. You recognized that it is not an overnight issue, it is an issue which takes years, as it has taken years in every country. But you recognized that it is a really possible sequence that can be adopted in all countries that are in development.

So we have now this notion of partnership. I have spoken about the one side of the partnership, the leadership in the developing world, but there is also the need for the leadership in the donor countries in the developed world. There, the issues have come down again to a number of issues that we agreed on.

One is that we must give support in terms of capacity building. This is demanded by our colleagues in the developing world, because without capacity, without support, without knowledge, without experience, which in some cases comes from the South itself but also comes from the international organizations and bilaterals, the way forward on development is extremely difficult. The issue of capacity building is really crucial. Second, we agreed that there is no sense in having development and building capacity for building markets if markets are closed. The Doha conference focused very specifically on this. The pace at which this will be resolved may be slower than anticipated, but the direction is one in which there is a recognition that openness of markets to trade is an absolutely essential prerequisite to development.

So is the third prerequisite, which is increasing the level of development assistance. There have been many examples of analyses. There is the “Zedillo Report.” There have been independent reports done on health by the World Health Organization and by Professor Sachs. There has been our own work. We all come down to the notion, and indeed the “Monterrey Consensus” states this, that the resources are not adequate. It is clearly stated that we cannot get where we would like to go without additional resources. I remind you we agreed on
0.7 percent. We are at 0.23 percent. And now the air is full of a $50 billion figure per year, either immediately or over three years or over five years. But it is absolutely clear that there is a need for additional resources.

There is one other thing that I think has changed, which was referred to today, which is the critical issue of political will to try and make sure that those additional funds can be provided. Bob spoke of a need for getting people together to try and bring about the will for that additional funding. In the discussions today it was very clear that whatever you think of globalization, interdependence is with us. It was commented by one of the presidents — I think it was President Chissano — that if you don't deal with the question of poverty, you have the question of migration, you have the despoiling of the environment, and you create a ground in which there can be ferment for crime, for drugs, and even for terror.

Without support for capacity building, the way forward on development is extremely difficult.

This was lifted to a wholly new level on September the 11th. It was not that interdependence was not there on September the 10th. It was not that you could have spoken with less assurance on September the 10th that poverty somewhere was not poverty everywhere, that crime somewhere was not crime everywhere, that terror somewhere was not terror everywhere, that the globe that we are looking at is not two halves, that there is no wall between the developed and the developing countries. If that wall ever existed, the image of the World Trade Center collapsing was for me the image of that wall coming down forever. Because here was Afghanistan on Wall Street. Here was Afghanistan at the Pentagon. Here was Afghanistan in a field in Pennsylvania. The interesting thing was that there were no Afghans involved, no single Afghan amongst the 19 people. They were all from other countries. They were all finding their haven in Afghanistan. Now there is Afghanistan, bombed and without having the responsibility, and United Nations Development Programme, ourselves, the Asian Development Bank and the Islamic Bank are there to try and help reconstruct it.

If ever our country needed a lesson or a wake-up call on the reality that the issues of poverty are our issues, that 4.8 billion people live in developing countries on our planet of six billion, with two billion more coming in...
the next 25 to 30 years, all but 50 million going to the
developing countries, September the 11th surely gave us
that wake-up call. When The Carter Center meets 25 or
30 years from now, we will have a world of eight billion,
with 6.8 billion, give or take, in developing countries. If
we cannot recognize that that issue is not separable from
domestic issues, then we are both blind and letting down
future generations.

I believe that that recognition is upon us. I
think it is affected today by the lack of certainty
in our economic future,
and it is being clouded
by a lot of debates on
which there is no debate. The debates are marked
by statements such as: “Let’s have effectiveness. Let’s
have productivity. Let’s ensure that the money is well-
spent. Let’s ensure that it is not corrupt in terms
of the programs that we are dealing with. Let’s ensure
that women are given a very important place in the
development process. Let’s ensure that these issues are
owned locally.” These are not issues for debate. They are
conditions under which increased assistance can be
given, but they are not debatable items. They are not a
reason to hold up action. Yes, we can debate further how
we can improve our capacity and efficiency in judging
the effectiveness of our expenditures.

Bob mentioned already today that I suggested to
some, including in this country, that we would be happy
to adopt the best practice of any country in terms of
how they measure the effectiveness of their domestic
investments. The fact is that no such calibration is really
well-established. So we are in a way being asked to do
something in advance that many countries have not
succeeded in doing themselves. To take it beyond the
United States: Does Germany calibrate the amount of
money it puts into German education programs before
it increases the money in education? What measures
does it use? Do other countries in the Organisation for
Economic Co-operation and Development measure their
health investments, and if so, what methodology? I would
love to see it. We are ready to see it, and we are ready to
examine it. But don’t let these arguments confuse you in
terms of the fundamental issue that faces us, which is the
commitment that needs to come from the rich world to
take its responsibilities seriously in relation to the
developing world. This is not charity.

The other thing that I think we agreed on is that there
are two elements to this. The first is that poor
people do not want charity. People in poverty want
a chance... The new paradigm of
development is to turn poor people from
the object of charity to become the
asset on which to build.”

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meet when you travel. They have a will. They want to be
proud. They want an opportunity, and if you give them
half a chance and give them the responsibility, they do
well. The new paradigm of development is to turn poor
people from the object of charity to become the asset on
which you build. We have to do that if we are going to
have leverage in what we are doing, if we are going to
have scale, and if we are going to have continuity in
what we are doing. These are not weakened people.
They are not persons with disabilities that happen to
be poor. There is much that can be done to improve
the conditions in education and health and in terms
of opportunity.

The first thing I think that all of us need to understand,
as we come to the programs that the nations are putting
together, is that we are partners with the people that live
in poverty. I think that is crucial for us as we think of this
development paradigm.

As we go beyond this question of people in poverty
and as we come to our role in trying to assist the world
move forward, we must also recognize that what brings
most of us here, I believe — I know what brought
President Carter and Rosalynn to this realization — was
a strong moral and ethical commitment that it is just not
right to have these differences in the world. It is through all our religions. It is just not right. We need to move on it.

If you don’t have that conviction, there is a new and very real commitment, which is based on self-interest. The world will not be stable if we do not deal with the question of poverty. It will not have the growth for us because we look at the developing world as our largest market. It will not be stable because we will be affected by migration, health, environment, crime, drugs, and terror. I am not putting it on the basis that we should make the decision because of a threat, but for some people that argument helps. And the reality is there.

What we need to do collectively is to get our leaders to understand that when they discuss the budget, equal with defense, equal with domestic spending, is international spending. We need to educate our children over the next 20 to 30 years to understand that our country, the United States, or my original country, Australia, or from wherever you come, is not the only country in the world, that we need to know about Islam, we need to know about other cultures. We need to be open. We need to know about Hispanic tradition. We need to know about Central Asian tradition.

The issue of education, the issue of being open, the issue of raising global citizens in our children is a challenge that we face, as it is faced in the developing world, for their children to better understand the importance of democracy and other things for which many of the developed countries stand.

I think on all these issues, amongst the people in this room, there is a tremendous consensus. What we need to do is to ensure that there is the action taken in the finance ministries and by our leaders to provide the resources that are necessary to act.

The Monterrey document says that there is inadequate funding. There is inadequate funding. Let us condition the availability of that funding on the undertakings that are voluntarily opted by the leadership in NEPAD and by the leadership in the other developing countries that are seeking partnership. But let us not fail, because if we fail, we won’t probably fail ourselves above a certain age, but we will surely fail our children. The issue of poverty is the issue of peace, and we must never forget it.

Thank you very much.

Endnotes


ii Timothy F. Geithner, director of Policy Development and Review at the International Monetary Fund.

iii Michel Camdessus, former managing director of the International Monetary Fund, 1987-2000.


v The New Partnership for Africa’s Development is a program developed by African leaders to eradicate poverty and place Africa on a path of sustainable growth and development.

vi Poverty Reduction Strategy Papers are national macroeconomic, structural and social policies and programs to promote growth and reduce poverty. They are prepared by governments with the participation of civil society and the partners of development, including the World Bank and the International Monetary Fund.

vii Fourth World Trade Organization Ministerial Conference, Nov. 9-14, 2001, Doha, Qatar.


ix Jeffrey D. Sachs, director of the Center for International Development at Harvard University and special adviser to the United Nations on the Millennium Development Goals.

In 1962, developed countries agreed to dedicate 0.7 percent of their gross domestic product to official development assistance.

$50 billion: according to World Bank and U.N. calculations, amount of additional foreign aid needed to reach the Millennium Development Goals by 2015.
A n analysis is given of the debate between “mainstream economists” and “social activists,” characterized by Professor Ravi Kanbur as Group A and Group B, over the merits and demerits for the poor of market-led globalization. Dr. Birdsall observes that the debate boils down to one about the current distribution of economic and political power in the world and the question of whether the outcome of that distribution of power is just or fair. She further observes that globalization is not the cause, but neither is it the solution to world poverty and inequality. She then explores why and how the rules of the new global economy are stacked against the poor, making globalization asymmetric. Dr. Birdsall concludes with some ideas about a new agenda of good global politics.

In her analysis of why globalization is not the cause of poverty and inequality, Dr. Birdsall gives examples of how globalization has in some cases led to less poverty and narrowed disparities. She observes, nevertheless, that globalization in other cases, particularly in Africa, has “caused” increasing inequality — not because some have benefited a lot but because others have been left out of the process altogether. Commodity export-dependent countries, for example, are caught in one variety or another of a “poverty trap” where, despite openness to global markets, they are not able to harness its benefits for development for a host of reasons, including low and unstable commodity prices, weak or bad governance, high disease burdens, and the failure of social service delivery systems. For these

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countries, being left out will not be solved by globalization if the current rules and conditions continue to prevail. She gives examples of how the rules of trade, financial markets and other aspects of the global economy are stacked against the poor.

Dr Birdsall cites three ways in which the global economy sustains or worsens unequal opportunities between the rich and the poor. First, that in the global market game, those without the right training and equipment inevitably lose. Second, in the global economy, negative externalities raise new costs for the vulnerable and compound risks faced by the already weak and disadvantaged. Third, economic power matters more than ever and it is only natural for the rich and powerful to design and implement global rules to their own advantage. She provides a number of examples to support these views. These include how the market works well in channeling resources where markets are healthy but not where they are weak and in need of capital; how the educated from poor countries are drawn to the lucrative job markets of the rich; and how the regulatory institutions of the developed countries can protect their citizens from financial contagion in a way that emerging markets have shown they cannot.

Dr. Birdsall concludes her paper by calling for what she calls “a new agenda of good global politics.” Having made a convincing case for why all is not well in our new globalized economy, Dr. Birdsall supports the call by “social activists” for change but suggests global institutions should not be dismantled but reformed. She calls for a new global politics to match global economics. She notes the closest we have come to a global social compact are the statements of economic and social rights promulgated in the United Nations and minor transfers of financial and technical resources from rich countries to poor. She notes that as in the case within countries, the social contract will have to involve greater transfers between countries, resulting in investments in human capital and local institutions that can ensure equal opportunities for the poor. She feels such transfers will be more effective in today’s more enabling development environment, which did not exist during the cold war.

Reform of global institutions would need to include making them more representative and more accountable than they are today. It would also mean giving them the resources needed to effectively manage a global social contract that would bring equal education, health and other opportunities to the poor in poor countries. Global failures of the market can be partly addressed by greater investment in global public goods that benefit the poor. Reform would also need to include giving developing countries more say in global negotiations and enhancing their capacity to protect their interests — particularly as they relate to those who are poor. She cites a number of other areas, such as immigration, intellectual property, and taxation, where the rules of the game need to be
changed if good global politics are to be practiced, resulting in greater symmetry between the real opportunities that globalization offers both rich and poor.

Dr. Birdsall summed up her paper with a call for all those concerned with global justice to band together in support of a common agenda, a global social contract that would make meaningful investments in economic opportunities for the poor possible; for global rules and regimes in trade, foreign investment, property rights, and migration that are fair; and for global institutions that are more representative and accountable to the poor as well as the rich. The resulting new global architecture would be based on good global politics and not just expanded global markets.

**Highlights of Discussion**

Following Nancy Birdsall’s presentation, James Gustave Speth, former UNDP administrator and current dean of the Yale University School of Forestry and Environmental Studies, chaired an eminent panel consisting of Norwegian Minister for International Development Hilde Johnson, IMF Director of Policy Development and Review Tim Geithner, and the Peruvian Permanent Representative to the U.N. Oswaldo de Rivero, which provided further observations to stimulate wider discussion. Framed by Dr. Birdsall’s observations on global development architecture, the discussions revolved around a number of opportunities and constraints.

Most participants acknowledged that the last several years had witnessed **major breakthroughs in global development policies**: a general consensus of what works and what does not; an agreement on the relationship between the United Nations and the International Financial Institutions (the fall of the “other Berlin Wall” in Minister Johnson’s words); and the concept of mutual responsibility or a global social contract. All of this is reflected in the “Monterrey Consensus.” While there was broad agreement on this consensus, a number of participants questioned how deeply felt it was in both developed and developing countries and questioned whether all sides were prepared to move decisively from an intellectual consensus to concerted action, which would require difficult political change. Ambassador Ruth Jacoby urged participants to look at Monterrey as the launching platform for future progress, while OECD/DAC Chair Jean-Claude Faure highlighted the unprecedented nature of the Doha-Monterrey-Johannesburg meetings in addressing essentially implementation or “roadmap” issues.

Minister Johnson noted that the **reform of global institutions is a critical part of reducing the asymmetries** of the global development architecture. This effort must focus upon strengthening global institutions, correcting for market failure, addressing negative externalities and...
enhancing the representation and participation of poorer countries. International institutions need to be strengthened to respond to a host of new crises and shocks. The example of the Inter-American Development Bank was noted, which became in many respects the forum for dialogue among Latin American nations, reflecting the fact that, unlike the World Bank, borrowing countries made up 50 percent of the institution’s shares.

Others noted that the poorest countries feel the brunt of rich country policies, so movement is needed on policy coherence, which also is reflected in the “Monterrey Consensus.” In addition to a public education campaign, this will require development ministers to push their Cabinet colleagues on a host of national policy issues that impact on poor countries.

While reform is needed at both the international and national levels, Tim Geithner made the case that ultimately national policy is decisive. There is no real mystery, he noted, about what works at the national level: good macro policies are necessary, but insufficient, conditions for development and difficult to implement in practice; sound investments in health, education and clean water systems are critical to the human capital basis for development; and basic infrastructure as well as carefully designed frameworks for private sector development and openness to globalization were necessary. While no amount of aid could compensate for bad policies, good policies would not reduce poverty without significant increases of net concessional development finance over the current levels.

There is an urgent need to define what a pro-poor macroeconomic policy is for the least developed countries, noted Minister Johnson. This will have to be done on a country-by-country basis and reflect the national capacities that exist. While many demand that markets be opened to least developed countries, it is not a foregone conclusion that they will be able to take advantage of the opportunities. Africa has not been able to take advantage of the markets Norway opened to it in the mid 1990s. Capacity is the issue.

For ODA to have a greater impact, there needs to be a decisive shift from current practices which have resulted in aid “pathetically” allocated from the perspective of need, good governance, and social return; fragmented through project proliferation; and tied, conditionality-laden, and administratively burdensome. A shift of ODA resources from bilateral to multilateral channels is needed to reflect the better track record of multilateral institutions. Led by President Jagdeo of Guyana, there were widespread calls for greater confidence and mutual accountability in the aid relationship. The mixed results of the OECD/DA C-UNDP aid review process in Mali and the interesting experience of the donor report card produced by the government in Tanzania needed to be carefully assessed. The need for donors to provide their
resources through budget support and pooled funds, rather than through project financing, needed to be pushed by developing countries at Monterrey.

Many developing countries are subject to the tyranny of geography and the legacy of history. The dematerialization of the global economy has serious implications for many of the developing countries. Mr. de Rivero noted that the global economy of the new millennium will rely increasingly on new technologies — such as biotechnology and synthetic materials — that replace the traditional natural resource exports of developing countries. Reliance on the tenets of liberalization and comparative advantage as promoted by the IFIs may not necessarily result in the economic modernization that is required.

Mr. de Rivero further commented that development is a job for the private sector. Financing for development must therefore become increasingly the realm of businessmen from rich and poor countries working together, rather than ministers and diplomats.

Much of the recent focus on poverty and development cooperation has been devoid of the content or the quality of the development desired. Two-thirds of the world's population will be affected by water shortage, which may lead to domestic upheavals. Exploding population growth and urbanization in ecologically fragile countries will drive consumption of natural resources like land and water. These issues increasingly need to make it into the center of development cooperation, and a number of participants highlighted the role of the upcoming conference in Monterrey.

A number of the representatives of developing countries spoke to the dire shortcomings of capacity at all levels within and among developing countries: individual, family, institutional, societal, national and regional. Many countries' democracies are not supported by an enabling institutional and political culture. Many modern states consist of multiple nations within a state, which compounds the task of creating capacity for development. These representatives spoke of the absence of fora for horizontal learning and collaboration among developing countries. Brain drain is accelerating in many countries, causing a debilitating situation. Ambassador Tarifa of Albania commented that 50 percent of university graduates leave the country. Firmino Mucavele pointed out the reality of Mozambique's 32 percent literacy and 70 percent poverty levels as the basis for his country's participation in the global economy. Issues like brain drain, capacity development and South-South cooperation needed to feature more centrally in development cooperation.
On day two of the Forum, GDI Consultant Roger Norton made a presentation entitled “Development Cooperation Processes: Issues in Participation and Ownership” which drew on the experiences of four Global Development Initiative partner countries: Albania, Guyana, Mali, and Mozambique. The experiences of the four GDI partner countries for which these observations and lessons were drawn can be found in Dr. Norton’s paper. (Appendix 2).

He began by observing that concerns over poverty alleviation and a commitment to participatory processes have risen to the forefront of the international development agenda over the past decade. He indicated that it is now generally accepted that wider participation is needed in the formulation of sustainable development programs and policies. He observed, however, that in practice, there have been very few cases where civil society in a developing country has felt a true sense of ownership with respect to a national development strategy.

Among his conclusions were that participation is important because it fosters national consensus on policy reforms and long-term support for the reforms. It enhances the capacity of civil society and the private sector, strengthens the channels of national dialogue, develops better policies, promotes accountability and transparency of the policy making process, and empowers the country in international dialogues.

He cautioned that participation is not a magic wand. It may run a number of risks: an insufficient number of actors commit to the process; government and civic actors could be too far apart on basic issues to be able to work together; participation does not reach out to all segments of society; civil society is divided; “participation fatigue” sets it; capacity for policy analysis is weak; and the government does not accept the policy recommendations of civic actors.

Norton noted that donors have a vital role to play in fostering participation. Development cooperation agencies and international nongovernmental organizations can catalyze latent capacity in the host government and/or civil society and promote dialogue among the stakeholders.

He observed that expectations and concepts of ownership differ from country to country. It is not always

Dr. Kenneth King, a former government minister and opposition leader from Guyana, called for the short-term Poverty Reduction Strategy Papers required of poor countries by the World Bank and IMF to be based on a comprehensive, country-owned, long-term national development strategy.
realistic to expect a dialogue of equals between stakeholders. In particular, the relationship between a country's government and the International Financial Institutions (IFIs) is often unbalanced, as the former seeks to avoid a conflict with the latter which might threaten their flow of loans and debt reduction.

In too many cases, participation remains superficial. To date, most participation efforts have taken the form of consultations on government or otherwise externally produced documents, rather than collaboration on the production of the drafts, thus creating little sense of ownership on the part of the participants. Therefore, in order for participation to be meaningful and result in effective results, capacity building is critical. The quality of strategy documents is best promoted through partnerships with national counterparts in the areas of policy analysis and formulation.

Norton found that the challenge of achieving country ownership of macroeconomic frameworks is a difficult one since governments and civic actors often lack the capacity to analyze and negotiate macroeconomic alternatives with the IFIs.

This challenge is exacerbated by ex ante conditionality which is often incompatible with true country ownership. Conditionalities imposed by the IFIs make it difficult for a country to acquire ownership of a policy reform program. Conditionality is most effective when it supports the implementation of a country's own vision. Poor coordination among development partners and the resultant multiplication of development instruments further weaken national ownership. The coexistence of separate medium-term programming documents and long-term national poverty alleviation strategies generates confusion and undermines national ownership of a policy reform program.

Norton ended his paper by suggesting a number of "ways forward" to improve the policy-making process in developing countries, strengthen participation in policy formulation, and make external assistance more productive:

- A cknowledge the differences between a PRSP and national strategies
- Support participatory strategy efforts and capacity building for policy analysis in both host country governments and CSOs
- A ccept and encourage discussion of macroeconomic alternatives
- M ove from an approach of carrying out only consultations to one of empowerment through fully participatory work on national strategies
- T ie donor conditionality to concrete results in the form of implementation of key measures in a national strategy
- I mprove incentives for IFI staff to return from work in the country with new or adapted approaches to policy
- U se third parties for capacity building and provision of policy advice

HIGHLIGHTS OF DISCUSSION

Following Roger Norton's presentation, Carol Lancaster, former USAID deputy administrator and current director of the Georgetown University Masters in Foreign Service Program, chaired an eminent panel consisting of USAID Administrator Andrew Natsios, Guyanese Ambassador to Belgium and the EU Kenneth King, World Bank Regional Vice President for Africa Callisto Madavo, and EURODAD Coordinator Ted Van Hees, which provided further observations to stimulate wider discussion. Framed by Dr. Norton's observations on participation and ownership of national development strategies, the discussions revolved around the experience to date with the PRSP process and broader issues of development finance. This discussion benefited from a seminar conducted by the Center a day before the Forum where civil society, private sector, and political party representatives from the four Global Development Initiative partner countries were able to share their experiences with one another.
Mr. Natsios pointed out that too much discussion of development is focused on ODA while development finance was much broader. In the 1970s, ODA represented 70 percent of private capital flows to developing countries, and private flows represented the rest. Today the situation is reversed. An assessment of development finance from the U.S. needs to consider not just ODA, but remittances, foundation grants, NGOs, and private donations from companies and individuals. $30 billion in remittances are sent to developing countries from the U.S. each year. Studies show that much of it is not for consumption but is invested in housing, business start-ups, and physical and social infrastructure. An NGO like World Vision is 80 percent funded by private contributions, and the Gates Foundation provides $25 billion a year in grants. These flows are not insignificant to development and through its Global Development Alliance, USAID will attempt in its country programming to take stock of these flows and their impact.

In light of these facts, Mr. Natsios suggested that processes like the PRSP are essentially about ODA and are therefore somewhat archaic. Others, however, suggested that the PRS processes are much broader in scope and deeper in their significance. On the one hand, PRSPs are a requirement for aid-dependent countries and are closely linked to programming resources released from HIPC debt relief for social spending. However, both Callisto Madavo of the World Bank and Minister Diogo of Mozambique noted that the strategies must address economic growth and the sources of that growth. Therefore, PRSPs go beyond ODA by dealing with growth strategy, distribution, private sector development, employment creation, good governance and participatory democracy.

There were clearly different perspectives on the prospects for country ownership of PRSPs. Some pointed out that there was very little participation of developing countries in the conceptualization of either the PRSPs or the MDGs; donor countries essentially imposed the PRSP as conditionality for concessional assistance. Furthermore, they reflect a specific “social democratic” value system that may not accord with indigenous priorities and are inseparable from the predilections of the IFIs. As Dr. Kenneth King of Guyana pointed out, there is participation in the PRSP process because of donor funding, not because of ownership. Dr. King pointed to his country’s experience with a homegrown national development strategy, which is still tracked in the media two years after its formulation, while the PRSP, of more recent vintage, has disappeared from public debate. Donors need to be honest and realistic about the capacity and incentives for countries to truly own their PRSPs. The point was widely accepted that countries needed the space and support to develop their own processes without the overweening hand of the international community. Dr. King recommended that for the process to work, short-term PRSPs had to be embedded in more comprehensive, long-term national development strategies that evolved through country-owned processes and received broad-based endorsement through parliaments.

On the other hand, Mr. Madavo expressed hope in the PRSP approach as the principles had emerged from stakeholder discussions. Looking back, one could see that a number of organizations had been promoting the principles that were eventually codified in the PRSP process. He pointed out that PRSPs are an ongoing process and not a one-time event, which gives international organizations and other stakeholders the opportunity to take a learning approach.

Mr. Madavo also noted the PRSP was changing the way the Bank works, although he acknowledged that an institution like the Bank will not change overnight. He stated that the Bretton Woods Institutions recognize that devising alternative macroeconomic frameworks was an “unfinished agenda” and they were prepared to be flexible. The capacity and time constraints highlighted in many of the PRSP processes would be dealt with over time. In terms of capacity building, Mr. Madavo posited that there were limitations to building capacity for PRSP formulation through technical assistance and that a more fruitful approach would be to draw on latent capacity in civil society, think tanks, and academic institutions and to seek help from third-party facilitators.
The degree and impact of civil society participation on PRSPs is varied. In Tanzania, for example, Mr. Madavo noted that the PRSP addresses school fees as raised by civil society. In Guinea, the process has strengthened the views of those in government who want to improve services to neglected areas. In Mauritania a number of issues raised by civil society made it into the PRSP. A clear subtext in this discussion, noted Dr. Lancaster, was that these processes were about building democracy.

Others noted that donors and planners have a tendency to write off civil society when it comes to macroeconomic issues. However, a lot could be gained by better listening, noted Ted Van Hees of EURODAD. The ESAF experience in Mozambique is a case in point. To tame inflation, the IFIs had pushed to eliminate the fiscal deficit by drastic reductions in spending. Farmers' groups made the case that over the medium term, increased public spending on road infrastructure would improve their market access and hence economic efficiency, which would help dampen inflation pressures.

This suggests that civil society can contribute constructively to the dialogue on effective alternatives if asked and as noted in Dr. Norton's presentation, when taken seriously, the contribution of these new perspectives will come to outweigh the costs of participation. Minister Diogo acknowledged the need to strike a balance between macroeconomic stability and socioeconomic development.

Mr. Natsios also cautioned the audience not to lose sight of the fact that politics often trumps rationality in policy-making efforts. This is the reality in developed countries as much as in developing countries, where he noted that 92 percent of the USAID Africa budget is earmarked by Congress for specific projects that are driven by their constituencies.

Mr. Van Hees raised the need for changes in donor behavior in support of the PRSP process. There was evidence from places like Bolivia of inconsistent messages being sent by donors. Embassies on the ground were highly critical of the degree to which the Bank/Fund Joint Staff Assessment of the PRSP addressed civil society participation, while their executive directors seemed more responsive to IFI staff perspectives. Similarly, Mali had seen attempts by European bilaterals to participate in joint World Bank/IMF missions rebuffed. Bilaterals needed to address this inconsistency, perhaps through having PRSPs reviewed and endorsed at the country level through consultative groups and round tables prior to presentation to the boards of the IFIs.
As the principles of ownership, participation and performance become more deeply embedded in the operational practice of the international aid system, the international community has to confront the issue of nonperformers. Roy Culpeper of the North-South Institute pointed out that a system of picking winners and losers was emerging with the World Bank’s IDA and could potentially emerge with NEPAD, “turning that initiative on its head” as donors select a half dozen to a dozen African countries with which to work. President Chissano echoed this concern by stating that if partners start selecting winners and losers before NEPAD gets off the ground then they are not really committed to Africa solving its own problems. If there were no countries with bad governance then we wouldn’t need NEPAD, stated President Chissano. Callisto Madavo stated the Bank would not disengage with nonperformers, but that engagement could differ, perhaps focusing on capacity building and policy change.

In his concluding comments, President Carter expressed the hope that the U.S. government would not use remittances and private donorship to justify U.S. stinginess in aiding developing countries at Monterrey. The tragic events of Sept. 11 have opened peoples’ minds that development will improve the lives of all of us. Monterrey is an enormous opportunity that should not be squandered.

GDI Director Edmund Cain summarized many of the points that emerged over the two days of discussion:

1. Alternative macroeconomic frameworks need to be explored and tested.
2. Global efforts to monitor progress of MDGs and PRSPs are needed.
3. There is still plenty to learn about what policies are successful in promoting development and alleviating poverty.
4. Mobilizing financing for development — starting with ODA — is absolutely critical.
Rethinking Our Global Development Architecture: Good Markets Require Good Politics

Nancy Birdsall
President of the Center for Global Development

Secure and equitable markets demand political institutions. Markets are the domain of competition; politics, the domain of collective action. Markets are apparently self-regulated, but they require political regulation. Political decisions involve arguing and persuading, as well as compromising and voting. While markets are supposed to be competitive, politics is essentially cooperative. It acknowledges conflicting interests, but it is impossible without some degree of solidarity.

– Luiz Carlos Bresser-Pereira, Getulio Vargas Foundation, São Paulo, Brazil

My remarks today are about globalization, its asymmetries between rich and poor, and because of its asymmetries, the need to rethink our global development architecture — to be good politicians and not just good development economists. I will be talking mostly as an economist this afternoon, but my real theme is that at the global level, it is good politics, not just good economics, that matters most. The globalization of markets can and has brought mutual benefits to the rich and poor alike. But it is only through better global politics that the values and rules critical to a secure and just world will be realized, and it is only then that the full benefits of a global market will be available to all.

Put another way, good global politics is critical to the battle against global poverty and unrealized human development and to a more just and fair as well as a more stable and prosperous global economy.

By globalization I mean the increasing integration of economies and societies, not only in terms of goods and services and financial flows but of ideas, norms, information, and peoples. In popular use, however, the term globalization has come to be equated with the increasing influence of global market capitalism or what is seen as the increasing reach of corporate and financial interests at the global level.

A debate continues to rage about the merits and demerits of market-led globalization for the poor. On one side of the debate are most mainstream economists, the United Nations, the World Bank and the other International Financial Institutions, most finance ministers and central bank governors in poor as well as rich countries, and most professional students of development. All of these generally argue that globalization is not the culprit in any increase in world poverty and inequality. It is, after all, the people least touched by globalization, living in rural Africa and South Asia, who are the poorest in the world. On the other side of the debate are most social activists; members of nonprofit civil society groups who work on environmental issues,

"The current global development architecture does not provide equal opportunities for rich and poor countries."
human rights, and relief programs; most of the popular press; and many sensible, well-educated observers. To them, the issue seems self-evident. Globalization may be good for the rich, that is, the rich countries and the rich within countries, but it is bad news for the poorest countries and especially for the poor in those countries.

The furious debate about the merits and demerits of globalization for the poor boils down to a debate about the current distribution of economic and political power in the world and the question of whether the outcome of that distribution of power is just or fair, that is, whether it provides for equal opportunities to those who are poor and, in global affairs, relatively powerless. On this score, I believe it is time for the first group (Ravi Kanbur's Group A economists and finance ministers) to internalize the arguments of the second group (Kanbur's Group B activists and civil society types) and recognize the need for an improved global politics, in which more democratic and legitimate representation of the poor and the disenfranchised in managing the global economy mediates the downside of more integrated and productive global markets.¹

I begin by setting out two views of the facts about the effects of globalization on world poverty and inequality. The bottom line: Globalization is not the cause, but neither is it a solution to world poverty and inequality. Then I explore why and how the rules of the new global economy are stacked against the poor, making globalization asymmetric, at least up to now. I conclude with some ideas about a new agenda of good global politics, an agenda to shape a future global economy and society that is less poor and less unequal — not only because it is more global and competitive, but also because it is more fair and more politically representative.

One View of the Facts:
Globalization is not the Culprit

For most developing countries, postwar integration began only in the 1980s. Prior to the 1980s, though developing countries participated in some multilateral trade agreements, they did so essentially via special preferences that permitted them to retain relatively high levels of protection of their own markets. In the 1980s, however, and with increasing depth in the 1990s, most developing countries took steps to open and liberalize their markets. A long with reduction and elimination of tariffs and nontariff barriers came fiscal and monetary reforms, privatization, deregulation, elimination of interest rate ceilings and other changes in the financial sector, and in the 1990s, opening of capital markets — a package that came to be known as the “Washington Consensus.” Liberalization of markets and accompanying, often socially painful structural change was encouraged and supported by the International Monetary Fund (IMF), the World Bank, and the U.S. Treasury, with large loans typically conditioned on countries’ adopting and implementing agreed policies. The increasing reliance on markets in the developing world, and in the 1990s in the countries of the former Soviet empire, is with good reason seen as part and parcel of the globalization process. And because of the conditioned loans, many of today’s protesters see the turn to the market — and thus to global capitalism — as imposed on the developing countries. (This is so even though, ironically, the international loans generally were disbursed even when agreed conditions were not implemented.)

With the growing influence of markets in the last two decades have come changes in the levels of global inequality and of world poverty. Over the last 100 years, global inequality by most measures has been increasing. The ratio of the average income of the richest to the poorest country in the world increased from nine to one at the end of the 19th century to about 30 to one in 1960 to more than 60 to one today. So the average family in the U.S. is 60 times richer than the average family in Ethiopia or Bangladesh (in purchasing power terms). The century-long increase in inequality is the result of the simple reality. Today’s rich countries, which were already richer 100 years ago (primarily as a result of the Industrial Revolution), have been blessed with economic growth and have gotten a whole lot richer. Today’s poorer countries, mostly in Africa, which were poor to start with, have not grown much, if at all.
However, in the last two decades, the picture has changed somewhat. Some countries, including China and its smaller neighbors in East Asia and more recently India, have grown at faster rates than the already rich countries. It is difficult to imagine incomes in those countries ever fully converging to that typical in rich countries. It would take China and India almost a century of growth at faster rates even to reach current U.S. levels. Still, there has been some catching up of income between the advanced industrialized economies and some developing countries — what economists call convergence.

Changes in inequality within countries have not made much difference to this overall story. In any event, recent studies combine data on differences across countries in average incomes with household data on incomes within countries to produce a “world” distribution of income, in which, figuratively speaking, individuals or households around the world are lined up by income in a single unified ranking, and each person (or household) has the same weight in the distribution, independent of whether he or she lives in a small or large country. This is probably the best measure in terms of human welfare of what has been happening in the last couple of decades.

World inequality measured this way is incredibly high — greater than inequality within Brazil and South Africa, the highest inequality countries in the world, where the richest 20 percent of households are about 25 times richer than the poorest 20 percent. And over the last 100 years, it has been increasing, because those differences in historic rates of growth between what have become today’s rich and poor countries have dominated this “world” distribution. However, in the last 20 years, with the rapid growth of India and China, that trend also has been moderated, and increases in world inequality have slowed. The world distribution as I have described it of course gives much greater weight to these high-population countries. As a result, if we compare not changes in average incomes between the richest and poorest countries, but changes in average incomes between the initially 20 percent richest and 20 percent poorest individuals in the world (say about two decades ago), we find that world inequality, though incredibly high, has been leveling off — in this recent era of “globalization.”

India and China also turn out to be key to the question of whether world poverty has increased or not in the last two decades. The percentage of the world’s population that is poor (using the World Bank’s poverty line of $1 a day in 1985 dollars) declined between 1987 and 1998 from about 25 percent to 21 percent using World Bank figures, and the absolute number from an estimated $1.2 to $1.1 billion. The declines in poverty in India and China are key to the overall worldwide decline. Elsewhere in the developing world, including in Africa, Latin America and other parts of Asia and in the transitional economies of the former Soviet Union, the absolute numbers of poor rose.

So at the world level, it is fair to say that inequality is not increasing and poverty is declining, even though that is not the case within many countries. Moreover, even to the extent that poverty is increasing in some countries and global inequality measured as the increasing ratio of income between the richest and the poorest countries is increasing, globalization of markets doesn’t seem to be the reason. Today’s global inequality is mostly a matter of differences between rich and poor countries in past rates of growth. That brings us back to the main argument of globalization’s proponents. It is countries that have successfully entered the global market and participated in globalization that have grown most. In the past, that included Japan, beginning in the Meiji era between 1868 and 1912; the poorer countries of Western Europe during the 19th century and then again during the post World War II period of European integration; and among the developing world in the postwar era, the so-called miracle economies of East Asia in the three decades before the 1998 financial crisis. More recently, it has included China, India, and in addition Bangladesh, Brazil, Malaysia, Mexico, Mozambique, the Philippines, Thailand, Uganda, and Vietnam. Poverty remains highest in the countries (and regions) and for peoples that are marginal to global markets, including many in Africa, some in South Asia, and among people, the rural populations of China, India, and Latin America. To the
extent that globalization has “caused” increasing inequality, it is not because some have benefited a lot — a good thing — but because others have been left out of the process altogether.

Another View of the Facts: Globalization is not the Solution

Globalization is not the cause but neither is it the solution to continuing miserable poverty and haunting inequality at the global level. First, the fact is that many countries being left behind have not been xenophobic or closed to world markets. Many of today’s poorest countries have in fact participated heavily in global markets. But despite rising exports, tariff reductions, and economic and structural reforms including greater fiscal and monetary discipline and the divestiture of unproductive state enterprises, a large group of the poorest countries has failed to increase their export income and failed to attract foreign investment and has grown little if at all. One group of countries, highly dependent on primary commodity and natural resource exports in the early 1980s, has been “open” for at least two decades, if openness is measured by their ratio of imports and exports to gross domestic product (GDP). But unable to diversify into manufacturing (despite reducing their own import tariffs), they have been victims of the decline in the relative world prices of their commodity exports and have, literally, been left behind.

Many of these countries in sub-Saharan Africa, as well as Haiti, Nicaragua, and some in the Middle East, seem trapped in a vicious circle of low or unstable export revenue, weak or predatory government, inability to cope with terrible disease burdens (the HIV/AIDS pandemic being only one recent and highly visible example), and failure to deliver the basic education and other services to their children that are critical to sustainable growth. Their governments have made, from time to time, fragile efforts to end corruption, to undertake economic reforms, and, more to the point, to enter global markets. But, caught in one variety or another of a poverty trap, “globalization” has not worked for them. For these countries, success in global markets might be a future outcome of success with growth and development itself, but it does not look like a good bet as a key input.

The better-off emerging market economies have a different problem. Global trade for them has been generally a boon, but global financial markets pretty much a bust. In the last decade, Mexico, Korea, Thailand, Indonesia, Russia, Brazil, Ecuador, Turkey, and this year Argentina, were all hit by financial crises triggered or made worse by their exposure to global financial markets. For them the benefits of global financial markets have been heavily offset by their increased risks during any kind of global crisis. Because their local financial markets are less resilient and local and foreign creditors more wary, they are much more vulnerable than their industrial country counterparts to the panicked withdrawal of capital typical of bank runs. Particularly troubling is the growing evidence that the financial instability associated with open capital markets is especially costly for the poor and tends to exacerbate inequality within countries. In Turkey, Argentina, and Mexico, with repeated bouts of inflation and currency devaluations, the ability of those with more financial assets to move them abroad, often simultaneously acquiring bank and corporate debt that is then socialized and paid by taxpayers, has been disequalizing — and certainly appears unfair. In parts of Asia and in much of Latin America, inequality increased during the boom years of high capital inflows in the mid-1990s as portfolio inflows and high bank lending fueled demand for assets such as land and stocks, which were beneficial to the rich. In both regions the poor and working class gained the least during the pre-crisis boom and then lost the most, certainly relative to their most basic needs, in the post-crisis bust. The high interest rates to which the affected countries resorted to stabilize their currencies have also had a redistributive effect, hurting most capital-starved enterprises and their low-wage employees. The bank bailouts that often follow financial crises create public debt that is seldom equally shared; as John Keynes pointed out decades ago in another context, public debt almost always implies a transfer from taxpayers to rentiers.
The technical debate among economists about the feasibility and merits of more open capital markets has abstracted from the obvious point that, as Goni Sanchez de Lozada, a former president of Bolivia once said, “The banks lose in a financial crisis, but the bankers never do!” The anti-globalization protesters are right that the enormous financial flows across countries in the last decade have not helped the poor. They are also right to note that China and India have kept their capital markets relatively closed and survived relatively well the financial crises of the late 1990s compared to Mexico, Argentina, and Thailand. Success in trade is good for growth and that benefits the poor, but rapid and near-complete opening of capital markets, so heavily pushed by the IMF and the U.S. Treasury throughout the 1990s, is not so simple in its effects. It is no wonder the activists are suspicious of corporate and financial influence in global markets.

The market reforms that have characterized the globalization era are also in some cases associated with an increase in the depth and costs of corruption. Privatization and liberalization of financial markets in the absence of adequate regulatory institutions and banking standards and supervision invite corruption; Russia is only the most visible example. Open capital markets make it easier for corrupt leaders to burden their own taxpayers with official and private debt while transferring resources to their own foreign bank accounts. Unregulated markets make money laundering and tax evasion easier and raise the costs asymmetrically for poor countries to defend their own tax systems. Globalization and global capital markets are not the underlying cause of all these problems, but they lower the costs and, like an occasion of sin, increase the likelihood that human failings will corrupt the system, usually at a cost to the poor and powerless.

Unequal Opportunities: The Rules of the Global Economy are Stacked Against the Poor

Not all the suspicions of the activists are necessarily warranted. But they are right in some respects. Globalization is hardly the solution to high levels of poverty and inequality, and the relatively benign outcomes of globalization up to now seem to belie unfair opportunities in an unfair global economy. Let me suggest three ways in which the global economy sustains or worsens unequal opportunities.

- The market works; in the global market game, those without the right training and equipment inevitably lose.
- The market fails; in the global economy, negative externalities raise new costs for the vulnerable and compound the risks faced by the already weak and disadvantaged.
- In the global game, economic power matters more than ever; it is natural for the rich and powerful to design and implement global rules to their own advantage.

The Market Works

Globalization is shorthand for global capitalism and the extension of global markets. Markets that are bigger and deeper reward more efficiently those who already have productive assets: financial assets, land, physical assets, and perhaps most crucial in the technologically driven global economy, human capital. This is true not just across people but across countries too. The economic return to healthy and stable country institutions is huge. Countries that are already ahead — with stable political systems, secure property rights, adequate banking supervision, reasonable public services, and so on — are the ones that get farther ahead, attracting more local and foreign investment and better exploiting their own peoples’ entrepreneurial energy and skills. This is why as much as 80 percent of all foreign investment occurs among the industrialized countries and why just 0.1 percent of all U.S. foreign investment went to sub-Saharan Africa last year. This is why the economists’ expectation of convergence in income among countries — with capital flowing to places where it is most scarce and its returns ought to be highest — simply hasn’t happened for the most part. Capital in fact flows to places where it is already plentiful, because those are the places with the necessary complement of sound
institutions, human capital, the rule of law, and the other factors that keep returns to capital relatively high even where it is already plentiful.

In short, countries caught in the poverty trap mentioned above will not necessarily benefit from a healthy global market. Of course there is nothing necessarily permanent about a poverty trap. Like poor and uneducated people, with the right rules and some help from friends, countries can escape welfare dependency. But more on that below.

At the individual level, the best example of how healthy markets can generate unequal opportunities is the rising returns throughout the world to higher education. The effect of having a university education compared to secondary education or less has been increasing for years everywhere. This is true despite the fact that more and more people are going to university; in the global economy, with the information and communications revolution, the supply of university-educated people has not been keeping up with ever-increasing demand. In the United States the highly educated have enjoyed healthy earnings gains for three decades, while those with high school education or less have suffered absolute wage losses. Similarly in Latin America: Between 1991 and 1995, the period of intense liberalization, the wage gap between the skilled and unskilled increased for six of seven countries for which reliable wage data are available. In Mexico, where the rural poor are concentrated in agriculture that had been protected prior to the North American Free Trade Agreement (NAFTA) and where education levels are low and unequally shared, income declined between 1986 and 1996 for every decile of the income distribution except the richest. In Eastern Europe, with the fall of communism, the wage difference between those with and without post-secondary education has widened considerably. More open markets have also favored the young and have penalized women, many of whom worked in state enterprises and government. Work experience in the state sector has little value in an open, competitive market.

Rising wage gaps in open and competitive markets should not surprise or alarm us; they may be a short-term price worth paying for higher long-run sustainable growth. They create the right incentives for more people to acquire more education, in principle eventually reducing inequality. But that happens only if short-term inequality is not locked in politically. In most countries educational opportunities are not particularly equal. With the notable exceptions of a few socialist economies (China, Kerala in India) education systems tend to reinforce instead of compensating for initial advantages. In the U.S., it is now college education that differentiates between winners and losers. Here 80 percent of high school graduates from the wealthiest 20 percent of families attend college, compared to 34 percent from the poorest. In Brazil in the early 1990s, 21-year olds from the richest families had 12 years of schooling, compared to four from the poorest.

The increasingly global labor market illustrates how markets can hurt the already weak. In today's global economy the highly skilled are highly mobile — escaping even the traditional constraints of citizenry. Highly skilled labor may now be said to be as footloose as the financial capital that flows mostly to the stable and more prosperous settings where it can be best used. Indian engineers can quadruple their earnings by moving from Kerala to Silicon Valley and Indian Ph.D. biochemists from Delhi to Atlanta or Cambridge. For the individuals concerned, this is a good thing, and eventually this brain drain (an estimated cost in lost investments in schooling of billions for India) can generate offsetting remittances and return investments if the institutional and policy setting in India and other poor countries improves. In the short run, however, it makes the task of poorer countries, trying to build those institutions and improve those policies, tougher, and meanwhile it means that the farmers and workers who pay taxes in poor countries are subsidizing the citizens of the rich countries whose tax revenues are boosted by the immigrants' contributions and whose cultures are, by the way, also greatly enriched.

The efficiency gains and increased potential for growth of a global market economy are not to be disdained. But in modern market economies, there is a well-defined
social contract that tempers the excess inequalities of income and opportunity that efficient markets easily generate. The social contract may not be perfect, but it exists at the national level. Progressive tax systems provide for some redistribution, with the state financing at least minimal educational opportunities for all and some social and old age insurance. So the first challenge for global governance is the construction of a meaningful global social contract.

The Market Fails

Markets fail in many domains. Global markets compound the risks and costs for the weak. What is true at the local level, where local polluters do not internalize the costs of their pollution, obtains at the global level, and often in spades. The rich countries that have historically emitted the highest per capita greenhouse gas emissions have imposed costs on the poor. In the absence of global government, collective agreements meant to minimize that negative externality require voluntary compliance; if the United States continues in its failure to comply voluntarily, it will be free-riding on the Europeans and others who do. Worse, as the biggest polluter in per capita terms, it will be imposing costs not only on its own future citizens but on the children and grandchildren of the world’s poor, who are much less likely to have the resources to protect themselves from the effects.

The dangerous contagion across countries, affecting even those emerging market economies with relatively sound domestic policies, is another example of how market failures can affect the already vulnerable asymmetrically. The problem developing countries face in global financial markets has not only brought instability and reduced growth; it has affected their capacity to develop and sustain the institutions and programs they need to protect their own poor. With global market players doubting the commitment of nonindustrialized countries to fiscal rectitude at the time of any shock, countries resort to tight fiscal and monetary policy to reestablish market confidence at precisely the moment when in the face of recession they would ideally implement macroeconomic measures to stimulate their economies. The austerity policies that the global capital market demands of emerging market are precisely the opposite of what the industrial economies can afford to implement, such as unemployment insurance, increased availability of food stamps, and public works employment — fundamental ingredients of a modern social contract. We know that the effects of unemployment and bankruptcy can be permanent for the poor; in Mexico increases in child labor that reduced school enrollment during the 1995 crisis were not reversed, implying some children did not return to school when growth resumed.

The risks of global warming and the problems of global financial contagion are only two examples of market failures that entail asymmetric costs and risks for poor countries and poor people. The same can be said of contagious disease that crosses borders, of transnational crime, and of potentially beneficial but risky new technologies such as genetically modified foods. Similarly, poor countries that protect global resources such as tropical forests and biological diversity are paying the full costs but are unable to capture the full benefits of these global goods. Within countries, governments temper market failures through regulations, taxes and subsidies, and fines; and they share the benefits of such public goods as public security, military defense, management of natural disasters, and public health through their tax and expenditure decisions. Ideally the latter are made in a democratic system with fair and legitimate representation of all people, independent of their wealth. In nations, such political systems seldom work perfectly (as the proponents of campaign finance reform in the U.S. would argue). In the global community, a comparable political system just barely exists.

Economic Power Influences Global Rules and Their Implementation

Trade is the best and thus the worst and most costly example for the poor. In general, political constraints in rich and powerful countries dominate the design of global rules. The resulting protection of agriculture and textiles in the U.S. and Europe locks many of the world’s poorest countries out of potential
markets. Because these are the sectors that could generate jobs for the unskilled, rich country protection, through tariffs and subsidies, hurts most the poor. The recent initiative of the European Union to eliminate all barriers to imports from the world’s 49 poorest countries, and the African Growth and Opportunity Act in the U.S. are steps in the right direction.1ii, iii But since the countries that can benefit make up only a minuscule proportion of all world production, they represent very small steps indeed. And even those modest initiatives were watered down considerably by domestic political pressures and include complicated rules that create uncertainty and limit big increases in poor country exports.

Global economic power also affects the way already agreed rules are implemented. The very process of complicated negotiations and dispute resolution puts poor and small countries with limited resources at a disadvantage. The use of anti-dumping actions by U.S. producers, even when they are unlikely to win a dispute on its merits, creates onerous legal and other costs to current producers in developing countries and chills new job-creating investment in sensitive sectors. Even the Bush administration, with the right rhetoric on free trade, is having difficulty resisting the pressure of the U.S. steel industry.

International migration is governed by rules that are also stacked against the developing countries and in particular against the poor and unskilled in those countries. Permanent migration is small relative to the past because higher-income countries restrict immigration. In the last 25 years, only two percent of the world's people have changed their permanent country residence, compared to 10 percent in the 25 years before World War I. Yet more movement would reduce world inequality considerably, as did the tremendous movements of Europeans to the Americas in the 19th century. An auto mechanic from Ghana can at least quintuple his income, just by moving from Ghana to Italy. Similarly a Nicaraguan agricultural worker, by moving to Arizona. During the recent boom in the information technology sector, the United States established a special program to allow highly skilled workers to enter with temporary visas — a good thing, no doubt, for the individual beneficiaries, but also an implicit tax on the working taxpayers in poorer countries who helped finance the education of those emigrants and another example of the capacity of the already rich to exploit their power.

What about intellectual property rights? Because knowledge is not an excludable good, it makes sense to compensate for the resulting market failure through intellectual property rights. At the global level, those rights are now regulated by the World Trade Organization (WTO) under what is called the TRIPS, or Agreement on Trade-Related Aspects of Intellectual Property Rights. Intellectual property rights ideally balance society's gains from incentives for invention with the benefits of access to resulting products. But it is highly debatable whether the current international regime has achieved an appropriate balance in the poorest developing countries, where the minimum 20-year patent period under TRIPS implies higher costs for many products — the most notorious example being now in the area of AIDS anti-virals — with little likelihood of local creation of new products.

In fact the WTO rules allow countries to issue compulsory licenses for the production and importation of patented products, under certain circumstances. The U.S. issues compulsory licenses to mitigate the monopoly power, and Canada, before signing NAFTA, regularly issued compulsory licenses for the domestic production of patented pharmaceuticals. Here implementation of the rules, however, is affected by the imbalance of power. U.S. pharmaceutical firms have systematically pressured the United States trade representative to threaten extra-WTO sanctions against countries threatening to use compulsory licensing. Under tremendous pressure from civil society groups in the case of AIDS drugs, the U.S. has desisted from bringing formal actions against South Africa and more recently Brazil. But Thailand is still under pressure, and for other less visible health problems, business as usual puts the weak at a disadvantage against the strong.
Economic power also affects the rules and the conduct of those rules by the international institutions. The International Monetary Fund is the world’s institution meant to help countries manage macroeconomic imbalances and minimize the risks of financial shocks. But in the 1990s, the IMF was too enthusiastic about developing countries’ opening their capital accounts. This is only one example where the IMF and the World Bank have been insufficiently humble in their recipes and probably all too heavily influenced by the institutional capacity of their richer shareholders; this kind of lending reflects the influence and power of the Western advanced economies, especially the U.S. Even if the policies supported have made sense — and I believe for the most part they have — the reality is that those who advocate them have no real accountability to the people in developing countries most affected by them. Developing countries are now the only borrowers, but are poorly represented, at least in the voting structure of these institutions. The lack of accountability and the absence of checks and balances have almost surely reduced the effectiveness of these institutions, in both the design of reforms and in their support to their countries for implementing reforms. That is certainly suggested by the reality of the unsustainable multilateral debt of so many African countries would suggest. For all the good they do and can do in managing the downside of globalization, their current governance reflects and reinforces a worrying imbalance of power and influence in the global economy.

A New Global Agenda of Good Global Politics

That poverty is declining worldwide and inequality after a century is leveling off is not a sign that all is well in our new globalized economy. Those of us who are proponents of market-led globalization need to recognize that the global economy, even if it is not causing more poverty and inequality, is not addressing those global problems either and is ridden with asymmetries that add up to unequal opportunities. Social activists concerned with globalization’s downside need to insist on the reform, not the dismantling, of the limited institutions for global collective action we have. Both groups can join their forces in pushing a new global agenda, aiming for a new global politics to match global economics. They need to focus on the good political arts — of arguing, persuading, compromising and cooperating in collective action for the commonweal.

A Global Social Contract

Statements of social and economic rights in the United Nations and relatively minor transfers of financial and technical resources from rich to poor countries are as close as we have come to anything like a global social contract. Anyone arriving from another planet into our highly unequal global economy would have to conclude that rich countries have no interest at all in doing anything much to help the poor in poor countries — surprisingly, given what could be their enlightened self-interest in a more secure and prosperous global economy. The logic of a global social contract is clear, but it cannot be constructed out of nothing. As is the case within countries, a social contract involves some transfers — for investments in the human capital and the local institutions that can ensure equal opportunities for the poor.

The business of foreign aid is more effective and sensible than in the Cold War era, but an increase in the now paltry amounts involved is unlikely until much more is done to make it more competitive, more effective, and more disciplined, with more resources channeled to countries with the greatest need and reasonable capacity to use resources well. The program of official debt relief is an admission that past aid to the poorest countries has not worked. It should also be a first step in a larger reinvention of the foreign aid business — away from tied aid, multiple and onerous standards of different donors, and conditionality that doesn’t work and toward a more generous but more disciplined system.

Most important, the global and regional institutions we have that are the world’s most obvious mechanisms for managing a global social contract need to be reformed, not dismantled. It is ironic that the World Bank and the IMF have been the lightning rod for anti-globalization protests. It may be not that they are too powerful but too
limited in their resources and insufficiently effective to manage a global contract that would bring equal education, health, and other opportunities to the poor in poor countries. Making them more representative and more accountable to those most affected by their programs, and thus more effective, has to be on the agenda of better global politics.

Addressing Global Market Failures

The returns to spending on global public goods that benefit the poor have been extraordinarily high. This is the case of tropical agricultural research, public health research and disease control, and the limited global efforts to protect regional and global environmental resources. These global programs need to be financed by something that mimics taxes within national economies. The IMF is now proposing a new approach to sovereign bankruptcy that might make the costs of financial crises less great for poor countries and poor people. Global agreements on bankruptcy procedures, on reducing greenhouse gas emissions, on protecting biodiversity and marine resources, on funding food safety and monitoring public health are all development programs in one form or another — because they reduce the risks and costs of global spillovers and enhance their potential benefits for the poor.

Just Global Rules and Full and Fair Implementation

Reducing protection in rich country markets belongs on the agenda of all those fighting for global justice and the elimination of world poverty. Developing countries are at an unfair disadvantage in global negotiations and in global forums; that they are poor and relatively small in GDP terms puts them at a disadvantage wherever market size and resources can command more diplomats, lawyers, and supporters. The current intergovernmental process governing global rules is cumbersome, ineffective, and as a result, unfair. More than 40,000 treaties and international agreements are currently registered with the U.N. Secretariat; these are years in the making, and then are often implemented asymmetrically. Civil society and private groups have sought to fill the resulting global policy and regulatory gap. But much more needs to be done, both among governments and in collective support of legitimate nongovernment efforts.

The rules governing international migration are notably illiberal. Even within the political constraints, we all acknowledge much more could be done by the rich countries to make immigration a part of their overall development policy, not additional burden on poor countries. Sharing of tax receipts of skilled immigrants across sending and receiving countries could help offset the perverse effects of the brain drain on poor countries and could reinforce the benefits of remittances. It is time to revisit the delicate problem of balancing public health needs with the benefits of an international regime of intellectual property rights. There is plenty of scope to do this within current WTO rules. In general the developing countries should be more fully and fairly represented in international institutions; this is especially the case in the International Financial Institutions, whose policies and programs are so central to their development prospects.

Those concerned with global justice — whether Kanbur’s Group A economists and finance ministers or Group B activists — face a daunting problem of global collective action. They need to make a common agenda for a global social contract that would make meaningful investments in economic opportunities for the poor possible; for global rules and regimes in trade, foreign investment, property rights and migration that are more fair; and for global institutions that are more representative and accountable to the poor as well as the rich. In practical terms that means working together in the short run to build a more level playing field in global governance and reforming rather than undermining the existing global institutions, so they can manage the downside of globalization, reduce its asymmetry, and provide for a more equal world because it is more just. The two groups need to come together in insisting that a new global architecture be based on good global politics and not just expanded global markets.
Carter Center Endnotes


ii Refers to the “Everything but Arms” Initiative, a plan adopted by the European Union (EU) in February 2001 to provide the world’s 48 least developed countries full access into EU markets through the elimination of quotas and duties on all their products of export, except arms.

iii The African Growth and Opportunity Act is a law enacted by Congress in 2000 to provide reforming African countries — i.e. countries that open their economies and build free markets — with access to U.S. markets.
Development Cooperation Processes: Issues in Participation and Ownership

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1. Introduction

1.1. The International Context

Concerns over poverty alleviation and a commitment to participatory processes have been driven to the forefront of the international development agenda. In many developing countries the number of people in poverty, and extreme poverty, has remained relatively constant or has even increased during the past decade (with China and India among the major exceptions). In turn, a realization that poverty reduction requires sustained local efforts, as well as appropriate national policies, has helped solidify the conviction that wider participation is needed in the formulation of development programs and policies.

A third set of issues is rising quickly to the top of the agenda: the nature of development policies themselves. Questions about the fundamental direction of policies have arisen in part out of the concern for reducing poverty. In the words of the United Nations’ Millennium Declaration, “Countries should ensure that poverty reduction strategies increase the focus on the poorest and most vulnerable through an appropriate choice of economic and social policies.”

Concerns over the basic directions of development policies have been voiced by noted scholars, as well as by those who question the distribution of the benefits of globalization. At issue are not only policies that operate at the sectoral and micro levels, but also macroeconomic policies, including trade policy, exchange rate policy, and monetary policy. At the same time, there is a great deal of positive ferment throughout the development community. New approaches, or refinements of old approaches, are emerging for addressing the tripartite concerns of poverty alleviation, participation, and appropriate policies frameworks.

This presentation reviews these concerns and some of the new possibilities, with the aid of illustrations from four countries in which The Carter Center has been involved in promoting participatory approaches to policy...
formulation. Another element of the current international environment is a questioning of the structure and function of the Bretton Woods Institutions. This paper also makes suggestions in that regard, in light of the need to foster more participatory approaches in policy work.

1.2. The Carter Center’s Development Experience

The Carter Center has worked in several fields in developing countries, including the strengthening of democracy, public health, agricultural development, environmental protection, and participatory policy processes. The Center’s work on development strategies commenced in December 1992, when it invited President Cheddi Jagan of Guyana to participate in the Conference for Global Development Cooperation in Atlanta. Chairing by President Carter and U.N. Secretary-General Boutros Boutros-Ghali, the conference represented an opportunity for key government leaders, donor officials, development practitioners and academics to take stock of the state of development cooperation at the end of the Cold War. As a result of this conference, Guyana would become one of the partner countries of the Center’s Global Development Initiative. This partnership supported the country’s efforts over the next several years to formulate a National Development Strategy (NDS) through a participatory process.

The Center convened a high-level Advisory Group meeting in June 1996 in Atlanta to review the experience in Guyana as a potential new approach to development cooperation emphasizing country ownership of development strategies, participation in policy making, and enhanced cooperation with external partners. Attention was focused on the value of a neutral, third-party facilitator of the participatory planning process. From Guyana, the president, finance minister, and leader of the opposition participated in the review, as did multilateral organizations and bilateral donor agencies.

The discussions in the 1996 meeting recognized that international organizations like the World Bank, in response to criticisms of the accountability and quality of their country programs, had begun to experiment with participatory approaches in defining country program frameworks, like the Bank’s Country Assistance Strategy (CAS). Similar approaches were also being adopted by the U.N. system and bilateral donors. However, the Center noted, this was not the same as countries taking a participatory approach to their own national strategies. In lieu of national strategies, many countries relied upon the International Monetary Fund (IMF)/World Bank Policy Framework Paper (PFP), which was often developed in complete isolation from national opinion leaders and analysts. The Carter Center called for countries to design participatory processes for formulating their own national development strategies that could serve as the basis for donor country programs and for donors to provide the necessary support for such efforts.

Building on the Guyana experience, the Center has advised on or directly supported participatory efforts of a strategic nature in Mozambique, Mali, and Albania. Those three efforts are currently underway at different stages in the process. While the approach promoted by the Center is no longer unique, these experiences provide an opportunity to assess the issues involved in participatory processes and to reflect in a preliminary way on some of the lessons learned.

1.3. Key Questions Regarding Participation

Participation occurs at two levels: a greater voice for the country itself in determining its own development priorities and policies, and participation of nongovernmental sectors in that process. Participation has been endorsed by all multilateral and bilateral donor agencies, but it is not a magic wand. Nor does it spring up spontaneously in adequate form. Citizen involvement in policy dialogues is an organic part of the social and economic development process, and like any other part it has to be nourished. It has to be made productive. If it is not productive, it will wither and die out and make participatory efforts more difficult to mount in the future.
The international community as a whole is still engaged in a learning process about civic participation. Some of the key questions for participatory efforts include the following:

- **First of all, why is participation important?**
- **How can the capacity to contribute to policy dialogues be built up in civil society and the private sector?**
- **How can a sense of ownership of policies and strategies best be fostered in a developing country and in its civil society?**
- **How can quality control be exercised over a process of strategy formulation without compromising local ownership?**
- **How can a national strategy be linked most effectively to donors' action programs, taking into account time constraints and other institutional limitations?**
- **How can a participatory approach be applied to macroeconomic policy options?**

2. Issues and Findings for Participatory Processes

This section distills from the country case studies a number of lessons for participatory approaches to policy and the roles of international agencies in those approaches. Many of the issues outlined in this section are familiar and have been discussed extensively in international development circles. Equally, some of the conclusions are generally accepted and have been put into practice already, at least partially. In this sense, it is more accurate to say the glass is half full than half empty. At the same time, it is not uncommon to find that an apparent consensus among international agencies, in the capital cities of the developed world, has not always been translated into new approaches or actions at the level of programs in developing countries. There have been few cases where civil society or the private sector in a developing country has felt a true sense of ownership with respect to a national strategy. For this reason, some of the points that appear repetitious may be worth enunciating again.

The paper is based on experiences in sustained collaboration with national counterparts in formulating development policies, especially in the four principal countries represented in this Forum but also in others. In some cases, this country-level perspective produces a slightly different viewpoint on some issues, and that perspective is laid out here in the hope of contributing to the dialogue on how to better attain the goals supported by all: better and more participatory policy formulation and more complete implementation of the policies, with the objective of improving living standards in the developing world and reducing the misery that afflicts millions.

2.1. Why Participation?

Participation in policy formulation is now accepted almost reflexively as important. It is worth reviewing briefly why participation is valuable, what its benefits are. There are five basic reasons for promoting participation:

- **To improve the chances of a national consensus on policy reforms.** Consensuses are never achieved 100 percent, but the greater they are, the stronger the political support for approval of the reforms and the more effective is the implementation of reforms. Equally, achieving a consensus will increase the prospects for long-term support for the reforms and their resilience under political change.
- **To enhance the capacity of civil society and the private sector to analyze policy issues and to strengthen the channels of national dialogue, which often are poorly developed.** Nongovernmental organizations (NGOs) have argued persuasively that developing the capacity for policy dialogue in civil society leads to strengthening of other institutions of democracy.
- **To develop better policies.** Experience has shown that national participants in policy dialogues often have a better grasp of some issues and paths to solution than international experts do. For example, several years ago a World Bank report observed: “The majority of [World Bank] staff responsible for these CASs felt that the benefits of incorporating civil society participation in the process significantly outweighed the costs. They felt that participation in the CAS led to more informed development priorities for the country.” The same observation can be made in regard to Poverty Reduction Strategy Papers (PRSPs), United Nations Development Assistance Frameworks (UNDAFs) and other more recent “programming documents” of international agencies and to government policy documents in developing countries.

- To improve the accountability and transparency of the policy making process.

- To empower the country in international dialogues so that national priorities can guide international development assistance. Without such empowerment, national policies are effectively the sum of the conditionalities attached to donor assistance. As noted in a recent World Bank review of PRSP experiences, “Both government and CSO [Civil Society Organization] representatives ... stressed that, for international assistance to be effective, donor practices have to shift to empower governments to act on their own country strategies.”

These benefits of participation cannot be fully realized if participation is only of a consultative nature. It has to be deeply collaborative and lead to a sense of ownership on the part of the participants before it can empower them and create national champions for reform who will help drive the process.

## 2.2. Risks of Participation

Participation occurs at several levels: at the country level, where the government, as opposed to international agencies, leads the process; and within the country, where civil society participates as well. Participation should involve the poor and community groups. It also should involve key institutions that are in a position to lobby effectively for translation of a strategy into concrete policy changes. The degree of administrative and democratic decentralization of the country will affect how participation is organized. Some principal risks faced in participatory policy processes are summarized in the following paragraphs.

1. There is a risk that an insufficient number of leading citizens and organizations may commit themselves to the process and dedicate the considerable amount of time required to bring it to a successful conclusion. In some circumstances, an additional factor that can complicate the challenge is a prevailing attitude of cynicism about the prospects of being able to effect real reforms in the policy framework. On the other hand, frustration with a country’s economic performance may motivate people to commit themselves strongly to a participatory process of policy reform.

2. A second risk is that government and leading representatives of civil society may be too far apart on basic issues to be able to work together. Alternatively, members of civil society may be reluctant to work with government (and international agencies) for fear of being co-opted into supporting positions they do not agree with.

3. A third risk is that participation may not reach beyond persons who reside in or near the capital city and it may not be representative of the poor or micro-entrepreneurs. The logistics of meeting this challenge can be difficult. Usually it is necessary to pay transportation and lodging expenses for low-income persons who travel long distances to participate in the effort.

4. A fourth risk is that existing schisms in civil society, arising from political partisanship or socio-economic differences, may undermine the chances of reaching consensus. Partisan differences may bring with them ideological divergences regarding the role of the government in the economy and other basic issues, so it may not be an easy task to
overcome these differences. By the same token, if a consensus can be achieved in spite of such differences, it can strengthen the foundations for sustained cooperation on policy issues in the future.

5. A fifth risk is that “participation fatigue” may set in and undermine both the current process and future ones. This risk is especially high when civic groups are consulted and then find that their suggestions have not been taken into account. In Mozambique, “a certain frustration was noted in relation to the frequency of consultation meetings on various issues. As a result, emphasis was placed on the need to give priority to implementation and the execution of actions by the State.”xiv

6. A sixth risk is that civil society’s capacity for policy analysis may prove to be weak, and therefore the technical quality of the analysis and policy recommendations may be inadequate. In addition to the question of capacity, some participants may be motivated primarily by narrow personal or sectarian interests. The challenge of finding a methodology for ensuring quality control of a participatory strategy was signaled, in African context, by Bodo Immink and Macaulay Olagoke, who asked, “How do we ensure quality without being un-participatory?”xv

7. When civil society plays a strong role in the process, a seventh risk is that the government may not accept the principal policy recommendations. If elections are due soon, government should not be involved in the effort, or else it may be viewed as a campaign prop for the ruling party.xvi The possibilities of acceptance of the strategy can be increased by two factors: achievement of a true consensus among the majority of the participating farmers or members of civil society, independently of their personal political affiliations; and receiving support for the consensus on the part of international development agencies when recommendations are presented to the government. Usually this challenge is a difficult one: “The biggest single constraint and challenge to the [World] Bank’s ability to pursue participation across all its operation is [lack of] government commitment.”xvii

These are daunting challenges. They demand careful planning of a participation process and sustained support for it. On the other hand, meeting the challenges successfully endows the private sector and civil society with a substantial capacity for playing a long-term, important role in national policy dialogues and for making significant contributions to it.

2.3. The Catalytic Role of Donors

In many instances development cooperation agencies and international NGOs have played a vital role in catalyzing wider participation in policy processes, as has been illustrated by the experiences of Mozambique and Albania mentioned below. Governments sometimes are reluctant to promote a dialogue with civil society and the private sector for a number of reasons: out of reluctance to address thorny policy issues or subjecting themselves to fair or unfair criticisms, for fear of politicizing or polarizing the process, for concern for the time required to carry out a dialogue, out of conviction that nongovernmental entities do not have the required technical capacity, or for other reasons. Donors can break the ice jam and move the process forward until it acquires its own momentum.

Donors also can play a valuable role in regard to quality control for the outputs of participatory processes, provided it is done with sensitivity and a flexible approach. International agencies represent a reservoir of analytic talent that too often is only directed inward, within the agencies, instead of being used to enrich partnerships with organizations in developing countries and strengthen the capacity of those organizations. Equally, they can finance technical assistance to strengthen the national capacity for policy work, both inside and outside of governments. An option is to provide such assistance by third parties that do not have a stake in the policy stances of the donors. This indirect approach can sidestep the danger that “if governments ... rely on international technical assistance, this may undermine country ownership.”xviii
Donors can heighten awareness of priorities and approaches to development that have not received sufficient attention. The PRSP process in particular has contributed to assigning a higher priority for poverty alleviation policies in many developing countries, and over the years many international NGOs have worked to direct more attention to environmental policies.

In addition, as discussed below, donors can make external assistance more productive by linking conditionality to performance — to the implementation of a national strategy, rather than limiting themselves to prior conditionality at the level of proposals for policy reform.

2.4. Incentives and Ownerships

One of the findings from a review of the four country experiences is that there are different expectations and concepts of ownership, depending on a country's previous experiences. This is true of the country's government both vis-à-vis the international development community and also for civil society organizations within the country.

The experience of Mali as reviewed below points to the danger that governments may, in the end, tell International Financial Institutions (IFIs) what they would like to hear in order to qualify for debt relief. The economic power of the IFIs relative to most host country governments is overwhelming and it is not always realistic to expect a dialogue of equals. All the heavy incentives come to bear on the side of accepting the IFI approach to development policies and getting on with its implementation.

Among many other observers, Kathleen Selvaggio has commented on ‘governments’ desire to avoid a conflict with the IMF and World Bank which might threaten the flow of loans and debt reduction, as well as the fact that many government elites often subscribe to structural adjustment policies and even benefit materially from them.”

This unbalanced relationship signals the need for caution in tying conditionality to participation or to the results of a participatory process. More fundamentally, it suggests inherent limits to the extent to which IFIs can directly sponsor a participatory effort. They can favor it, they can give it a strong boost by indirect means, but the route of direct sponsorship and tied incentives may not always produce the desired results. Concrete recommendations based on this conclusion are offered at the end of the sections.

2.5. Quality Control and Capacity Building

The quality control issue goes to the core of participatory efforts. If a national strategy turns out to be only a wish list and does not respect basic canons of fiscal responsibility, it will not be taken seriously. However, experiences have shown that civil society members are usually anxious to put together a technically sound, responsible document. Capacity building is critical for quality. This point was illustrated by the brief experience with sector technical working groups in Albania, as mentioned below. Neutral technical assistance — by parties who do not represent official positions of donor agencies — can help through a joint learning-by-doing process. In such processes the advisors learn also.

Often capacity building consists of tapping into latent talent. In every country there are experts familiar with issues in most sectors. The challenge is to familiarize them with broader policy frameworks and options that have been explored in other countries, more than entering into a teacher-student relationship.

In spite of all the advances of the science of economics, quality in policy work can be in the eye of the beholder. The criteria needed for judging quality need to be objective. Internal consistency of a strategy and fiscal responsibility are the most basic criteria. In other areas greater flexibility is often needed.
Quality can best be promoted through partnerships with national counterparts that contribute to capacity building. Formal and informal training are important tools of capacity building, but an equally powerful one is working side by side in teams, advisors and national counterparts together, over sustained periods of time, as was demonstrated in the experience of Guyana summarized below. It also is important to make efforts to explain jargon, as brought out forcefully in the review of the Mozambican experiences. There are few, if any, macroeconomic policy scenarios that cannot be presented in lay terms.

Whether at the sectoral or macro level, it bears emphasizing that capacity building requires a sustained commitment over time on the part of external advisors. One of the present authors had the opportunity to be part of a participatory process in Honduras in the early 1990s that yielded fundamental changes in agricultural and forestry policy and new legislation to support the changes. Over a period of a year, 80 all-day meetings were held with representatives of organizations and large-scale producers to hammer out reform packages. The more recent process in Guyana required an advisory presence in more than 100 meetings of civil society task forces over a period of several years, and in Nicaragua a similar process in 2001 required participation in 60 meetings with private sector representatives. Perhaps the most significant characteristic of these meetings is that through them civil society actually drafted the policy reforms. The process was always interactive between advisors and national counterparts, but the latter always had the last word and through the process they became authors of the reforms — and felt that they were the authors. This sense of ownership encouraged them to go forward and lobby for full acceptance of the strategy and its implementation.

Capacity building does not stop with the completion of one strategy document. As people move on to other occupations and even migrate abroad, capacity and a sense of commitment can weaken. They require continuous nourishment. Providing financial endowments for independent think tanks is one way to ensure that sufficiently attractive incentives are offered to trained people. There are several examples of very productive policy think tanks in developing countries, from the Thai Economic Development Institute to the Salvadoran Foundation for Economic and Social Development (FU SA DES) in El Salvador. In this regard, it is important for international agencies to commit themselves to the challenge of institutionalization of civil society's capacity for policy work.

In the end, one of the most important roles for official development assistance is building national capacity for policy analysis and formulation. In this regard it is complementary to private investment flows, not a substitute for them. Investment flows respond to the quality of the policy environment more than anything else, and therefore expenditures on capacity building can have a strong influence on those flows.

### 2.6. The Nature of Participation and Constraints It Faces

There are many kinds of participation. It runs a spectrum from information sharing to consultations to collaboration to full ownership to long-run institutionalization of the participation and sense of ownership. Expectations about participation can vary widely in developing countries. As the review of the Guyana experience pointed out, previously a tradition of civic participation in policy decisions did not exist, and the same can be said for many other developing countries. As noted earlier, the PRSP process can be useful in simply inculcating awareness that a greater degree of participation is possible.

Most participatory policy efforts to date have taken the form of consultations, in which policy papers are drafted initially by government and/or external experts and then submitted to civil society for review and comment. It needs to be said that, useful as it may be for improving policy drafts, the consultative approach is very unlikely to lead to a sense of ownership on the part of the participants. Ownership arises out of participation in the process of proposing and debating the policy options from the beginning and from participation in the drafting
Consultations are often seen as “extractive,” as attempts to validate policies that were conceived without taking account of participants’ views.xx

Not all participants have to put pen to paper, but when task forces are formed each task force needs to be responsible for producing a draft. It has been found that advisors can make suggestions to task forces, and on occasion they may even write them down in the form of suggested sections of a draft but, as noted, for generating a sense of ownership the task forces themselves have to manage the process of producing drafts. This was the procedure followed in Guyana, especially in the second phase of the work.

Proceeding in a participatory manner is an inherently time-consuming process. It is difficult to foresee how long it will take and therefore placing deadlines on the process is likely to be counterproductive. An attempt to place a deadline on the second phase of the Guyanese process was abandoned after the civil society representatives made it clear that it threatened their sense of ownership of the process. The strict timelines associated with the PRSP process have been criticized as not allowing sufficient time for local ownership to develop.xxi

There is broad awareness that another constraint is the limited capacity for policy analysis in governments and civil society, but it should be pointed out that prior to the Guyanese process the donor community was markedly skeptical about whether the capacity existed in the country to produce such a strategy. Often capacity exists, in a different form than expected, and a principal role of technical advice may be to bring it to bear on the process, in addition to the capacity-building role mentioned above. As mentioned, frequently local experts can be assembled who are much more informed about the issues in their fields than international experts are and who are also aware of at least some possible avenues of solution. This is all the more the case since the advent of the Internet. They may not be experienced in expressing their views and recommendations in the form familiar to international policy analysts, but technical advisors can assist them in that regard. In a real sense, it bears reiterating that the role of external technical advisors is to catalyze the latent capacity in a host government or civil society, and not to supplant it.

As mentioned, this kind of role cannot be played effectively if external advisors make only short, widely spaced visits to the country. They need to accompany the national task forces on a continuing, or at least very frequent, basis in order to develop mutual rapport and understand the contributions that local experts can make. In addition, they need to be dissociated with the policy positions of donor agencies. In Guyana, the Inter-American Development Bank (IDB) agreed to make a small number of resident advisors available to the process, on the understanding that they would contribute only in a personal professional capacity and not represent the Bank in any way.

It is important to ensure that the participants represent all major groups in society, and special emphasis needs to be placed on involving women in the effort, given the social and economic barriers they often face to playing a role in public life. The role of youth groups is critical as well. Peoples who live by traditional rules — for land tenure, conflict resolution, and other matters — need to be involved in the process as well. When they live far from the capital city, the process has to go to them, rather than expect they will come to it. Equally, the degree of administrative decentralization of the country will have a bearing on how a participatory process should be structured.

Effective participation in the formulation of a policy reform document creates a sense of ownership. Out of such a process champions for the reforms emerge, and normally they will work hard to gain acceptance of the reform package in elected bodies and to promote its full implementation. If champions do not emerge, it can be said that the process has not been sufficiently participatory.
2.7. Macro Framework for Development

It is often taken for granted that only the IFIs have the capacity to carry out macroeconomic analyses. A study by the U.S. General Accounting Office (GAO) of whether the IMF’s Poverty Reduction and Growth Facility (PRGF) programs in three countries (Albania, Benin, Honduras) were any different from previous Enhanced Structural Adjustment Facility (ESAF) programs highlighted this constraint. The study noted that the heavy emphasis on macroeconomic stability limited the scope for alternative macroeconomic scenarios. It surmised that country ownership of macroeconomic frameworks is difficult to achieve since governments largely lack the capacity to effectively analyze and negotiate these frameworks and find it difficult to engage civil society in debate on macroeconomic issues.

This issue is intimately related to the question of quality control. If “quality” is interpreted as acceptance of only one macroeconomic policy scenario, then developing countries’ strategic growth options are drastically reduced. For example, recent research has strongly indicated that agricultural growth not only is the most powerful way to reduce rural poverty — the most pervasive form of poverty in developing nations — but also it is the most effective way to reduce urban poverty. By now the experience of many countries has demonstrated that sustained, poverty-reducing economic growth cannot be achieved without satisfactory growth in the agricultural sector. Yet in recent years frequently the standard macroeconomic recipes have acquiesced in an overvalued exchange rate, which is the most inimical policy for agricultural (and industrial) growth. In the 1970s and 1980s the IFIs vigorously opposed overvaluing an exchange rate, but recently a dominant concern for rapid stabilization has diluted that stance. When the means of stabilizing an exchange include high interest rates and the issuance of bonds to soak up “excess liquidity” (which often is the case), then the productive sectors are doubly penalized.

Other informed voices have urged a reexamination of macroeconomic policy options, including trade and exchange rate policies. We all are aware of the enormous value of free trade, but there are valid arguments for moving slowly — but in solid, irreversible steps — in the attainment of trade liberalization in poor countries, when the products in question are the main means of subsistence for families deep in poverty. Institution-building, education, and other efforts need to accompany trade liberalization to make it successful. In the words of Dani Rodrik, who acknowledged the importance of trade liberalization: “No country has developed simply by opening itself up to foreign trade and investment. The trick has been to combine the opportunities offered by world markets with a domestic investment and institution-building strategy. ... A imost all of the outstanding cases — East Asia, China, India since the early 1980s — involve partial and gradual opening up to imports and foreign investment.”

And Joseph Stiglitz has written recently: “Trade liberalization is supposed to result in resources moving from inefficient protected sectors to more efficient export sectors. The problem is not only that job destruction comes before job creation — so unemployment and poverty result — but that the IMF’s ‘structural adjustment programs’ (designed in ways that allegedly would reassure global investors) make job creation almost impossible. For these programs are often accompanied by high interest rates that are often justified by a single-minded focus on inflation.”

As a result of moving too rapidly to reduce tariffs on basic agricultural products, several countries have retreated and raised tariffs once again, including El Salvador, Panama, and Nicaragua. Consolidating the advances in trade liberalization is an essential step before moving farther ahead, because instability in trade regimes also is damaging to investment incentives.

It is not the intention here to advocate a particular macroeconomic approach. The point is that legitimate macroeconomic alternatives exist. And they need to be put on the table in participatory policy processes. How often has a draft structural adjustment program, or PRSP,
offered to a developing country the medium-term choice between, say, 3 percent growth with 3 percent inflation and 5 percent growth with 8 percent inflation? Mexico’s economy grew rapidly in the latter half of the 1990s with inflation staying in double digits for most of the period, while gradually coming down as planned. Many other countries have generated rapid growth — and hence substantial new employment, which is the key to poverty reduction — for sustained periods before bringing inflation fully under control. Generating employment goes a long way toward solving the causes of poverty, thus reducing the need for expenditures on social safety nets and other measures aimed at treating only the symptoms of poverty. Who should decide the priority between growth and stabilization at the margin?

In relation to this issue, some IFIs have been reviewing their human resource management policies with an eye to changing the “institutional culture.” It needs to be asked: Do the existing personnel incentives encourage technical staff to report back to headquarters with new macroeconomic alternatives or new thinking at the sectoral level that has emerged from a participatory process?

2.8. Conditionality

Conditionality attached to development loans and grants is essential. It responds to the donors’ need to be accountable for how their funds are used. It also is an agreement, a concrete result of the partnership between developing countries and international agencies. However, in practice the way it is used raises a number of issues that warrant further consideration.

The European Network on Debt and Development (EURODAD) has pointed out that the presence of conditionality makes it difficult for a country to acquire ownership of a policy reform program: “It is clear that excessive conditionality in Fund programs in the past has been a significant obstacle to ownership. Participants at a recent IFI/Commonwealth Secretariat conference agreed that ‘conditionality as practiced in recent years had often been overly intrusive and had thus hindered ownership.’”

In a similar vein, the Globalization Challenge Initiative has commented that, “For many southern civil society organizations, the core problem lies in the obstacles to genuine national ownership of development plans when the IMF’s ‘seal of approval’ will, in all likelihood, remain conditioned upon a country’s acceptance of a certain set of standard macroeconomic and structural adjustment policies.”

It is not only some international NGOs that question conditionality in PRSPs. The World Bank has commented on “the potential tension between the principle of country ownership and the need for donors to be accountable for the effective use of resources.” In addition, Christian Aid has commented: “The current system of making debt relief conditional on the completion of a PRSP has the double impact of delaying debt relief and lowering the quality of PRSPs. This has clearly been the case in Tanzania and Mozambique.”

Doubts about the efficacy of policy conditionality in general have arisen in many quarters. For example, in a recent World Bank forum it was stated that: “There is now overwhelming evidence that aid is not effective in bringing about policy reform. I have argued that rather than redesigning the aid contract to make ex ante conditionality more effective, donors should switch to ex post conditionality (selectivity). Under selectivity the allocation of aid is tied to success.”

A part from the question of the effectiveness of conditionality in obtaining results, by now it should be clear, on the basis of many experiences, that ex ante conditionality and country ownership are incompatible. It is a virtual impossibility for a country to champion the development of a strategy and to feel a true sense of ownership of it and at the same time mold the strategy to satisfy conditions developed beforehand in Washington or elsewhere. This is all the more true when the country feels obliged to conform to the conditions because of the economic weight attached to them. This is the economic equivalent of the Heisenberg Principle in physics: When an IFI intervenes in the policy process, it fundamentally changes its nature.
Perhaps this lesson should have been obvious from the beginning. Expecting a document to satisfy prior conditions (including less obvious ones on the nature of the analysis) that are imposed from the outside and also to have the document owned by the country is akin to trying to be both judge and jury. It is equivalent to wanting to participate in a contest and be its umpire as well. Both aims cannot be satisfied by the same process or document.

One avenue of solution, as will be seen below, is not to abandon the concept of conditionality but rather to change the way it is used. Another is to revisit the nature and purposes of a document like the PRSP. A third avenue consists of returning to the original concept of the Comprehensive Development Framework (CDF) as propounded by the World Bank.xxxii

**Conditionality is most effective when it supports the implementation of a country's own vision.** Even with the best of intentions, implementation often is a tortuous process, and therefore tying disbursements to actual progress on implementation — to performance — can be a very effective incentive. In Honduras in the early 1990s, joint conditionality of the World Bank and the IDB included, first, approval by the Honduran Congress of the Agricultural Modernization Law (which was developed with extensive private sector participation and had strong national ownership); second, development and issuance of its regulations; and third, implementation of its key provisions.

Equally, it has been pointed out in several quarters that tying conditionality in debt relief to completion of the PRSP places severe constraints on the PRSP process and makes it even more difficult for it to be truly participatory. Certainly the movement is in the direction of reducing that kind of conditionality, especially since the debt relief process has been essentially completed in many countries.xxxiii However, in 2001 this conditionality still was binding on policy in a number of developing countries. There is an emerging consensus to the effect that it should be sufficient, for a poor, highly indebted country to earn the bulk of the debt relief, to have initiated a participatory process of policy review and formulation.

### 2.9. Single or Multiple Strategies?

The PRSP already has made very valuable contributions to international development: to poverty alleviation policies, to debt relief, and to citizen participation in policy making. It also has been a major vehicle for donor coordination in some countries, and it has helped increase policy analysis capacity in developing country governments. However, it is time to take the next step toward more complete fulfillment of the PRSP goals in two respects: (1) deepening participation, moving on from the stage of consultations to the stages of collaboration and ownership; and (2) broadening the poverty alleviation strategy so that it places more emphasis on sustainable poverty reduction, through growth and employment generation in the productive sectors, especially in agriculture, and other facets of the growth process. This does not mean abandoning the PRSP but rather complementing it and giving it a different role.

Since it is difficult for a PRSP to satisfy completely the requirements for both conditionality and ownership, an alternative is to clearly distinguish between the processes designed for the two purposes and to separate the corresponding documents. **A national strategy document, embodying a long-term vision, has a better chance of becoming a vehicle for generating national ownership of a policy reform program.** The Guyana experience has underscored this message, but both the process and the form of the document can vary significantly according to the circumstances of each country. The IFIs hope that the Poverty Reduction Strategy (PRS) will become the national strategy document, and the PRSP an action plan based on it. However, some of the same caveats about national ownership that apply to a PRSP may apply to a PRS, depending on how the process is conceived, organized, and managed.
A national strategy presents a long-term vision, and a PRSP is medium-term and more implementation-oriented. A national strategy places poverty alleviation efforts in a broad context of structural reforms through the economy and in social and environmental sectors. Donors can support the development of a national strategy in indirect ways, encouraging participatory processes without infringing on national ownership. The PRSP, like the CAS before it, the UNDAF, and comparable documents of bilateral donors, is a necessary programming document for planning the use of external resources. Ideally, when a national strategy exists, all international programming documents for a country should be based on it, but they should not be confused with it. The Guyana experience has also shown how a PRSP can be based in good measure on a national development strategy and how the roles of the two documents can complement each other. By the same token, it showed how deep participation in a National Development Strategy (NDS) can raise the capacity of civil society to participate subsequently in a PRSP.

The chances of a country claiming full ownership of a PRSP are enhanced if it is based on a long-term vision document. “Countries that have put together medium-term strategies, anchored in well-articulated country-owned long-term holistic visions include: Bolivia, Burkina Faso, Ghana, Guinea, Uganda and Vietnam.”

It takes time to develop a national strategy that is fully participatory yet based on rigorous analysis and that contains concrete policy recommendations, but supporting such an effort is the main thrust of the CDF. The first principle of the CDF is: “Ownership by the country. The country, not assistance agencies, determines the goals and the phasing, timing and sequencing of the country’s development programs.” The World Bank has further stated, “We are working with the U.N. and others ... in the common interest of creating a cohesive, integrated approach to aid coordination that supports a country-led national development plan.” And, “PRSPs should be consistent with and derivative from other expressions of a country’s development strategy (i.e. its long-term vision).”

Confusion has arisen and national ownership of the process has been weakened when the derivative nature of a PRSP is forgotten and it attempts to substitute for a national strategy. As commented by the World Bank: “The integration of the country’s comprehensive development strategy process with the formulation of the PRSP has so far not been seamless and there have been a wide variety of experiences. In Guyana, the development strategy underwent intensive national consultations over a decade but has so far only weak linkages to the PRSP process.” In addition, it should be mentioned that the Guyanese civil society members selected to participate in the PRSP exercise largely were not involved in the NDS. Hence an opportunity to strengthen the linkage between the two documents was lost.

The coverage of a policy document itself can be a constraint on participation and national ownership. Many Albanian participants, particularly from the private sector, voiced the view that they preferred not to have a PRSP but rather a growth strategy. Certain groups in Guyana confessed to feeling ashamed of the need to produce a strategy for identifying and reducing poverty. A national development strategy, which can deal with poverty issues inter alia, has a more positive image and is more likely to rally national support. In the end, if it is to be successful in promoting structural reforms that increase productivity and growth, a strategy document has to become a rallying point as well as being a rigorous document. To achieve that status, it has to respond to deeply felt national aspirations. For that reason, civil society in Guyana decided to give their NDS the subtitle “Eradicating Poverty and Unifying Guyana.”

3. Ways Forward

The considerations presented in this paper suggest possible ways forward to improve both the policy making process in developing countries, strengthen participation in policy formulation, and make external assistance more productive. In summary form, the seven pillars of a new way forward would appear to be:
• Acknowledge the differences between a PRSP and national strategies. The former is a medium-term resource programming document for IFIs and other donors, the latter is the country's own long-term development strategy. A PRSP should be based on a national strategic vision document that includes policy specificity. In view of the Heisenberg effect in economics, trying to make the two of them the same document cramps the space for development of a true sense of national ownership.

• Support participatory strategy efforts and capacity building for policy analysis in both host country governments and CSOs. The approach should be one of development latent capacity, using indirect means such as third parties as much as possible. Capacity building is usually most effective in a learning-by-doing mode, in which advisors and national counterparts work side by side for extended periods of time. It is a process in which advisors learn as well and through which national counterparts come to draft their own strategic vision and policy recommendations.

• Accept and encourage discussion of macroeconomic alternatives and provide technical assistance to ensure the internal technical consistency of each optional scenario. Macroeconomic policies have strong implications for the development of productive sectors and therefore for sustainable poverty alleviation. There is more than one viable macroeconomic path, each defined by a different configuration of macroeconomic policy instruments. Both governments and civil society need to be more involved in reviewing alternative paths in light of their own national circumstances. Today, in effect, macroeconomic scenarios all over the developing world are established by the IFIs.

• Move from an approach of carrying out only consultations to one of empowerment through fully participatory work on national strategies. Consultations alone can never lead to national ownership. Drafting a document does convey ownership. It can be done in a collaborative mode, but national counterparts need to take the lead and international advisors need to play a low-key role of explaining the pros and cons of each alternative.

• Tie donor conditionality to concrete results in the form of implementation of key measures in a national strategy. There is a growing consensus that ex ante policy conditionality is ineffective. A stronger contribution can be made by offering incentives for implementation of a country's own strategy by linking disbursements to progress in implementation.

• Improve incentives for IFI staff to return from work in the country with new or adapted approaches to policy. As matters now stand, the institutional culture sometimes discourages originality in policy recommendations, especially with regard to the macroeconomic framework. Try to break with the mission culture.

• Use third parties for capacity building and provision of policy advice; avoid the Heisenberg effect. As matters now stand, in many countries the IFIs are the only source of policy advice, especially at the macro level, and the only entities passing judgment on the acceptability of policies. Diversity always is a better way to progress.

Supporting thrusts would include the following:

• Link the PRSP and other resource programming documents of donors to the priorities of a national strategy. Such a linkage facilitates donor coordination among donors and with the government. In addition, it has been found that country participation in developing a PRSP is more effective when there has been a prior experience in formulating a national strategy by fully participatory means.

• Support institutionalization of CSO capacity in the long run by endowing and otherwise supporting independent think tanks. Such institutions have played vital roles in a few developing countries, but they are needed in many others.

• Urge presentation of national development strategies and PRSPs to national congresses and parliaments for their debate and eventual approval.
This gives them greater legitimacy and national ownership and provides a firmer basis for implementation.

- **Ease conditionality on debt relief.** Tight deadlines for completing PRSPs and acceptance of rigid macroeconomic frameworks in order to qualify for debt relief have been deleterious to participation in PRSP formulation. While this problem is being solved, it still is present in a number of countries.

### 4. Four Country Experiences

#### 4.1. Principal Challenges and Constraints for Each Country

**OVERVIEW**

Albania, Guyana, Mali and Mozambique have very different historical experiences and economic structures. Yet all four have experienced high economic growth in the past decade, although Guyana’s growth rate has dropped markedly in the last three years. Albania is unusual in that its industry declined significantly, but it has had to undergo a fundamental transition of economic system. The other three countries also have moved out of central planning into a market economy, but their transitions were not as abrupt.

These four countries have performed better than the average developing countries in spite of adverse circumstances. Two of the countries (Mali and Mozambique) have experienced civil wars in this generation, and two have suffered civil unrest (Albania and Guyana). Albania has had to accommodate large numbers of cross-border refugees, and Guyana confronts tense border disputes with two of its neighbors. Mozambique has been hit very hard by natural disasters (floods), and Guyana also to a lesser degree (floods and drought). Agriculture is the largest sector in all four countries, and exports to industrialized nations are important for the balance of payments and for generating household income. All four have seen real agricultural prices decline sharply, and Guyana in particular has lost preferential access to markets for some agricultural products.

All four countries have developed long-term national strategy documents and Poverty Reduction Strategy Papers. The Highly Indebted Poor Country (HIPC) debt relief process has been applied to three of them.

**ALBANIA**

Albania’s history since its emergence from communist rule in 1991 is characterized by deep swings in political stability and economic growth. The immediate aftermath of the start of the transition was a period of economic depression (1992-93) followed by several years of sustained economic growth. At this time some characterized Albania as one of the most promising of the Eastern European economies. This progress came to an end in January 1997 with the collapse of massive pyramid financial schemes followed by a period of severe civil unrest leading to the fall of the government. After new elections recovery began again but the Kosovo crisis worsened, and early 1999 saw an influx of approximately 500,000 refugees. The country faced the conflict in Kosovo and the refugee problem admirably, but the impact on the economy was great despite substantial foreign assistance.

In 2000 Albania again recovered and some economic indicators returned to 1997 levels. While the conduct of national elections improved considerably during the last decade, problems remain, and the main opposition party rejects the results of the June 2001 parliamentary contests despite the qualified approval of international observers. The past six months have seen Albania enter into another of its periodic crises with political instability and corresponding economic damage. Economic growth, which had been fairly consistent over the last few years at around eight percent, is now declining, and the internal conflict within the ruling Socialist Party may result in another round of parliamentary elections this summer — one year after the last ones. During the winter of 2001-2002, the political crises brought government to a standstill. This was compounded by a severe electricity
shortage (outages of 12 hours per day in the capital and 18 in the countryside) with resulting damage to productive activity, human health, and security. The crisis has further eroded the confidence of citizens in their government and the institutions of government.

The country has also been affected by one of the highest out-migration rates in Southeast Europe. It is estimated that during the 1990-99 period 40 percent of the country’s professors and research scientists left. Remittances are significant and estimated to total approximately 20 percent of gross domestic product (GDP). Rates of internal migration to urban areas are also high.

Albania receives a relatively high level of donor assistance both because of its depressed condition on its emergence from communism and because of its location in an unstable region and its need to accommodate the Kosovo refugees. Additionally, Albania aspires to join the European Union (EU), and the EU is actively working with the country to achieve that end. Albania is part of the EU’s Stabilization and Association Agreement process (SAA) for the Western Balkans and the Southeastern Europe Stability Pact, and both of these affiliations bring in substantial aid and pervasive policy agendas.

Albania’s total foreign debt declined from over 75 percent at the end of 1993 to below 28 percent at the end of 1999 as a result of Paris Club arrangements. This achievement was also the result of prudent policies regarding the contracting of new foreign debt. Albania’s current public debt is below the average for similar developing countries, although its domestic component is relatively high.

The priority issues currently facing the country are crises in governance and physical and social infrastructure. Governance problems include widespread perceptions of severe corruption, the prevalence of organized crime especially trafficking in women, lack of administrative capacity, and the recurrence of political conflict. As a result, the state is struggling to retain its legitimacy in the eyes of many of its citizens.

The lack of a functioning electric supply system and piped water to large segments of the population nearly constitute a national emergency. Other infrastructure such as roads and telecommunications is similarly dysfunctional, although the government, with donor financing, has made progress in partially restoring the national highway network.

GU Y A N A

While physically located on the South American continent, Guyana shares political, cultural and historical ties with the Caribbean. It is ethnically diverse and rich in natural resources (gold, diamonds, timber, agricultural land), yet it has one of the lowest per capita incomes in the hemisphere. Sustained emigration, due in large part to lack of economic opportunity, has kept the population at fewer than one million and eroded the human resource base of the country. Nevertheless, its low population density, bountiful natural resources, improving human development indicators and potential as an Atlantic trade route from South America to Northern markets give it considerable development potential.

Following economic reforms initiated in the late 1980s, Guyana’s economy grew in real terms at an average annual rate of 7.4 percent per year between 1993 and 1996. This growth and the steady reversal of more than a decade of deterioration in the physical and social infrastructure helped to reduce the incidence of absolute poverty from 43.2 percent in 1992/1993 to 35.6 percent in 1999. The decline in poverty was most significant in urban areas, followed by rural coastal communities, while in the hinterland interior regions it was negligible.

Internal crises (political strife, industrial disputes), external shocks (East Asia crisis, decline in commodity prices, loss of preferential trading arrangements, resurgence of border disputes), and natural disasters (flooding and drought) affected Guyana’s economic performance in the latter years of the decade. Real economic growth fell off to just 1.4 percent per year on average for the years 1997 to 2001. The government was able to safeguard social spending for health, education...
and poverty alleviation programs with the assistance of debt relief under the international community's HIPC initiative.

Guyana entered the decade of the 1990s with one of the largest debt burdens — $2.1 billion — for a country its size. Debt relief from bilateral creditors over the first half of the decade saw the debt stock decline to $1.8 billion, but servicing requirements were still onerous. When the international community announced the HIPC debt relief initiative in 1996, Guyana was one of the first to qualify. However, even after debt relief in 1999 reduced the debt stock to $1.3 billion, debt servicing consumed 33 percent of budgetary resources. Additional and timely debt relief was provided to Guyana when it qualified to enter the Enhanced HIPC program in 2000, helping to stave off a deeper economic recession. The participation in debt relief operations of Caribbean neighbor Trinidad and Tobago, which held almost a quarter of the original debt, is noteworthy. Guyana could potentially qualify for another $329 million of debt relief (in net present value) by early 2002. This step would bring the ratio of debt service to revenues down to 13 percent in 2002.

Major political reforms occurred in the 1990s, following moves toward democratization in the late 1980s. Guyana experienced its first free and fair elections in over 28 years in 1992. However, progress toward a more fully consolidated democracy was slowed by a long history of authoritarian rule, weak institutions and a divisive political culture reflecting severe mistrust and competition between the country's two main ethnic groups. The latter half of the decade has seen considerable political strife starting with the contested election results of 1997. The incumbent party People's Progressive Party (PPP) was declared the winner of the elections, but the major opposition People's National Congress (PNC) did not accept the results. International observers and an independent audit of the results did not find cause to support claims of fraud, but the High Court eventually vitiated the results in 2001.

Regional mediation helped to resolve the electoral standoff. The PPP agreed to a shortened term of office (from five to three years) and the parties agreed to reform the constitution in advance of new elections in 2001. Constitutional reforms introduced new elements into the electoral system, reduced the powers of the president, increased the independence of the judiciary, established new standing committees in the Parliament, and provided for the creation of national commissions to address indigenous rights, the rights of children, human rights, gender equity, and ethnic relations. The reforms introduced new checks and balances into the system and hold the potential to strengthen consensual decision-making procedures and broaden participation in governance.

MALI

Following the devaluation of the West Africa's common currency, the CFA franc, in 1994, Mali's economic growth rate averaged 5.6 percent per year through 1998, while the population growth rate averaged 2.2 percent. This positive economic performance was mainly due to good weather (agriculture represents 40 percent of GDP) and prudent economic policies. However, Malian social conditions and living standards remain at low levels. Mali is classified among least developed countries with a human development index (HDI) of 0.381, which gives it a rank of 165 out of 175 countries. The national “Human Development Report” (1999) found poverty rose sharply between 1989 (40.8 percent) and 1996 (71.6 percent) but decreased slightly from 1996 to 1998 (69 percent). The level of social and economic inequity between urban and rural areas remains high.

Mali is highly dependent on external aid flows and this affects its ownership over its own development process. The efficiency of the official development assistance has been questioned by some in light of the high level of the incremental capital output ratio (ICOR) in Mali, estimated at 12 against an international average of two to four.
Mali is highly indebted. Its ratio of debt to GDP was 119 percent in 1997; in 1999, it fell below 100 percent. Multilateral debt represented about 71 percent of total debt stock in 1999. Debt service payments absorbed 22 percent of total government revenues in 2001. This burden of debt obligations is almost double public expenditures in basic social sectors, which represented about 11 percent of budgetary expenditures in 1996, 12 percent in 1997, and 13 percent in 1998.

Democratic institutions have developed considerably in Mali. There is plurality of political parties, separation of powers, and freedom of press. A dynamic civil society (more than 600 registered NGOs) has emerged. Respect for human rights and dialogue between various stakeholders are embodied in Mali’s tradition, which helped put an end to the Touareg civil conflict in 1996 and laid the basis for implementation of a normalization program in the Northern regions of the country.

However, this young democracy has yet to overcome the patrimonial tendency in governance, due in part to weakness of the political opposition. A recent campaign against corruption launched by the president is evidence of concern over the lack of transparency in the management of public funds and reveals weaknesses of the existing checks and balances in the government system. Improvements are being made as the judicial system is progressively being empowered and assumes a more independent role.

Mozambique is a country in transition, seeking to consolidate the peace after nearly three decades of armed conflict, which began with the liberation struggle from 1964 to 1974 and continued during 1976-1992 with the civil war between RENAMO (National Resistance of Mozambique) rebels and the FRELIMO (Front for the Liberation of Mozambique) government. Between 1987-90, a number of structural reforms on both the political and economic fronts were drawn up. In 1990 a new constitution was adopted which introduced, among other things, a free market economic system in place of central planning, a multiparty political system, the abolition of the death penalty, and freedom of the press and of association.

After three years of negotiations in Rome, through the mediation of the Catholic Church and the Italian government, a General Peace Agreement was signed in October 1992, putting an end to the devastating armed conflict between the government and RENAMO. In 1994, the first multiparty elections took place, which led to the victory of the FRELIMO candidate for the presidential post and 129 seats for his party in the Assembly of the Republic, with RENAMO winning 112 seats while a coalition of three small parties took nine seats.

As a result of a process of decentralization initiated by the government, the first local elections were held in 1998, initially in 23 cities and 10 towns. The opposition boycotted these elections, giving FRELIMO victory in all municipalities. Nevertheless, the process introduced a new variable into the political landscape, with groups of private citizens organizing themselves into political movements and contesting the elections in 10 out of the 33 constituencies. In four of these places, two of which are large urban centers (Maputo and Beira) as well as two urban semirural centers, these groups succeeded in getting candidates elected, and they are currently represented in the Municipal Assemblies.

In 1999 the second general elections took place. The FRELIMO presidential candidate was re-elected and his party obtained, once again, a majority in Parliament. The result of this election continues, however, to be contested by RENAMO, which does not recognize the legitimacy of the current administration. The Assembly of the Republic is now polarized between the two political giants as a result of RENAMO having entered into a coalition with 10 smaller parties as the RENAMO-Electoral Union.

Economic growth has been remarkable since the onset of peace. It has averaged over 10 percent per annum in recent years, though there are concerns about deep regional economic inequalities in the country. Mozambique still is a very poor country, with a per capita...
income of $200 (2001) and a human development index of 0.352 (2000). The incidence of absolute poverty is 69.4 percent, 71.2 percent in rural areas and 62 percent in urban areas. Literacy and life expectancy are low, though all indicators, including school enrolments, are improving. Some observers have questioned the extent to which the rapid growth has benefited the poor, especially outside of the capital region, but agricultural growth averaging 8.4 percent between 1994 and 1999 indicates there must have been a perceptible reduction of poverty. Cereal production by small holders doubled in that period.

In June 1999, the country was granted debt relief under the HIPC initiative. In April 2001 the country reached decision point under Enhanced HIPC as a result of the approval by the World Bank and IMF of the interim Plan for the Reduction of Absolute Poverty (PARPA). In September 2001, the country qualified for Enhanced HIPC relief with the approval by the World Bank and IMF of the final version of the PARPA. It is worthy of note that the World Bank required the participation of civil society in the process that led to the drafting of the final PARPA.

4.2 National Development Strategies and Processes: Albania

Save for the series of Five-Year Plans prepared during the communist period, Albania had no experience with national development strategies or Western donor assistance until 1991. Efforts toward Albania’s eventual integration into the European Community brought other strategic development initiatives, mainly the Stabilization and Association Agreement process and the Stability Pact. Some of the first serious consideration of the need for a national development strategy came in 1997, in conversations among The Carter Center, Albanian political leaders, and civil society representatives. The World Bank/IMF Poverty Reduction Strategy process was initiated in 1999.

The Stabilization and Association Agreement Process

The European Union’s SAA does not call itself a national development strategy but nonetheless, it functions as one in the absence of anything else. It contains a vision of Albania’s future, a set of objectives to be achieved, and substantial funding linked to these objectives. The process — intended to result in Albania’s membership in the European Union — consists of several stages leading to eventual EU membership. Although Albania is still at an early point in this process, substantial development aid is tied to fulfilling the embedded vision and objectives.
organizationally the pact relies on a special coordinator and a 30-member team whose main tasks are to bring the participants' political strategies in line with one another and to coordinate initiatives in the region to help avoid unnecessary duplication. the special coordinator chairs the most important political instrument of the Stability Pact, the Regional Table. Three Working Tables operate under the aegis of the Regional Table: Democratization and Human Rights; Economic Reconstruction, Co-operation and Development; and Security Issues. The European Commission and the World Bank were appointed to coordinate the economic assistance for the region.

The Pact has presented a “Quick Start Package (QSP)” of 244 projects spread among the countries of the region and costing $1.6 billion (1.8 billion euros). The donor community pledged $2.1 billion (2.4 billion euros) and the Pact reports that within one year 201 (82 percent) of these projects had “effectively started.” In Albania at present there are around 55 QSP projects underway with physical infrastructure projects receiving the bulk of the funding and also significant expenditures on education, civil society, human rights, and security. The European Commission/World Bank Joint Office for Southeast Europe was less than content with Albania’s performance in the area of infrastructure, stating that: “The overall sector environment [was] found to be a hindrance to project success ... for example, four of the five quick start road projects have been severely delayed by the lack of local capacity and organization in land expropriation and acquisition needed to expand the road system.” Overall, however, the QSP appears to be a sound way to focus attention on priority projects and shorten implementation times.

At present, the aforementioned three strategies and processes are the major ones shaping Albania’s national development. These three strategic efforts complement one another and form a whole which provides a vision, a fairly well-articulated set of goals and substantial finance to meet those goals. While the vision is largely that of the European Union, the Stability Pact serves a unique...
role in that it brings the non-European actors — major bilateral donors and international organizations — not only to the table but into the process.

THE PRSP PROCESS

In 1998 the Albanian prime minister invited The Carter Center to help organize a participatory process to produce a National Development Strategy. However, the initiative was delayed until 2000 due to the Kosovo crisis, which created an environment in which an NDS exercise could not be effectively organized. By the time plans got underway to restart the NDS process, the policy-planning environment had been significantly altered with adoption by the IMF and World Bank of the Poverty Reduction Strategy Paper as a new policy instrument for many developing and transition countries. The World Bank had already worked with the government of Albania in the development of an Interim-PRSP, which was to be developed into a national Poverty Reduction Strategy.

In late summer of 2000, The Carter Center was approached, first by the World Bank and then by the Ministry of Finance, about coordinating or integrating the NDS and Poverty Reduction Strategy (PRS, later renamed by the Albanians GPRS for Growth and Poverty Reduction Strategy) processes. The Bank expressed strong concerns about duplication, confusion, and absorptive capacity in Albania for simultaneous participatory planning processes. The Center shared some of these concerns but had others about the proposed GPRS process, including the largely consultative role planned for civil society, the compressed timetable proposed for producing the GPRS, the poor sequencing of the data production with the GPRS timetable, and the narrow sectoral focus of the GPRS, built around the four sectors covered by the Medium Term Expenditure Framework (MTEF).xlv The Carter Center believed that a process built around a limited number of sectors would fall far short of the comprehensiveness required in an integrated, consistent national development strategy.

Restructuring and extending the GPRS process was not considered a viable option since the government had already committed itself to the timetable and the overall structures for the GPRS. At the request of the government, and after consulting donors and contacts in civil society, The Carter Center decided its initial efforts should be devoted to collaborating with the government to facilitate participation by civil society in the PRS process. They agreed to use this period to strengthen citizen participation in the PRS while setting the stage for a subsequent national development strategy process.

A draft participation action plan for the GPRS was produced by an international consulting group that outlined three distinct focal points of outreach activity corresponding to the private sector, local government, and civil society (Parliament was later added at the insistence of donors). The Carter Center agreed with the government that it would help develop and support the civil society component. The government and World Bank scheduled a national workshop to refine the draft action plan in collaboration with civil society and to signal the launch of the GPRS process. The Carter Center was asked to identify civil society representatives for the workshop, which was accomplished through an intensive networking and self-selection process carried out with organizations at national and regional levels.

The national workshop was held in November 2000. The prime minister and the minister of finance gave keynote speeches, and representatives of government ministries, international donor agencies, diplomats, and the media attended. Seventy-five civil society representatives were invited to the workshop and approximately 70 attended. Two-thirds came from outside of Tirana, broadly distributed from around the country, and approximately half came from smaller towns and rural areas. Thirty-six percent of the civil society participants were women, and a variety of organizations were represented as well as individuals. Most importantly, the workshop set the basis for developing a structure to ensure citizen participation in the GPRS.
The framework of civil society participation that emerged from the workshop consisted of a three-part structure. The key element was a set of four Civil Society Advisory Groups (CSAGs) — groups initially comprising 10 to 15 representatives of civil society — corresponding to the four sectors of the MTEF: health, education, labor and social affairs, and agriculture. The CSAGs would serve as a forum for civil society to debate and propose policy and to be involved in outreach activities. The members of these groups had attended the November workshop.

The CSAGs chose from among their members four or five representatives to serve on smaller Sector Technical Working Groups (STWGs), along with a similar number of members from each involved line ministry. Initially, these groups were expected to jointly draft sections of the GPRS and develop the MTEF. Finally, a National Civil Society Advisory Group (NCSAG) would be established to review and comment on the integrated GPRS drafts. This group would include members of the CSAGs as well as representatives of the private sector, the media, and others, including human rights organizations.

In practice, the quality of the draft papers produced by the STWGs was variable, and in any case the GPRS was composed by a drafting team comprised of national experts drawn from three local think tanks contracted by the Ministry of Finance. The drafting team was charged with consulting the other groups that had been designated as participants in the strategy: local government, the private sector, and the Parliament.

In May, The Carter Center and Oxfam conducted 12 regional consultations. In each region one consultation was held in the district capital and two were held in outlying communities. The participants were members of civil society and local government representatives. Local perspectives on poverty and development issues were solicited. The consultations highlighted the deep sense of isolation from governance institutions, the lack of effective social services, and the lack of sustainable livelihood opportunities at the local level. A detailed report on these efforts was prepared by The Carter Center and Oxfam and provided to the government and its consultants preparing the GPRS.

In addition to the civil society consultations, the government and the donor community undertook a number of additional research and consultative efforts that contributed to the development of the GPRS. In April, the World Bank and the UK Department for International Development organized a workshop in Tirana on “Environment, Growth and Poverty” attended by 65 representatives of government, donors and civil society. Also in April, the Ministry of Finance sponsored a workshop attended by government staff to review the linkages between the MTEF and the GPRS. Finally, the World Bank and the Center for Economic and Social Studies conducted a qualitative poverty assessment of 10 areas in Albania.

By the end of May 2001, the drafting team had completed the first draft of the GPRS. The NCSAG met on June 5 to review the first draft of the GPRS document. The NCSAG’s comments, while acknowledging the overall positive contribution of the strategy document, noted several shortcomings, including an inadequate vision to frame the analysis of macroeconomic and sector trade-offs, an unclear structure and designation of priorities, the lack of an adequate definition of poverty, and other comments of a sectoral nature. The observations were submitted in writing to the drafting team.

At this point, there was a long hiatus in the GPRS process due to the national elections, which began in June 2001 and took place in the course of five rounds through August. The NCSAG reconvened in September to review the second draft of the GPRS. The NCSAG members were asked to pay particular attention to those parts of the draft involving monitoring and evaluation and also to consider the priorities as highlighted in the policy matrix. Overall, civil society representatives were divided on the extent to which earlier comments were reflected in this draft, but there was general agreement that some progress had been made.
In November 2001 a workshop was held to launch the Growth and Poverty Reduction Strategy in the public arena. The workshop was opened by the prime minister and was well-attended by government, civil society, and donors with presentations from all actors. In particular the government specifically recognized the right of civil society to participate in the development of the strategy and the contribution that civil society representatives had made.

**National Participation and Ownership**

The SAA is part of Albania’s national development planning yet it is not — nor could it ever be — a participatory process in the same manner that an NDS or a PRS could. Nonetheless, at the macro level, while Albania had little to do with the development of the vision, there appears to be no disagreement with its basic tenets and approach. The government, the opposition, and civil society elites all profess aspirations to achieve integration with the EU. On the other hand, the funding processes flowing from the SAA — particularly CARDS — might well benefit from civil society consultation in the design and budgeting of the assistance package. None of this, however, means that the process is not concerned about civil society, and indeed substantial funding is aimed at strengthening civil society.

Much of what has been said about the participatory nature of the SAA process also applies to the Stability Pact, but with the following caveat. The Stability Pact, particularly under Working Table I, Democratization and Human Rights, has periodically held consultations with civil society representatives. However, these consultations have been ad hoc and are not aimed at institutionalizing a civil society role in the choice of priority projects or general program design. Another aspect of the Stability Pact is its role as a packager of other institutions’ aid. To the extent that the processes of these other entities adequately include participation, the Stability Pact also benefits. In reality, the participatory quality of the SAA and the Stability Pact will depend mostly on the degree to which the positions therein taken by the Albanian government reflect the results of national consultative processes, which brings us to the GPRS process.

Unlike the above efforts, the GPRS process explicitly envisaged citizen participation from the outset. For its part, the GPRS process is an evolving and improving effort moving in the direction of institutionalizing input from civil society in general and vulnerable and isolated groups specifically. At the same time, it seeks to improve the quality and impact of participation through greater emphasis on capacity building and outreach. It has the potential of becoming a networked participatory process where civil society representatives are involved in other donor efforts at the national and local levels, thus bringing a greater degree of rationality and coordination to the development process.

In conclusion, the GPRS process has catalyzed a degree of participation, although in the end the planned modes of participation did not work out well and the document was drafted by a small group of technical experts. Ownership of the document by civil society is very weak. It is weak for the government as well, in spite of the public involvement of the government in the process. The time constraints on the GPRS and its emphasis on consultations, rather than collaboration, worked against national ownership. The private sector should be more intimately involved in the process in the future. At the same time, it became apparent that more capacity building on policy issues is required in civil society.

Perhaps the most valuable legacy of the GPRS process is that civil society now expects to be consulted on future issues of national strategy. And mechanisms are being put in place to improve participation in the next rounds of work and to broaden the content areas covered by the GPRS. Coordination between the GPRS process and the EU entities needs to be improved, and further work on the GPRS needs to pay more attention to its consistency with EU accession requirements.
ORIGINS OF THE NATIONAL DEVELOPMENT STRATEGY

In preparation for the resumption of development assistance to Guyana, the international community in January 1994 organized a special meeting of the Caribbean Group for Cooperation in Economic Development (CGCED) to discuss the government’s development vision, strategy and priorities. The government of Guyana invited President Carter to the CGCED meeting for the potential role the Center might play as an “honest broker” with the donor community. The CGCED marked the resumption of normalcy in Guyana’s relations with the donor community with substantial pledges coming from bilateral donors. One of the conclusions of the CGCED meeting was the need for the government to develop a comprehensive, long-term development strategy to guide its reform efforts. At the request of the government and with the support of multilateral and bilateral donors, the Carter Center agreed to provide technical assistance for the effort. The plan was for the government to produce a technical draft of a strategy document and subject the recommendations to wider public review. The government agreed to a participatory approach to strategy formulation in order to engender greater national ownership and to draw in skilled human resources from the private sector and nongovernmental organizations. The government took a low-key, technocratic approach to participation in formulating the strategy, emphasizing the expertise of the participants in order to avoid a politicized process and to build the strategy’s credibility with the international community.

THE NDS PROCESS

The process of formulating Guyana’s National Development Strategy got underway in June 1995. The Carter Center worked with the minister of finance to produce a terms of reference for the planning process. A Technical Coordinating Committee was established under the Ministry of Finance to manage the effort. The Carter Center’s field office participated in the coordinating committee and helped manage the day-to-day logistical and administrative aspects of the work. Twenty-three Technical Working Groups (TWGs) were organized to develop strategy documents for economic, social and infrastructure sectors and cross-cutting themes. Each TWG drew its membership from government ministries, NGOs, the national university, and the private sector.

The Center provided a long-term technical advisor who made frequent, extended visits to the country. To further build the technical foundations for the strategy, the Center compiled an extensive collection of technical reports produced by government ministries, consultants and donor agencies for distribution to the working groups. In addition, it produced, through short-term technical assistance requested by the government, inputs into the process in the form of a study on the competitiveness of Guyana’s exports and an assessment of Guyana’s forest products industry. In some cases, technicians resident in local donor missions were invited by working groups to participate in meetings in a purely personal capacity. The Center’s facilitation role also included assistance in coordinating some donor activities with the process. Working with the United Nations...
Development Programme (UNDP), the Center helped arrange for selected visiting donor missions to contribute technical expertise to the working groups.

In total, the 23 working groups involving over 200 Guyanese from the government, the private sector, academia and civil society met over 300 times to develop the six-volume, 42-chapter draft National Development Strategy of over 1,250 pages. The draft NDS was released in January 1997 for public review. While the drafting of the NDS was unusually participatory by the standards of Guyana’s historical experience and international practice at the time, the main opposition party publicly criticized the process in April 1996 for not seeking its endorsement of the effort. It further accused The Carter Center of providing the government with a manifesto for the upcoming elections — illustrating the importance of appropriate timing in strategy efforts.

Despite this setback, in 1997 the government distributed the document widely, held eight regional workshops and a national workshop, and posted the document on its official web site to elicit input from Guyanese living abroad. The analysis and policy recommendations of the draft NDS received widespread media attention, and the independent press in particular gave extensive editorial coverage to its content. Numerous international organizations commissioned technical reviews of the document, which were submitted to the government. The Ministry of Finance received hundreds of submissions from international organizations, local groups and individual citizens.

HIATUS AND INTENSIFIED PARTICIPATION

The crisis surrounding the national elections of December 1997 caused the progress on the NDS to be halted. Nevertheless, the opinion of many influential citizens was that the NDS had an important contribution to make to the country’s governance and could be a vehicle for national consensus building. Furthermore, in light of the intractable relations between the two major political parties, civil society leaders felt they needed to take a more prominent role in national affairs. The government remained committed to the NDS process and was eager to finalize the document and submit it to the donor community for support. But civil society and business leaders were concerned that proceeding in this way would inflame the row with the opposition, as it would appear that the government was moving ahead without a national consensus.
The Carter Center recommended that the government of Guyana pass the management of the NDS process into the hands of civil society for the final stage of reviewing, updating, and finalizing the strategy. With the opposition still unwilling to cooperate in the process, this appeared to be the only means of moving forward constructively. The Center believed this approach would also contribute to strengthening civil society's voice in management of the country's affairs, a missing ingredient in governance since the transitional elections of 1992. The government agreed to this approach while maintaining its commitment to using and promoting the draft NDS as its working policy framework.

The new vehicle for civil society management of the process was a National Development Strategy Committee (NDSC) whose composition was intended to broadly reflect the diversity of the country's economic and social interests while fairly representing political and ethnic constituencies. Civil society leaders expressed to the Center a willingness to participate in such a committee under appropriate terms of reference. They also urged the Center to guide the process of forming the committee to ensure its neutrality. The issue of direct political representation on the NDSC was discussed, but most believed that in light of the political climate the group should not include official representatives of parties.

The NDSC selected five co-chairpersons to provide leadership, manage the process, and serve as spokespersons with the public, the government and the opposition. The NDSC then formed 25 sectoral and thematic committees to review and revise the draft NDS. The sectoral and thematic committees involved NDSC members and other participants from the civil service, civil society, and the private sector. Through these structures a total of about 180 Guyanese would have the opportunity to be actively engaged in the revision process. In November 1998, the NDSC produced a terms of reference for the sectoral committees that laid out the process whereby revised committee documents would be presented to the NDSC for discussion and approval. It also laid out a format and guidelines to ensure consistency in the treatment of issues by the committees.

The Center provided a secretariat for the NDSC as it had done for the Ministry of Finance during the first phase of the effort. The Center also mobilized resources for the process and again arranged the advisory services of an international development economist to provide inputs to the NDSC when requested.

Utilizing the draft NDS and the feedback received through the consultative process, the NDSC produced a revised, updated and streamlined NDS document that included additional chapters on family and youth policy, telecommunications and information technology, and governance. An important factor in producing the governance chapter was the cross-fertilization between the NDS process and the constitutional reform process that was underway concurrently. The revised NDS featured new analysis of the taxation system and extensive review of Guyana's development constraints and opportunities with recommendations for achieving the stated goals. On June 19, 2000, the revised NDS with the theme of “Eradicating Poverty and Unifying Guyana” was officially presented to President Bharrat Jagdeo during a public ceremony attended by representatives of the government, political parties, civil society, the media, and the donor community. Following the presentation ceremony, President Jagdeo committed himself to presenting the NDS to Parliament and did so on July 4, 2000. However, in light of the full parliamentary agenda in advance of the 2001 elections, the NDS was not debated.

The incumbent party was returned to government in the March 2001 elections, and the NDS was subsequently retabled in the legislature in August. However, by this time the government was engaged in two new processes of policy dialogue that would delay parliamentary deliberation of the NDS. The first was the PRSP process, which got underway in June. The government dedicated itself to the task of producing a PRSP by the end of the year in order to secure additional HIPC debt relief. The second was a process of interparty dialogue initiated with the main opposition party after the elections.
THE PRSP PROCESS

The announcement by the boards of the IMF and World Bank of the new policy of developing PRSPs, in September 1999, occurred while the Guyana NDS was undergoing revision by civil society and while the government of Guyana was implementing its first HIPC agreement. When informed of the PRSP policy, the government announced that it already had a participatory national poverty reduction strategy in the NDS. However, donors were not willing to accept this position and informed the government that it would have to produce another document through a distinct process.

Guyana’s Interim-PRSP (I-PRSP) was approved by the IFIs in October 2000. The government attempted to engage representatives of the NDSC in producing the I-PRSP to ensure its consistency with the NDS. However, due to time constraints and other factors, these efforts were unsuccessful and the I-PRSP was drafted by a World Bank consultant and approved by the government.

In January 2001, the Office of the President held a workshop with 25 civil society representatives to design a participation action plan for the PRSP. A Poverty Reduction Strategy Secretariat (PRSS) was established in the Office of the President. The participation plan and budget were finalized in May, and the donor community committed resources for its implementation. UNDP, the Inter-American Development Bank, the Canadian International Development Agency, DfID and the United States Agency for International Development funded the $350,000 budget. The disbursement of funds was organized by UNDP through a pooling arrangement. In addition, the World Bank provided ongoing technical assistance in support of the consultation process and synthesis of priorities into policy actions.

The organizational framework for participation in the PRSP process included a Donor Coordination Unit (Group), a PRS Steering Committee, the Strategy Secretariat, and Resource Teams. The PRS Steering Committee comprised two representatives from the government and 10 from civil society. The PRSS was responsible for developing and managing the implementation of the participatory process. It funded the consultation process and in some cases provided resources to civil society groups to support their consultations. The Resource Teams comprised facilitators, rapporteurs, and regional consultation supervisors. According to Guyana’s draft PRSP, the PRSP participation process consisted of community consultations (108), target group consultations (98), regional workshops (10), and a national conference, all taking place between July and October 2001. Radio and television call-in programs were utilized to sensitize the population and provide alternative means of participation beyond the consultations.

Reports were produced covering the community and target group consultations, and they were fed into the regional consultations. These consultations helped to streamline and prioritize recommendations from the community level and target groups. Issues were ranked by priority at this level before being fed into the national consultation. The government of Guyana finalized the PRSP following the national conference in October and subsequently submitted it for approval to the World Bank and IMF.

The World Bank began work on a new Country Assistance Strategy in early 1999. Bank staff informed The Carter Center of its intent to base the next CAS on the NDS. To promote coordination between development of the CAS and the NDS process, the Center facilitated meetings between World Bank (and later IMF) missions and members of the NDS Committee in August 1999. However, the production of the CAS was postponed when the IFIs announced creation of the new instrument of the PRSP. Efforts of Bank staff then shifted to supporting the production of Guyana’s Interim-PRSP. The Bank now plans to produce a new CAS for Guyana by the middle of 2002.

National Participation and Ownership

CIVIC PARTICIPATION

Guyana’s recent constitutional reforms clearly set forth the framework for civil society’s future participation in the affairs of the nation. However, the
absence of democracy for long periods under colonial and postcolonial authoritarian regimes has stunted the development of Guyanese civil society. Democratic political space opened in the late-1980s with political reforms, including the end of media restrictions, and continued with the advent of electoral democracy in 1992. Civil society's participation is still constrained by: shortcomings in the legal framework; weak access to information; insufficient financial, technical and management capacity of civil society organizations at all levels; weak traditions of apolitical, issue-based advocacy; and the poor state of communication and transport infrastructures, particularly in the interior. Despite these constraints, civil society in Guyana has actively participated in efforts as wide-ranging as peace-building, policy advocacy, civic education, and service delivery.

Organization of participatory processes benefits from the fact that 90 percent of the population is concentrated on a thin coastal belt, from the country's high literacy rates, and from the fact that the majority of the population shares a common language. The exception to these circumstances is for the Amerindian populations located in the interior forest, savannah and riverine areas of the country.

No recent systematic analysis has been conducted to determine the number and nature of Guyanese civil society organizations, but current estimates put the number in the range of between 350 to 450 organizations, when women's organizations, youth groups, issue advocacy organizations, economic and professional associations, private sector bodies, trade unions, community policing groups, and religious and cultural organizations are considered. The Private Sector Commission and the Trade Union Congress are two apex bodies that play important roles in policy debate and dialogue in Guyana.

Civil society has generally shown strong response to opportunities to participate in policymaking processes in Guyana as shown by the NDS and PRS efforts. There also exists concern about the government's willingness to act on all of the recommendations. In the case of the second phase of the NDS process from 1998 to 2000, civil society leaders saw an opportunity to strengthen civil society capacity and voice and to promote political stability through national consensus building.

These factors contributed to the willingness of participants to devote countless hours to the effort over the course of more than 18 months with no material compensation and uncertain prospects for government and opposition party acceptance of the NDS. In both phases of the NDS process, the support provided by The Carter Center in the form of a secretariat, technical assistance, and access to documentation was cited as a critical factor in the success of the effort.

The draft PRS notes that over 8,400 people participated in the community, target group, and regional PRS consultations. The fact the PRS was an explicit conditionality for receipt of HIPC resources was a strong factor in motivating participation, as it was clear to participants that the government had an incentive to be serious about consultation. Like with the NDS, the strong technical and logistical capacity of the secretariat was critical to success. Since the PRS process would seek community-level input, the PRS secretariat engaged the services of social researchers with the requisite expertise to design appropriate outreach strategies.

Civil society participated in the design of the PRS process and continued to have influence through its involvement on the PRS Steering Committee. This gave them the ability to adjust the process as it unfolded and unforeseen obstacles or opportunities were encountered. This collaborative management helped to increase the legitimacy of the effort. The government also supported local initiative through the PRS. An Amerindian council sought and received funding from the PRS secretariat to hold its own regional consultations, believing it was better suited than the consultants from Georgetown to perform this function. The government provided the support and limited capacity building for the group to ensure information about the PRS process was spread.

While many in civil society have welcomed the opportunity for consultation in processes like the NDS and PRS, participation fatigue is said to be increasing in
Guyana, particularly among conspicuous communities and groups. They feel that they have given their inputs to government and international agencies on a number of occasions but are not seeing the results. The poor economic and political climate in recent years, as well as strained state of ethnic relations, is also cited as a reason for apathy and avoidance of participatory processes.

**GOVERNMENT’S ROLE**

When considering government capacity for participatory planning at the macro level, a number of specific constraints present themselves beyond the general ones already mentioned. First, the government lacks some of the basic tools of a strong planning system in terms of data systems, models for macro and sectoral planning, and medium-term program budgeting. Second, according to a number of donor officials, much of the responsibility for planning has been concentrated in the Ministry of Finance and more recently the Office of the President. This centralization undermines the ability of sectoral ministries to serve as effective counterparts. On the other hand, the frequency of donor missions, proliferation of parallel project execution units, and administrative requirements for projects stretches the resources of the government to lead development and development cooperation processes.

In such a constrained environment, the government is severely challenged to lead a meaningful participatory process with civil society. Such processes are difficult to organize and manage and have significant downside political risk if not executed successfully. The government notes these pitfalls in the draft PRSP: “It is clear from the experience of the community consultations that people living in poverty want change, are prepared to work for change and expect change to occur bringing with it immediate relief. This is so despite efforts to temper expectations. This puts enormous pressure on Government’s ability to deliver services that require time, planning and resources. In addition, the macroeconomic framework of the IFIs remains the same, despite the increased resources required to effectively reducing [sic] poverty.”

The latter point is of particular concern as it suggests that the government itself has concerns over the ultimate efficacy of the PRS to live up to its billing and the willingness of the IFIs to examine alternative macroeconomic scenarios.

Despite the constraints, the government has powerful incentives to reach out to civil society, including formal legal requirements, the opportunity to enhance the credibility of its programs and external donor conditionality. Prior to the recent constitutional reforms, the government was bound by little in the way of constitutional or legal requirements to consult with civil society in policy formulation. However, there was a sincere interest in government to break from the past and this was reflected in the early NDS effort. Also in the early stages of the NDS process and later with the PRS, the government was motivated by the prospects for increased development assistance targeted at its priority programs. This was particularly in the case of the PRS, where the requirements of consultation and the explicit link to additional debt relief were strong motivators.

**OWNERSHIP**

In terms of ownership, the basic facts are clear: The PRS came about as a requirement for external assistance and the NDS, while originally generated by the government partly in response to external suggestion, has been more broadly internalized over time. The degree of public awareness and acceptance of the NDS is remarkable by international standards. It has generated a deep sense of Guyanese ownership, although there still is tension between government and civil society over which recommendations will be implemented.

As a truly country-owned initiative, the NDS has not been able to conform to external timetables and is still the subject of ongoing national debate as regards its implementation. Indeed, it is unclear whether the major actors will find consensus on its recommendations or its status as a comprehensive policy framework. The PRS, while founded upon a laudable consultation process, bears the marks of its ultimate benefactors — the IMF.
and World Bank. It is heavily HIPC focused and reflects the pre-existing policy framework, while still drawing considerable content from the NDS.

The question of ownership cannot be fully answered without taking into consideration Guyana’s unresolved internal divisions and external dependence. The fact is that any initiative undertaken by a government that has been elected primarily by one ethnic group in a winner-take-all political system may not enjoy broad-based ownership, regardless of the nature of consultation. Secondly, the fact that the PRSP is ultimately approved in Washington means that it will have to conform to Washington’s conditions. Those who answer that resource constraints are an external reality are not acknowledging that the terms of debate on macroeconomic frameworks is unnecessarily circumscribed. Recognizing the internal constraints on ownership and the need to open up policy choices at the macro level is the key to internalizing participatory processes like the PRS.

By design, the two strategies differ in their scope and horizon, with the NDS being more comprehensive and strategic than the PRS. The NDS contains a national vision and goes into deeper detail at the sectoral and thematic levels than does the PRS. The NDS envisages the transformation of Guyana’s economy from a primary commodity exporter to a natural resource-led, value-added manufacturing and service economy. The PRS focuses on the short- to medium-term, contains a much greater emphasis on poverty issues, and details how HIPC resources will be utilized for poverty reduction through the budget and investment program. The donor community has embraced the PRS as the immediate framework for programming but agrees that the NDS should provide the more strategic framework.

The fact that the PRS was completed before conclusive national debate on the NDS meant that, in effect, the government has drawn into the PRS what it agreed with from the NDS and avoided the kind of give-and-take on policy that civil society leaders desired. The concern voiced by those engaged in the NDS process is that the national debate that would have flowed from the NDS on crucial issues like constitutional reform, investment, structural reforms, human resource strategies, judicial and public service reform, and specific growth strategies have not been adequately reflected in the PRS. Furthermore, the concern has been expressed that the PRS could emphasize short-term actions at the expense of long-term reforms.

A fundamental difference between the NDS and the PRS is that the former was written by Guyanese under the leadership of civil society and the latter was written by government and outside experts. On the spectrum of participation, the former empowered civil society and the latter was consultative.

Within Guyana the PRS is clearly a government-owned document with clear participation by line ministries through the donor coordination groups. There is also a certain degree of country ownership as evidenced by the strong turnout and support for the document at the regional and national consultations. Where the PRS probably achieved the highest degree of ownership is over the allocation of public spending and highlighting governance issues.

However, the PRS is ultimately a condition for donor assistance and debt relief. This framed the timing, process, outcomes and ownership incentives in important ways. In the end, if Guyana wanted debt relief and aid, it had to claim ownership. It is pertinent to note that the macroeconomic framework did not receive much attention in the discussion between government and civil society. The authors of the PRS articulate this as a clear shortcoming.

PARTICIPATION AND GOVERNANCE

Participation has been advocated as a means of improving governance through the responsiveness of development policies and programs to the needs of beneficiaries. Although perhaps the most difficult to measure, many in Guyana would agree that the greatest potential contribution of the NDS and PRS processes has been in the area of governance. The processes themselves both contributed to good governance and identified...
systemic issues of governance and placed them squarely on the national policy and development cooperation agendas.

For its part, the NDS process represented the first time the government engaged nonstate actors in strategic-level policymaking over an extended period. This helped set an important precedent and signal a clear break from Guyana's authoritarian past. As the first of the government's consultative initiatives, it provided a methodology and paved the way for other approaches. The fact that government created space for civil society leadership of the effort when a political standoff developed represents a precedent for civil society mediation that can be drawn upon in the future. The fact that the major political parties responded and subscribed to the NDS in their 2001 electoral platforms is an indicator of its consensus-building impact.

In a speech to donors, NDSC co-chair Kenneth King, a former economy minister and general secretary of the opposition party, noted the uniqueness of the process and some of the precedents it established in the Guyanese context. First, it was the first time members of civil society had produced a “detailed, consensus document” on development. This is all the more significant in light of Guyana's multiethnic character and “racial polarity.” It also was the first policy document in recent memory produced exclusively by Guyanese, albeit drawing in part upon the reports and studies performed by international consultants. Finally, it furthered the consolidation of democracy in Guyana by demonstrating that civil society was capable of providing substantive input into policy.

An examination of the draft PRS and the NDS yields a considerable degree of consistency in the area of governance. Both documents put an emphasis on governance that previous policy documents did not.

CONCLUSIONS

Guyana has been a strong leader in adopting participatory approaches to policy formulation at the macro level. The leadership of the government, the strong response from civil society and the ability of the donor community to provide a supportive environment are clear from this experience. However, important capacity constraints remain to be overcome and some outstanding actions need to be taken in order to institutionalize and make coherent and truly complementary Guyana's two macro-level processes.

The immediate priority is to complete the next stage of the processes and to move on to institutionalization. Any remaining differences between the IFIs and the government of Guyana on the PRS need to be ironed out so debt relief will flow and policy support loans from the IFIs for the medium term can be finalized. This is critical to the economy and the functioning of government. At the time this document was drafted, the government and IFIs were still negotiating elements of the fiscal framework and growth assumptions of the PRS. If the IFIs' policy support loans are extended on terms and assumptions different from the PRS, this must be publicly acknowledged in Guyana. If not, the transparency of the process can be legitimately questioned.

In regard to the NDS, the government should initiate the promised process of parliamentary debate to clarify the degree of national consensus that exists on the NDS and identify the outstanding issues and what is required in terms of research, debate, and advocacy. Civil society should be called upon to participate in this process. The PRS itself notes that the macroeconomic framework has not changed from previous Policy Framework Papers (PFPs), which suggests that this is an area where further exploration may be desirable, and the NDS provides an appropriate long-term context.

For institutionalizing civic capacity for policy work, one option has been recommended by members of the NDS Committee in the form of a National Public Policy Forum. The forum would be independent but work collaboratively with government. It would undertake non-partisan policy research, develop policy monitoring and evaluation frameworks, and assist with the process of priority setting and costing of alternative policy approaches. In addition, it could undertake innovative initiatives to help overcome some of the key development constraints, including human resource
constraints, promoting consensus, and attracting private investment. The absence of a consensual, structured, and accountable forum for civil society to come together and shape its views and work with government on policy needs to be addressed. Such a forum would be an innovative institution in the context of Guyana's ethnic divisions.


| Population: 11,008,518 (2001) |
| Absolute Poverty: 73% (1999)   |
| GNP Per Capita: $250 (1998)    |
| Debt Service as % of Government Revenue: 22% (2000) |
| Primary School Enrollment: 50% (1999) |
| Ratio of Girls to Boys in Primary School: 1:3 (1999) |
| Mortality Rate for Children Under 5: 218 per 1,000 live births (2001) |
| Maternal Mortality Rate: 577 per 100,000 live births (1999) |
| HDI Rank: 153 of 162 countries (2001) |

Sources: CIA Factbook, U.N., World Bank

Mali has a tradition of development planning processes, having formulated and implemented five national development plans between 1961 and 1991 and a series of structural adjustment programs beginning in the early 1980s. The modern era of comprehensive development planning should consider three processes: The National Poverty Alleviation Strategy or SNLP (Stratégie Nationale de Lutte contre la Pauvreté), the National Outlook Study: Mali Vision 2025, and the Poverty Reduction Strategy Paper (PRSP).

The SNLP received its impetus at the 1994 Geneva Round Table meeting, which recommended the elaboration of a poverty strategy to help focus development cooperation and poverty reduction efforts. In 1997 the Government of Mali launched the preparation of the SNLP, with the facilitation support of UNDP, consistent with its role in other countries. The goal was to prepare a national poverty eradication program for discussion at Mali's next Round Table in 1998.

The process began in close collaboration with Malian national institutions and experts responsible for conducting studies and surveys on poverty-related issues. A nationwide survey on the perceptions of the poor was organized to take into account the views of the poor themselves. An evaluation of 30 ongoing and past anti-poverty projects across the country was conducted to assess the main causes of success or failure of these projects, as a basis for developing future programs. National consultations were organized in November 1997 with representatives from governmental institutions, civil society, the private sector, universities, community-based organizations, and development partners, in order to define strategic approaches and priority actions for reducing poverty.

The first draft of the SNLP was validated through consultations at the national and regional levels. The Council of Ministers endorsed the SNLP in July 1998, and it was presented at the Round Table in Geneva in September. As recommended in Geneva, an action plan was derived from the SNLP in 1999, including monitoring and evaluation mechanisms. A new ministry was established (Ministère du Développement Social et des Personnes Agées) to monitor, inter alia, SNLP implementation. A network comprising 30 poverty focal points was established in core ministries, institutions, and NGOs to implement the action plan. The action plan mainly consisted of the poverty reduction components of existing projects and programs. A shortcoming of the SNLP that would undermine its utility for development cooperation was the absence of an explicit macro-economic framework. As a result, the main source of funding for the SNLP was existing commitments, and new commitments were requested to fill the gaps.

In general, CSOs and civil servants seemed to share a strong sense of ownership of the SNLP. However, one recent study indicates that some NGOs believed the process was not “truly participatory.”
The National Outlook Study known as Mali Vision 2025 was a joint effort between the government, the African Development Bank, and the UNDP. Launched in 1997, the process was completed in 1999. Its objectives were to formulate a long-term vision of Mali for the year 2025, promote national consensus on the aspiration of Malians over a horizon of one generation, and provide the basis for the elaboration of a national development strategy. The process consisted of surveys of people's perceptions and aspirations for their future, along with retrospective studies conducted to take account of previous analyses, and national and regional workshops held to validate conclusions of surveys and studies.

An institutional framework was established for elaborating Vision 2025. An Orientation and Follow-up Committee (Comité d’Orientation et de Suivi), comprising notable personalities from Malian society to lend moral support to the study, and a Prospective Study Group (Groupe d’Etude Prospective) composed of 40 experts to provide scientific and technical expertise to the Vision 2025, were organized. A Steering Committee (Comité de Pilotage) of four experts managed the entire process. The government formally endorsed the final document at a cabinet meeting in June 2000.

The process was both participatory and owned by the Malian authorities and experts. Besides the fact that the population was asked to give its views and perceptions of their future, the process used existing institutions and national experts to elaborate the vision. Indeed, the National Office of Statistics conducted the survey using the same sample frame of the wider survey on consumption and budget. Consensus was reached amongst the various stakeholders to widely distribute Mali Vision 2025, and it subsequently was used as the long-term vision for the PRSP.

POVERTY REDUCTION STRATEGY PAPER (PRSP)

The PRSP became the driving force of the development planning process in Mali when it was introduced in 1999. While the government had produced the SNLP, the IFIs refused to use it as a basis for the PRSP (known as the Cadre Stratégique de Lutte contre la Pauvreté or CSLP), arguing that: (1) the SNLP was not based on an up-to-date household survey, (2) it did not specify macro projections, and (3) its focus was too narrow and left out some key sectors (energy, transport, industry) of the economy.

The IFIs, led by the World Bank, took a strong position that the CSLP process should start from a clean state. However, local stakeholders strongly objected — citing the experience of other countries that built their PRSP on the basis of existing poverty strategies — and the Government of Mali eventually utilized the SNLP as a departure point for the CSLP.

The interim CSLP process was led by a Technical Steering Committee, bringing together people from governmental institutions, representatives of NGOs, the private sector, and bilateral and multilateral aid agencies. Four working groups were established to write the first draft. A consultation process of various stakeholders was then launched to validate the interim CSLP in July 2000.

The final CSLP formulation process was broadened somewhat to be more iterative and to consult all stakeholders. Institutional arrangements were completed in early June 2001 with the establishment of 11 working
groups, a CSLP unit in charge of coordinating the drafting, and an Orientation Committee, chaired by the Prime Minister, to manage the overall process. The working groups comprised representatives of the government, donor agencies, civil society, and the private sector. The Technical Coordination Unit (Cellule Technique de Coordination du CSLP), included a coordinator and three consultants, two Malians and one international, financed by UNDP and the French Cooperation Office.

From an operational point of view, the efforts of the 11 working groups were of uneven quality and there were delays in the delivery of the expected outputs, as several problems of coordination arose during the elaboration of the CSLP. A clear term of reference was not provided to the working groups to guide their efforts. Technical support was weak and groups varied in their approach, with some simply summarizing already existing programs. The macro group failed to provide the working groups with the needed data on growth and resource trends. The task was more manageable for those working groups that could rely on pre-existing sectoral programs (like those for the education and health sectors, and the employment and environmental programs). However, those groups faced constraints as well, as they were requested to incorporate specific poverty reduction goals into their strategy, which were required to fit the broad macroeconomic framework and limited budget.

A n umbrella NGO organized five regional workshops to discuss the process and content of Mali’s CSLP. Two main criticisms emerged from the final declaration. First, the amount of debt relief granted to Mali under the HIPC initiative is too small and will not be sufficient to alleviate poverty. Moreover, the PRSP relies on structural adjustment principles that will most likely have a negative impact on the welfare of the population. CSOs, however, did not reject the CSLP. Rather, they requested in a report presented to the minister of Finance on July 17, 2001: 1) the organization of a public debate; 2) country ownership of the PRGF conditionalities; 3) deeper local participation on terms acceptable to the stakeholders; and 4) simple, broad, and understandable mechanisms for CSLP implementation, monitoring, and assessment.

PARTICIPATION IN POLICYMAKING: CAPACITY AND INCENTIVES

A participatory approach has always been used in Mali whenever there is a need to discuss major issues and concerns involving broader public interests. The approach is based on a concept of social dialogue that builds on consensus regarding the key questions being debated. A number of recent processes in Mali exemplify this approach and have taken advantage of its strengths. Notable among these are the decentralization process; the preparation and adoption under the 2nd Republic of the Charter for Governance and the Conduct of Public Affairs; the consultation exercise organized by the 3rd Republic in 1994 to discuss major issues such as the devaluation, resolution of the armed conflict in the North, the preparation and adoption of the SNLP, the preparation and adoption of sectoral programs, and Vision 2025. However, a recent review also found that, “Participation” in the Malian political tradition is mainly a way to get people to endorse Government policies. Texts prepared by the Government of Mali are submitted to ‘seminars’ or ‘workshops’ and are endorsed by the participants (who are usually paid for their participation).”

Moreover, capacity constraints exist at all levels, as illustrated by the PRSP experience. The low level of education of the majority of the population ultimately constitutes a limitation on the effectiveness of participation. Indeed, in many cases, the participation of the population occurred through workshops and seminars, which limited the possibility of effective debate, and decisions derived are more likely to reflect the views of those who manage the process (a visible and influential few) than represent a true consensus. In the following pages, the observations on participation are based on the PRSP formulation process.
CIVIL SOCIETY

Civil society participation in public life was severely constrained until the return of democratic governance in the early 1990s. The ruling party controlled many of the associative groups that could have constituted organized civil society. The exception to this rule has been the strong influence over government of traditional and religious chiefs and the existence of autonomous trade unions.

The transition to democracy in the early 1990s, combined with donor support, stimulated the growth of civil society and its influence. The number of associations has peaked at 4,000. The country counts 650 NGOs — 50 percent of which are active — compared with 50 in 1990. Trade unions are becoming more organized and more powerful while peasants’ organizations are becoming more influential. Donors are pushing for even more civil society participation in policymaking. They have not only supported but also initiated the participation of CSOs in this area, most notably in the SNLP and PRSP processes. However, the vulnerability of CSOs to donor and partisan political interests is an ongoing concern. Finally, a common concern — noted even by some civil society advocates — in processes including the PRSP is the “technical legitimacy” enjoyed predominantly by government and donor representatives that gives them undue influence over such efforts, undermining legitimate perspectives of CSOs.

Overall, the PRSP has fostered institution-building in Mali by providing civil society, especially NGOs, with the opportunity to advance discussions of key national issues.

GOVERNMENT

Analysts often praise Mali’s commitment to reforms. Directors of the IMF, in a recent statement on the completion of the first PRGF review, “welcomed the measures taken by the new Government and its commitment to push ahead with structural reforms.”

However, recent studies showed that commitment alone is not enough. Trade liberalization and financial restructuring, for instance, have not been able to overcome the “extremely poor human and physical resources” and “low” growth potential of Mali, and thus significantly reduce poverty. A long-run perspective and more consistent and credible policies in the area of good governance, particularly fighting corruption, would yield better results.

The political will to fight poverty existed before the initiation of the PRSP process in Mali: the SNLP was elaborated prior to the HIPC initiative. However, the commitment of the authorities has weakened under the weight of the complexity of the PRSP process and the mixed signals sent by the IFIs. In addition, policy reform and poverty reduction are increasingly difficult to manage in light of regional integration. Limited absorptive capacity is expected to further impede the implementation of reform.

The Government of Mali welcomes the resources that will be released through the HIPC initiative. However, there is a great concern among officials — shared by President Konaré at the FAO Summit in July 2001 — that the $870 million that will be freed under the HIPC over a 30-year period will not be enough to meet the millennium target of reducing poverty by half, relative to the 1990 level, by the year 2015.

Commitment to the PRSP at the highest levels of government is essential, but it is also crucial for success that the public administration be fully involved in the process and share a sense of ownership. The PRSP is a demanding procedure, and its impact will eventually depend on the capacities and incentives of civil servants to implement the policies proposed. However, it has always been difficult to mobilize the administration’s full commitment: salaries are low and many civil servants depend on extra salaries and per diems paid by donor projects. Moreover, policy development is by nature an activity without financial incentives for civil servants. Traditionally, donors tried to resolve this problem by financing parallel administrative structures, but such practices lacked sustainability and resulted in a more disorganized administration.
The main innovation of the PRSP (compared with the former Policy Framework Papers) is that it requires the Ministry of Finance to make a medium-term allocation of all resources — internal and external. In principle, this should strengthen the program budgeting approach and the budgeting system. However, weak links between sectoral ministries and the budget office do not allow the latter to define the envelope for each ministry with regard to its objectives. The PRSP approach to budgeting is still a real change: under structural adjustment programs the IFIs were mostly interested in the size of the fiscal deficit rather than the allocation of public expenditure.

THE DONOR COMMUNITY

Before the introduction of the PRSP and further to the recommendation of the OECD/DAC Mali Aid Review/Reform initiative, donors requested the government to develop a single national development strategy, built on existing development projects and programs. The introduction of the PRSP was expected to bring increased coherence to Mali’s development strategy and reconcile fragmented short- and long-term programs by establishing priorities, taking into account the country’s macroeconomic strategy and fiscal framework.

Bilateral donors remained passive in the early stages of the PRSP. They joined the process only progressively, as governments at home rallied to the concept and asked their cooperation agencies to engage locally, as in the case of the French. Donor involvement subsequently increased, resulting in an agreement in principle to fund the PRSP process.

The Government of Mali welcomed donor support to the PRSP, but support was not delivered effectively. Funding could not be channeled through the budget system, which delayed and complicated the financing effort. (The EU and Germany, the only donors with available resources, were able to provide timely funding.) As a result, some working groups delayed the start of their work. Working groups, such as that for Mines, Natural Resources, and the Environment, received no financial support and consequently did not function at all. In contrast, some other groups received a lot of support from external institutions. While submitting very detailed documents, they reflected the views of their sponsors. In other cases, consultants wrote the document.

As a result, donors question the credibility of the PRSP. They have expressed concern about the true commitment of the working groups, the poor quality of some of the outputs, and the short time span for completion of the final PRSP — the original deadline for which was September 2001. There is thus a real danger that the final document will suffer a lack of credibility.

Coordination among bilateral donors appears to have improved as a result of the PRSP process, with bilaterals agreeing to be collectively represented by the Netherlands on the PRS Steering Committee. However, attempts at wider cooperation among bilaterals and the International Financial Institutions have not progressed as well. European Union members were denied in their request to the IMF to be involved in joint IMF/World Bank missions. The government and the IMF blamed each other for the refusal, but it is also clear that there were varying levels of support of the initiative among EU members which, after all, are represented on the IFI boards.

Donors have also expressed concern about the commitment of the World Bank to adjust its policy stance and lending portfolio to the framework of the PRSP — the Bank traditionally being known as the “lender of first resort.” The absence of the African Development Bank from the discussions is another source of concern. The ADB is Mali’s second biggest creditor behind the World Bank’s IDA for an amount equal to that owed by Mali to the Paris Club.

It is essential, for the sake of coherence, that donors incorporate their own development cooperation programs within the PRSP. This is also critical in terms of ownership and implementation. However, it would seem that donors do not feel constrained by the PRSP at this point, and it remains unclear whether the PRSP will generate new approaches to future development cooperation activities.
In the end, donors could improve significantly the planning and management of Mali’s economy by taking the following two steps. First, donors should use the PRSP as a national development strategy and work their development cooperation activities into the PRSP. This would facilitate the mobilization of resources and ease management at the country level. Moreover, they should reduce the number of conditionalities and, reflecting the principles inherent to the PRSP process, define a single set of conditions for all their initiatives.

RESULTS

The PRSP process in Mali tries to allow Malians to drive the dialogue and affect some changes in their policy focus, which is now on poverty reduction. But, in so doing, the PRSP process tries to do too much too fast, and might ultimately be an exercise in form over substance.

The purpose of the PRSP is to accelerate poverty reduction by harnessing the HIPC dividends and putting them to work for the poor, in support of the goal to halve extreme poverty by 2015. But the process has not helped focus on extreme poverty. In a country with 70 percent of the population living under the poverty line, the poverty reduction strategy should be explicit and focused. Finally, Mali seems to be striving not for a coherent national development strategy, but for the benefit of debt relief. Indeed, new policy directions are not emerging from the PRSP process. The PRSP solutions to date do not tackle the fact that poverty reduction requires something fundamentally different from solutions of the past; rather they tend to concentrate on the promotion of the institutional imperatives of each entity involved in the process.

Regarding the content, the PRSP is supposed to contain all the specifics of an action-planning tool — targets, timelines, costing, etc. As such, it is a planning instrument for trying to accelerate poverty reduction. However, according to the findings of the recent review managed by the Overseas Development Institute for the Strategic Partnership with Africa, the PRSP contains broad statements of objectives and specific listings of activities and targets, but it does not have an analytical framework for activities nor a clear linkage with macroeconomic policy and poverty indicators.

First, the ODI study indicates that the activity listings often appear to be compilations of pre-planned activities put together in a very limited time, with no analysis as to how these activities are coherent with poverty reduction objectives set out both at national and international levels. In addition, there is no clear indication of how these activities will contribute to reducing poverty nor why they are more effective than alternative approaches. Second, the PRSP document is claimed to be the overall planning framework of Mali, yet there is no clear link to the national budgetary process. Third, the PRSP monitoring system is based on final outcomes, which, although important, will not be able to provide the much-needed process feedback required for orienting the PRSP in the short and medium term. Given the time needed to fully assess the impact of any major policy on the living conditions of the population, it is fair to say that the current monitoring systems will only inform us in five or six years whether all the time and money spent on the PRSP has been efficiently used or not. There is a concern born of experience that the IFIs will take credit if the PRSP is successful but that failure will be “owned” by the countries.

The emphasis on participatory approaches that the PRSP reinforced in Mali is commendable. It reinforces the need to: (1) hear the voices of the poor, (2) build national ownership, and (3) force government to develop an implementation strategy. The PRSP, which is supposed to be formulated and implemented in accord with participatory principles, has been constrained by the scheduling imperatives associated with the HIPC initiative, which is a serious impediment to real and meaningful participation. Even when various stakeholders were involved in the formulation, the general feeling was that the type of participation associated with I-PRSPs and PRSPs to date has been very superficial. Some claim the PRSP process in Mali has been participatory because of pre-existing participatory exercises (SNLP, Mali Vision 2025) rather than because of the PRSP process itself.
Although the OECD/DAC Aid Review/Reform process and the PRS process facilitated donor coordination in Mali, neither has managed to bring the government back to the driver's seat in a meaningful way. For one thing, although the Malian government has been made responsible for producing the PRSP, the document still has to be approved in Washington, D.C. In addition, many donors, while adhering to the principles of the PSRP at the global level, are still skeptical about the real commitment of the IFIs to changing their aid modalities. Perhaps since the PRSP emphasizes poverty reduction, there is more willingness among donors to try to support the process than was the case with previous IFI initiatives. But there is still much skepticism and ambiguity on the side of the development community. Finally, many observers feel the Mali government, which finds itself barely in the PRSP driver's seat, is so desperate for HIPC relief that it has had the tendency to write into the PRSP the kinds of things they think that World Bank and IMF staff would like to read. Indeed, early versions of the I-PRSP contained self-imposed, standard macroeconomic conditionalities above and beyond those imposed by these institutions.

CONCLUDING REMARKS

There is broad consensus within Mali of the overriding importance of debt relief. When coupled with the clear statements from the donor community that the PRSP would be the primary vehicle for development cooperation and the financial incentives of donor funding for the consultation process, it is not surprising that many of the shortcomings of the PRSP process were overlooked by (often skeptical) government officials and critics within the NGO community. Any consideration of the depth of national ownership, however, must take into account this context.

Malian stakeholders do not seem to have a strong sense of ownership of the development process, as donors have always had a prominent role in Mali’s development. Notwithstanding, the PRSP process represents a step forward, but civil society participation clearly resulted more from the demand of the IFIs than the Malian peoples themselves. Nevertheless, the IMF seems satisfied by the overall process. It stated recently it is “encouraged by the authorities’ effort to ensure participation of all segments of the population in the preparation of the full PRSP.”


| Population: 19,371,057 (2001) |
| Absolute Poverty: 70% (1999) |
| GDP Per Capita: $241 (1999) |
| Debt Service as % of Government Revenue: 13% (2002) |
| Primary School Enrollment: 36% (1992-2000 average) |
| Ratio of Girls to Boys in Primary School: 2:3 (1992-2000 average) |
| Mortality Rate for Children Under 5: 200 per 1,000 live births (2000) |
| Maternal Mortality Rate: 1,100 per 100,000 live births (1990-1998 average) |
| HDI Rank: 157 of 162 countries (2001) |

Source: CIA Factbook, U.N., World Bank

THE GOVERNMENT’S PLANNING PROCESS AND THE PARPA

At the apex of the planning system lies the Five-Year Plan, which “lays out the government’s policy for the five-year period in accordance with the provisions of the Constitution of the Republic.” This Plan is the result of the work of the various sectors of government who bring together their respective sectoral strategic plans into a single document, which contains the objectives that the government intends to pursue during its term of office.

Within the context of the Five-Year Plan, at the end of each year the government presents the Economic and Social Plan (PES) for the following year to Parliament for discussion and approval, together with the state budget. At the decentralized level, mention should also be made of the provincial plans, which incorporate
provincial level PESs and three-year Public Investment Programs, as well as recent experiences in district-level planning.

Given Mozambique’s dependence on external aid, the government’s plans were traditionally framed within the limitations of a triennial Policy Framework Paper, negotiated with the World Bank and IMF. The PFP of 1999-2002 was drawn up by the government of Mozambique with the technical assistance of staff from the World Bank and the IMF. The document contains a calendar for the implementation of the macroeconomic and structural policies that will be carried out during the period in question and details the government’s proposed measures in terms of fiscal policy, governance and public administration, foreign debt and trade, legal reform, health, education, agriculture, transport and communications, water and energy, etc. The PFP lays out, therefore, the medium-term objectives of the government and represents the set of agreements reached between the government and the IFIs regarding the range of reforms to be undertaken by the government.

A novel planning instrument was introduced with the development of Mozambique’s PRSP (PARPA) which is considered by the government to be a “rolling and dynamic programming instrument,” and which will therefore allow for new information to be incorporated and for adjustments to be made in light of changes in the economy and society. The PARPA is a document which brings together the strategic plans of those sectors that are considered vital for poverty reduction and seeks a substantial reduction in the levels of absolute poverty in Mozambique.

In accordance with the guidelines of the World Bank, the government designed a program of consultations on the PARPA, aimed at ensuring the participation of civil society in order to legitimate the plan in the name of the Mozambican people. There were many consultations, which is laudable. However, as is clear from many studies carried out on the experience, questions were raised as to how these consultations took place, who took part and on what basis, and the extent to which the opinions expressed during these consultations were reflected in the final plan.

Sectoral Planning and the SWAP

Sector Wide Approaches (SWAPs) in Mozambique have their origins in the sector investment programs of the World Bank. SWAPs may be analyzed through two prisms. On the one hand there is the perceived need to abandon the approach of isolated, freestanding projects in favor of a system whereby sectors are transformed into
integrated units coordinated by their respective ministries. While projects were often successful in delivering the expected services, they also resulted in the extensive fragmentation of the country's public sector given the multitude of projects that had to be negotiated, monitored, and evaluated by the concerned ministries. A second benefit would be that much off-budget expenditure would be eliminated and funds would eventually be channeled directly into the state budget, which would strengthen the capacity of the state to plan expenditures within the context of a unified totality on the basis of the Five-Year Plan, as well as annually in the context of the Economic and Social Plan.

A SWAP is basically an agreement between the government and its development partners concerning priorities in terms of sector policies and the strategies to be pursued. In Mozambique, SWAPs have become the dominant paradigm in terms of the management of aid, with currently about 55 percent of the World Bank's International Development Association portfolio programmed in SWAP sectors such as health, education, and agriculture and rural development.

**THE AGENDA 2025 PROCESS — NATIONAL VISION AND NATIONAL DEVELOPMENT STRATEGY**

The Agenda 2025 process is unique in its independence as a strategic planning process. It is a strategic exercise aimed at thinking about the future of Mozambique in the context of a long-term perspective. The exercise was launched by President Chissano in 1998 with both the UNDP and The Carter Center providing technical assistance and is headed by a small group of citizens that are broadly representative of the various political, religious, racial, ethnic, regional, and gender groupings in Mozambican society.

The objective is to establish a long-term national vision that is shared by all groups within society and on that basis to draw up a national development strategy which will lay out the policies and programs that are necessary in order to achieve the vision. At the same time, there is a recognition of the need to increase the capacity of the government, as well as civil society, in terms of the drafting and implementation of national programs, and to ensure consistency between short-, medium- and long-term economic and social policies, as well as to strengthen the capacity of the government in terms of the management and coordination of development cooperation. As regards the latter objective, by setting a broad national agenda and strategy, it is hoped that the Agenda 2025 process will also serve as a guiding framework for future discussions between Mozambique and its development partners.

**National Participation and Ownership**

**CIVIL SOCIETY**

Mozambican civil society, predominantly in the form of urban-based CSOs, has expanded rapidly in the last 10 years. By 1997 there were around 788 local and foreign NGOs operating in Mozambique, many of them grouped together in umbrella organizations which operate at both national and provincial level and on the basis of shared interests.

An additional aspect that is worthy of note is the fact that, as mentioned earlier, the local elections of 1998 showed the interest of civil society in organizing itself in order to take part in the political process. Urban civil society in Mozambique has been quick to grasp at the opportunities that peace brought to the country and to occupy the space guaranteed by the constitution, and has organized itself accordingly into CSOs that seek to participate in all areas of public life. One group in particular, the private sector, has been notably pro-active in terms of making its views and demands heard by the government. Rural civil society remains largely excluded, a result of poor communications, low literacy rates, and physical distances.

Sometimes there is a lack of clarity on the part of the government regarding the terms and conditions under which any participatory exercise takes place. This, not surprisingly, leads to unrealistic expectations, frustration, and then disillusionment on the part of civil society.
actors when they feel that their views are not being properly reflected in policies, often coupled with a poor understanding of the constraints under which the government is itself operating vis-à-vis the donor community.

The vast majority of civil society organizations do not have their own resources in order to ensure their participation in the country’s development processes. Where such resources exist, they usually come from outside the country, and it is often the case that such funding does not cover the needs of these organizations when they are called upon by the government to participate in a consultative process, and they need to carry out preparations in the form of meetings with other organizations with a view to preparing common positions or to conduct research on the issues to be discussed.

Mozambican civil society needs space in order to participate, and this is being gradually won over time. No matter how well-prepared CSOs are in terms of their capacity to participate, however, this will only yield the desired benefits in terms of the improved designing of policies and more efficient implementation of projects if the terms and conditions for their participation are guaranteed and if the donor community is prepared to undertake a broad program of capacity-building of these organizations so that they can become constructively critical and pro-active actors in all the country’s development processes.

Of necessity, CSOs have to have offices in the capital city, close to the decision-making centers as well as the donor community. Nevertheless, all organizations headquartered in Maputo have recently made greater efforts to ensure that the views they express at the central level are the result of the gathering of views collected at grassroots levels and that the views of marginalized groups are adequately taken into account.

The development of the PARPA, in which so many donors have expressed great interest, is beginning to also arouse the interest of CSOs since they see this as an opportunity to build their own capacity given that many donors have expressed an interest in strengthening their role for monitoring and evaluation purposes. This would, of course, also require that the government issue an unequivocal invitation for civil society to work together with it in order to ensure the successful implementation of the plan. Both the Mozambique Debt Group and LINK, amongst the best organized CSOs, have adopted the PARPA as a key element of their work plans and clearly see themselves as playing a critical role in monitoring the implementation of the poverty reduction strategy and also regarding public information.

Mozambique is still going through a transition, and the extremely high incidence of absolute poverty seriously prevents a large number of people from exercising their full citizenship rights. In addition, growing political tensions following the 1999 general elections have resulted in a sharp polarization of society along party political lines. Under such conditions, it is predictable that views expressed by civil society representatives are often automatically seen as being either pro- or anti-government when the intention was not so, with all self-imposed constraints that result.

GOVERNMENT

Given that the IFIs are increasingly demanding some sort of national ownership for the policies that they draw up for beneficiary countries, this becomes the greatest incentive for the government to engage in participatory discussions. The promise of debt relief or new loans or grants becomes therefore, in itself, an incentive. Another incentive is that the government thereby hopes to gain the acceptance by all concerned of a given policy, program, or project, thereby ensuring the initiatives own sustainability and at the same time increasing the legitimacy of the government.

It should be noted that the Mozambican state is not represented throughout the length and breadth of the country, formal administrative structures ending as they do at the level of the administrative post. This in itself makes extensive consultations extremely difficult. In addition, it is often the case that consultations on economic development issues are headed up by the Ministry of Planning and Finance, with the dangers of
excessively technical language that this inevitably entails, to the exclusion of large segments of the population who are not well versed in this vernacular.

There have, nevertheless, been some interesting recent experiences carried out by civil society organizations such as the Campaign on Land. This sought to familiarize the Mozambican people with proposed legislation on land tenure. It was extremely successful in not only being able to cover the whole of the country and disseminate information, but it also was designed in such a way that it was sensitive to the opinions expressed by the rural population and was therefore able to collate their views. While there are costs in terms of time, human resources, and money attached to exercises of such a nature, there is clearly scope for the government and CSOs to pool their resources and experience with a view to attaining common objectives.

In light of the political polarization of the country, some civil society organizations expressed the opinion that it is essential that all vital macro-level processes such as the PARPA, or new foreign loans, should be discussed openly in the Parliament since its proceedings are covered by Radio Mozambique which reaches all parts of the country, as well as by Mozambique TV which reaches all provincial capitals. There is also the need for consultation processes to be simplified, for example in terms of ensuring that the language used is more accessible, less dry, and technical, so as to make it more easily understood by the common citizen. Methods of public information such as the use of theatre and music, and the use of local languages, have all proved their worth in nationwide public information campaigns.

RESULTS AND CONCLUSIONS

Mozambique is well advanced in setting out overarching and sectoral frameworks through the PARPA and SWAPS, respectively. Both have been the subject of rather extensive analysis and discussion as to their efficacy.

In regard to the PARPA, the basic issue posed by some is what room for maneuver did the government possess to incorporate the views that were collected in the course of the consultations? When a government consults, yet at the same time is restricted in terms of its ability to alter the baseline that has previously been agreed upon with other actors such as the IFIs, the exercise is reduced to that of information sharing with the wider public. Most studies on the PARPA process in Mozambique conclude that the participation that took place was largely passive. Opinions were solicited regarding a predetermined set of problems the solutions to which had already been outlined in the interim PARPA approved by the IFIs (and which did not require that the government carry out consultations). The growth model outlined in the interim version passed over intact into the final version. It is hardly surprising, therefore, that many representatives of civil society were of the opinion that their views had not been reflected in the final version.

The donor community also expressed certain reservations regarding the PARPA in the course of the October 2002 Consultative Group meeting, namely that it “misses some important issues in HIV/AIDS, gender, land tenure, the environment, rural development, and private sector development; it is missing a number of key performance indicators, and includes assumptions that are somehow optimistic without considering alternative scenarios should these assumptions fail (for example, as a result of natural disasters).”

Two additional problems related to process were also raised by various interlocutors. Firstly, the PARPA was not tabled in Parliament for discussion, and therefore this weakens the sense of ownership of both the document and the subsequent implementation of the poverty reduction strategy on the part of the political class outside the government. The PARPA was approved by the Council of Ministers, and therefore from the legal point of view it has the status of a decree and not a law. Members of Parliament, in particular those of the opposition, claim to have no knowledge of the document.
Second, the PARPA itself is not widely known outside a small group of specialists in the government, the donor community, and those civil society organizations that made a point of studying the document in order to attempt to engage in discussions with the government on the poverty reduction strategy. It should be noted, however, that as the document itself makes clear, it is a rolling exercise that is to benefit from the establishment of a permanent consultation mechanism, and therefore there is clearly room for the whole process to improve in the course of subsequent iterations of the PARPA.

For their part, questions have arisen in the course of the development of SWAPs in Mozambique. It could be argued, firstly, that there was an over-emphasis on the negative side effects of the project approach, and that in fact the rise of the project approach was precisely a reflection of the past poor performance of recipient countries in terms of absorbing aid through their national ministries, which led donor agencies to engage in direct implementation themselves. Now these same sectors are expected, under the SWAP arrangements, to manage aid themselves in larger volumes and with greater efficiency, cost-effectiveness, and transparency than ever before. Already in Mozambique it is clear that earlier expectations regarding the speed with which ministries can take over the functions allocated to them under SWAP arrangements have proven to be unrealistic, particularly in view of the continued hemorrhaging of qualified staff to the private sector and the aid agencies themselves.

Secondly, a serious problem from the point of view of Mozambique relates to the fact that there is a potential conflict between support to SWAPs and support for the need for greater decentralization in the country. This tension has played itself out within donor agencies themselves. Many had previously set up representative offices in provinces where they had worked historically and over time had established unique understandings of local realities and needs, as well as close relations with their respective provincial governments. These offices had often managed to negotiate the details of aid programs for those provinces with provincial level government technicians. Such arrangements are threatened by the SWAPs under which negotiations take place centrally between government and donor agency technicians in Maputo.

This tension is illustrated by the experience of one project in the field of decentralized planning, namely the UNDP’s District Planning and Financing Project executed by the United Nations Capital Development Fund. This project, based in the northern Nampula province, has been working in a number of pilot districts since 1998 and aims to create genuine opportunities for popular participation in policy formulation and implementation at the local level through the development of long-term, multisectoral District Development Plans. The central government had decentralized a proportion of provincial public investment allocations in order to facilitate a certain amount of provincial discretion in the identification of provincial priorities, planning, and execution. In addition, provinces were also able to use this discretionary element to support planning process at the district level. Their ability to continue to do so is threatened by the rise of the SWAP. With all power now centralized in Maputo-based ministries, the Nampula program suffered from a fall in the discretionary provincial public investment allocations between 1998-2000. SWAPs have implications for the future of decentralized planning, and therefore for decentralization as a process itself, as well as local governance, but the government has recognized the issue.

Finally, one would need to address the issue of ownership and also ask how inclusive and efficient can SWAPs be? As regards ownership, when a country is as dependent on aid as is Mozambique, the concept of ownership tends to be viewed in terms of the degree of congruence between that country’s development strategy and the views expressed by the donor community, i.e. when the government and the donors have a meeting of minds, there is held to be national ownership. It can be seen that the concept of ownership is a very relative one.

Regarding inclusiveness of the SWAP, views were expressed that certain key players have been excluded from the process of developing the three existing SWAPs.
in Mozambique, such as the teachers union in the case of the education SWAP and peasant farmers in the case of the agricultural SWAP. As regards their efficiency, it is still too early to draw any final conclusions. Nevertheless, early indications reflect that the promised reductions in the costs of aid management may not be fully realized. The exercises have proved to be “time consuming and in particular take a lot more of senior management time than people assume.”

Given the favor that SWAPs currently enjoy, the question is how to improve a model which has great potential benefits for the recipient country given the rationalization that can take place in terms of time spent by ministries in administering multiple aid programs, that enables state budget to more faithfully reflect what is actually being spent on development, and that puts an end to off-budget expenditure which is often less than transparent. It is important to ensure that this new tendency towards vertical planning does not run counter to a commitment to decentralization, especially in a situation such as Mozambique where decentralization is seen by many as a way of de-bureaucratizing daily life, of bringing the decision-making process closer to the people, of empowering communities, and of ensuring greater transparency in public management, and maybe above all, as a conflict resolution mechanism given the country’s enormous diversity.

These processes are new both for the government and civil society. Under the previous system, the interaction between state/government and society took place according to very different rules, and the current modus operandi is still being consolidated. While still incipient, it is nevertheless the case that there is a dialogue between the state and civil society, including the private sector. While not yet institutionalized with the exception of the private sector’s regular meetings with government, there is a growing awareness on the part of both the state and civil society of the need for greater interaction. And one must also be aware, in a young democracy such as Mozambique’s, of the costs and effort required to carry out genuine consultations.

The results of the processes to date have been encouraging. Most processes remain, however, largely externally driven (one notable exception being the Agenda 2025 process), which leaves the Mozambican state little room for maneuver. Such processes are also often very restricted, leaving little room for the participation of civil society, including the private sector. The high degree of external dependency results inevitably in low levels of ownership, both on the part of government as well as civil society, with rural society remaining as largely passive objects of these processes.

Such processes take place against the background of high rates of illiteracy, with 70 percent of the population in a state of absolute poverty, and a state, which is absent throughout large parts of the country. What is required, therefore, is that a way be found to ensure greater inclusiveness and participation, especially on the part of the most vulnerable groups in rural areas, while at the same time being cognizant of the high costs associated with extensive and genuine consultations.

Endnotes

1 The material on the four country cases in this paper is adapted from papers on country experiences in participatory policy processes prepared by Jason Calder (Guyana), Idrissa Dante (Mali), Michael Hoffman (Albania), and Mark Simpson (Mozambique), who was assisted with primary research by Dr. Irae Baptista Lundin and Fernando Antonio Menete. The country papers were prepared through interviews with key actors and review of secondary literature. The author is grateful to Jason Calder for helping develop the bridges between those four papers and the present one, and to him and Ed Cain for very useful comments on earlier drafts of this paper.


iv The Country Assistance Strategy (CAS) is the World Bank’s central vehicle for board review of the Bank’s assistance strategy for borrowers. The CAS document describes the Bank’s strategy based on an assessment of priorities in the country and indicates the level and composition of assistance to be provided.

v Policy Framework Papers are forward-looking documents that serve as the basis for assistance from the International Monetary Fund and the World Bank. They identify a country’s macroeconomic and structural policy objectives, the strategy and priorities of the authorities to achieve those objectives, and the associated external financing requirements.


vii In the remainder of this presentation, the term “civil society” also includes the private business sector.

viii Some of the material in this section and the following one are adapted from the author’s forthcoming book titled “Agricultural Development Policy: Concepts and Experiences.”


xi Poverty Reduction Strategy Papers are national macroeconomic, structural and social policies and programs to promote growth and reduce poverty. They are prepared by governments with the participation of civil society and the partners of development, including the World Bank and the International Monetary Fund.


xiii In national processes, such as the design of the Poverty Reduction Strategy, the government generally engages with organized civil society groups in the capital or major urban areas. However, national level civic engagement can also allow the government to reach a wider range of stakeholders and initiate a dialogue with smaller civil society organizations such as farmers associations, cooperatives, unions, chambers of commerce, women’s groups... “ S. Tikare, D. Youssef, P. Donnelly-Roark and P. Shah, “Organizing Participatory Processes in the PRSP” (Washington, D.C., 2001), 7.


xvi It is appropriate for civil society to take a lead role in defining a national strategy in circumstances such as the run-up to elections, with the aim of presenting a well-reasoned document to whichever new government takes office. Serious problems arising from the timing of the effort in the electoral cycle were experienced in Guyana and Albania.


xxi “…one of the most common criticisms of the PRSP approach to date is that the incentives have induced governments, especially among the HIPCIs, to prepare their strategies too quickly and that this has compromised the quality of the strategies — in terms of both technical content and broad-based country ownership.” The World Bank, “Review of the PRSP Experience: An Issues Paper for the January 2002 Conference” (Washington, D.C., 2002), 14.

xxii United States General Accounting Office, “Report to the Chairman, Committee on Foreign Relations, U.S. Senate. International Monetary Fund: Few Changes Evident in Design of New Lending Programs for Poor Countries” (Washington, D.C., 2001). The Poverty Reduction and Growth Facility (PRGF) is the International Monetary Fund’s new concessional financing facility.
The PRGF, which replaces the Enhanced Structural Adjustment Facility, intends to broaden the objectives of the Fund's concessional lending to include an explicit focus on poverty reduction in the context of a growth-oriented strategy. It is based on a country's Poverty Reduction Strategy Paper.

The Enhanced Structural Adjustment Facility is the International Monetary Fund's concessional financing facility for low-income member countries. It is designed to support macroeconomic adjustment and structural reforms and lay the basis for sustainable growth and external payments viability.

Key research on this topic has been carried out by Peter Timmer and, at the World Bank, by Martin Ravallion and Gaurav Datt. A good summary of the findings is found in John Mellor, "Faster More Equitable Growth: The Relation between Growth in Agriculture and Poverty Reduction," "CAER II Discussion Paper" 70 (Cambridge, MA: Harvard Institute for International Development, 2000).


EURODAD, "The Changing Nature of Development Cooperation: Building Ownership," in "Many Dollars, Any Change?" (Brussels: EURODAD, 2001), 6. EURODAD adds that the practice of adding conditions through World Bank Letters of Development Policy (LoDPs) and IMF Letters of Intent also undermines country ownership: "Whilst the weakness in a country's strategy can be an understandable cause for concern for donors and NGOs alike, the appropriate answer is not to add extra policy specification via a backdoor route. The LoDP is not usually a public document, and ... will not ordinarily be a matter for public discussion. This will tend to reinforce perceptions that PRSPs are a Bank-owned process." Ibid., 7.


Werner Heisenberg developed the principle that the mere act of measuring a subatomic particle changes either its mass or its velocity or both.

The International Monetary Fund/World Bank's Comprehensive Development Framework is a long-term holistic approach to development which recognizes the importance of macroeconomic fundamentals but gives equal weight to the institutional, structural, and social underpinnings of a robust market economy.

... a number of HIPC governments and NGOs have urged the Bank and the Fund to change the incentive structure by delinking decisions under the Enhanced HIPC Initiative from the PRSPs so that there is no delay in making debt relief irrevocable." The World Bank, "Review of the PRSP Experience: An Issues Paper for the January 2002 Conference" (Washington, D.C., 2002), 14-15.


Ibid., 8-9.

HIPC, the debt Initiative for Highly Indebted Poor Countries, is a World Bank and International Monetary Fund comprehensive approach introduced in 1996 to reduce the external debt of the world's poorest and most heavily indebted countries to sustainable levels.
The Paris Club is an informal group of official creditors whose role is to find coordinated and sustainable solutions to the payment difficulties experienced by debtor nations.

15-25 percent of gross domestic product, 80 percent of capital expenditure, and 30 percent of current expenditures derive from external sources.

PARPA, or Plan for the Reduction of Absolute Poverty, is the Mozambique Poverty Reduction Strategy Paper.

Of a total debt of $6 billion in 1998, HIPC-I resulted in debt relief in the order of $3.7 billion. Under Enhanced HIPC, relief granted amounted to $600 million. As a result, debt service fell from $100 million to an average of $56 million between 2002 and 2010.

The Medium Term Expenditure Framework was first introduced in Albania in 2000 with the intent to provide a comprehensive analysis of public spending, promote fiscal discipline, and establish fiscal priorities. As such it is the link between the Growth and Poverty Reduction Strategy and the budget.


Dany Rodrik, cited in PRSP Institutionalization Study, Chapter VI, p. 26, SPA/ODI.


In mitigation, it should be pointed out that the government is not constitutionally bound to submit the PARPA to Parliament for discussion, let alone for approval, unlike the case of the Five-Year Plan and the annual Economic and Social Plans.

The PARPA is better known in the offices of the embassies and development agencies than in the offices of the Mozambican civil servants which are to take it on board and execute it.” Editorial, “M etical,” Oct. 18, 2001. “It was a document that was better known outside the country than within it, despite the government claiming that it had carried out sufficient consultations with civil society.” Editorial, “Savana,” Nov. 30, 2001.

That the government is aware of these tensions is clear from the fact that it is actively seeking to provide provinces and districts greater discretion in terms of how they should achieve the targets negotiated in the context of SWAPs. For example, again in the context of the Nampula exercise, there was an increase in the provincial discretionary component of the three-year public investment plan from 12 billion meticais in 2000 to 20 billion meticais in 2001. There is clearly a desire to proceed with the devolution of powers to lower administrative levels and to enhance horizontal planning and coordination at these levels.
It should be noted that at this moment in time, none of the three SWAPs referred to have yet reached the logical end point of funds being channeled directly into the state budget. What has taken place is that off-budget, sector-specific pooling arrangements have been developed by groups of donors within these sectors.

An agreement was reached in the course of 2001 between the prime minister and the Confederation of Business Associations to meet twice a year. In addition six private sector conferences, which bring together representatives from this sector, the government and the international community, have taken place in Maputo.
### Thursday, February 21

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<td><strong>OVERVIEW OF THE DEVELOPMENT COOPERATION FORUM</strong>&lt;br&gt; Mr. Edmund Cain&lt;br&gt; Director, Global Development Initiative, The Carter Center</td>
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<td><strong>OPENING REMARKS</strong>&lt;br&gt; His Excellency Bharrat Jagdeo&lt;br&gt; President of the Co-operative Republic of Guyana&lt;br&gt; His Excellency Joaquim Alberto Chissano&lt;br&gt; President of the Republic of Mozambique&lt;br&gt; His Excellency Alpha Oumar Konaré&lt;br&gt; President of the Republic of Mali</td>
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<td><strong>KEYNOTE ADDRESS</strong> “National Progress Reports on the Millennium Development Goals” Mr. Mark Malloch Brown Administrator, United Nations Development Programme</td>
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<td><strong>PANEL DISCUSSION</strong> To be followed by participants’ questions and comments Moderated by Dr. James Gustave Speth, dean and professor in the Practice of Sustainable Development, Yale School of Forestry and Environmental Studies Panelists: * The Honorable Hilde Johnson, minister of International Development for Norway * Mr. Timothy Geithner, director of Policy Development and Review, International Monetary Fund * Ambassador Oswaldo de Rivero, permanent representative of Peru to the United Nations</td>
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<td><strong>KEYNOTE ADDRESS</strong> “Comprehensive Strategies for Poverty Reduction: The Challenge of the 21st Century” Mr. James D. Wolfensohn President, World Bank</td>
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<td>“Development Cooperation Processes: Issues in Participation and Ownership”</td>
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<td>Dr. Roger Norton</td>
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<td>International development consultant, Norton Advisory Services</td>
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<td>Moderated by Dr. Carol Lancaster, director, Edmund A. Walsh School of Foreign Service, Georgetown University</td>
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<td>* Mr. Andrew Natsios, administrator, United States Agency for International Development</td>
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<td>* Ambassador Kenneth King, Guyana’s ambassador to Belgium and permanent representative to the European Union</td>
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<td>* Mr. Callisto E. Madavo, Africa Region vice president, World Bank</td>
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<td>* Mr. Ted Van Hees, coordinator, European Network on Debt and Development (EURODAD)</td>
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**Selected parts of this event will be open to the press.**
List of Meeting Participants and Brief Biographies

Alexander Aboagye is a senior economic advisor at the United Nations Development Programme in Mozambique, where he is responsible for economic and policy analysis. He held similar positions in Namibia and Angola and formerly worked for the International Labor Organization in Ethiopia in the area of industrial development and urban employment promotion. Dr. Aboagye was a senior lecturer in economics at the University of Ghana for several years.

Gordon Alphonso is a partner at the Troutman Sanders law firm in Atlanta. An industrial engineer, Mr. Alphonso has significant experience as a corporate lawyer dealing with transactions, supply contract, and other corporate regulatory issues. He has served as in-house counsel at Georgia-Pacific Corporation. He was the state of Georgia’s assistant attorney general from 1984 to 1990.

Luis Amado has been the Portuguese secretary of state for Foreign Affairs and Development Cooperation since November 1997, with overall responsibility for development cooperation policy. He previously served as secretary of state of the Interior (1995-97) after being a national member of Parliament and a regional member of Parliament for Madeira. He is an economist by training.

Brian Ames is the deputy division chief of the Policy Development and Review Department at the International Monetary Fund (IMF). Mr. Ames has more than 20 years’ experience in economic and financial analysis, at the United Nations, the United States Agency for International Development, and in the private sector. He has been with the IMF since 1995.

Gavin Anderson is the chief executive officer of the Leadership Regional Network for Southern Africa (LeaRN), a nonprofit organization working to develop indigenous leadership capacity in the Southern African region. Mr. Anderson has played a prominent role in strengthening civil society across Southern Africa, especially in Botswana and South Africa. He is also a founder and chairman of the board of the “Mmegi Publishing Trust,” Botswana’s largest newspaper.

Margaret Anstee is an independent consultant, most recently serving as special advisor to the president of Bolivia for development and international finance. Dame Anstee rose to the rank of United Nations undersecretary general in 1987. Her experience with the U.N. includes her positions as resident representative of the United Nations Development Programme in Asia, Latin America, and Africa and special representative and head of the U.N. peacekeeping mission in Angola in 1992-93.

Gerald Barney is the founder and president of the Millennium Institute, a Virginia-based development research and service firm. Dr. Barney is a physicist, specializing in the issues of sustainable development. He advised former U.S. President Jimmy Carter when he was in office. His experience also includes work with the Rockefeller Brothers Fund, governors Nelson Rockefeller and Russell Peterson, and the Council on Environmental Quality.

Cliff Bast is global manager of environmental strategies and solutions program at Hewlett-Packard (HP). He also has led the successful elimination of ozone-depleting substances from HP’s manufacturing processes. Prior to joining HP, he was a marketing and business development manager for an environmental consulting firm and a corporate environmental manager for Warner Lambert and the New York City Department of Environmental Protection.

Peter Bell is president of CARE, an Atlanta-based organization for international development and relief. Mr. Bell has served in senior positions at the Edna McConnell Clark Foundation, the Carnegie Endowment for International Peace, the Inter-American Foundation,
and the Ford Foundation. He also served as special assistant to the secretary and then deputy undersecretary of the United States Department of Health, Education, and Welfare from 1977 to 1979.

**Robert Berg** is an international consultant and senior advisor to the United Nations Economic Commission for Africa. For several years Mr. Berg led the International Development Conference. He has also served as a senior fellow at the Overseas Development Council and director of evaluation for the United States Agency for International Development and the Organisation for Economic Co-operation and Development’s Development Assistance Committee.

**Nancy Birdsall** is the founding president of the Center for Global Development in Washington, D.C. She served previously at senior posts at the Carnegie Endowment for International Peace and the Rockefeller Foundation. She was executive vice president of the Inter-American Development Bank and spent 14 years at the World Bank, including time as director of the Policy Research Department. Dr. Birdsall is the author of numerous publications on the labor market, human resources, and other development issues.

**Andrew Blum** is the Carter Center’s field representative in Georgetown, Guyana. Prior to this assignment, he worked on conflict resolution and peace building programs in Kazakhstan and Azerbaijan. He has also helped design peace building programs targeted at Kosovo and conducted field research on ethnic relations in Estonia. His publications include articles on minority rights and peacekeeping operations.

**Edmund Cain** is director of the Carter Center’s Global Development Initiative. Prior to joining the Center, Mr. Cain had a 30-year career with the United Nations Secretariat and the United Nations Development Programme. His last post was UN resident coordinator in the Arab Republic of Egypt.

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**Jimmy Carter**, the 39th president of the United States, and wife Rosalynn founded The Carter Center in 1982. Actively guided by President Carter, the nonpartisan and nonprofit Center resolves conflict, promotes democracy, protects human rights, and fights disease.

**Rosalynn Carter** has worked for more than three decades to improve the quality of life for people around the world. Today, she is an advocate for mental health, early childhood immunization, human rights, and conflict resolution through her work at The Carter Center in Atlanta, Georgia.

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**Anne Haddix** is an associate professor in the Department of International Health at Emory University in Atlanta, Georgia, specializing in health economics. Dr. Haddix works primarily on infectious diseases and diseases of disability that affect the poorest of the poor. Prior to joining the faculty of Emory, Dr. Haddix was chief of the Prevention Effectiveness branch at the Centers for Disease Control and Prevention.

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**Dyanne Hayes** is the vice president for programs at the Conrad N. Hilton Foundation. She is responsible for all of the Foundation’s grant-making activities, with primary oversight of a $13 million water development program in Ghana and its $22 million initiative to control and prevent trachoma in 12 countries in Africa and Asia. An award-winning grant maker, Ms. Hayes has more than two decades experience in both corporate and private philanthropy.

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Kenneth King is Guyana’s ambassador to Belgium and permanent representative to the European Union. A former general secretary of the People’s National Congress (PNC) in Guyana and minister at various times in the PNC administration, he coordinated the drafting of Guyana’s National Development Strategy with other civil society and private sector leaders. Ambassador King has also held important posts with international organizations, including the Food and Agriculture Organization, the World Bank, and the United Nations Development Programme.

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Brian Lewis is the Carter Center’s office manager in Guyana. He has provided critical support to Guyana’s National Development Strategy (NDS) process. Following completion of the NDS in June of 2000, Mr. Lewis has focused his efforts on the Center’s most recent program on more responsive and participatory governance and rule of law in Guyana.

Tim Lister is the vice president of CNN International, where he is responsible for news output. Mr. Lister joined CNN International in 1996 as supervising producer. He worked previously at BBC World Service Radio and Television. Mr. Lister returned recently from Afghanistan, where he directed CNN coverage of the United States campaign against Al Qaeda and the Taliban.

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Peter McPherson has been president of Michigan State University since 1993. Before assuming the presidency at Michigan State, Dr. McPherson was a group executive vice president at Bank of America. He was deputy secretary of the Treasury, special assistant to President Ford, and the administrator of the U.S. Agency for International Development. Dr. McPherson currently serves on the board of directors of Dow Jones and Company.

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Stanley Ming is the director of Ming’s Products and Services, a member of Parliament, and active in a number of charitable causes and civic initiatives in Guyana. He is a national board member of Habitat for Humanity (Guyana), a member of Guyana’s National Development Strategy Committee, and leader of the “Reform” component of the People’s National Congress/Reform party that contested the 2001 general elections.

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Andrew Natsios is administrator of the United States Agency for International Development. He served in the Massachusetts House of Representatives from 1975 to 1987 and held prominent positions in Massachusetts state agencies, including the Massachusetts Turnpike Authority. Mr. Natsios also was vice president of World Vision U.S., a Christian humanitarian organization serving the poor, from 1987 to 1989.

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Prakash Ratilal is an executive member of Mozambique's Agenda 2025 Committee, a high-level advisory committee that shapes the country's vision and strategies up to 2025. An economist, Dr. Ratilal was governor of the Bank of Mozambique. He negotiated the joining of Mozambique to the International Financial Institutions and the first rescheduling of Mozambique's external debt. He also has experience in emergency response programs in Mozambique and Angola.

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Robert Rubin served as secretary of the U.S. Treasury from 1995 to 1999. From 1993 to 1995, he served in the White House as assistant to the president for Economic Policy and directed the activities of the National Economic Council. Prior to joining the Clinton administration, Mr. Rubin held senior positions in the financial service industry. He is currently director of Citigroup Inc., a New York City-based grouping of financial service organizations.

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James Gustave Speth is dean of the Yale School of Forestry and Environmental Sciences. Dean Speth is a strong proponent of sustainable development and is a former administrator of the United Nations Development Programme. He was also co-founder of the Natural Resources Defense Council, the World Resources Institute, and led President Carter's Council on Environmental Quality.

Gordon Streeb is the Carter Center's associate executive director for peace programs. Ambassador Streeb was a career Foreign Service officer, serving in high-level
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John Sullivan has been executive director of the Center for International Private Enterprise, an affiliate of the U.S. Chamber of Commerce, since 1991. In 1990, Dr. Sullivan served as the Washington office director of the Institute for Contemporary Studies and its International Center for Economic Growth. Through his work at the Institute, he was able to assemble a network of 20 new think tanks in Central and Eastern Europe that are dedicated to the transition from Marxism to market-based democracy. He was also an associate director of the bipartisan Democracy Program in 1983.

Frans Swanepoel is director of the Graduate School of Agriculture and Rural Development at the University of Pretoria, South Africa, and director of the Integrated Regional Development Program for Southern Africa, a project supported by the W.K. Kellogg Foundation to combat rural poverty. The author of numerous publications, Professor Swanepoel has addressed audiences in various African countries, Europe, Australia, China, and the United States.

Fatos Tarifa has been ambassador extraordinary and plenipotentiary of the Republic of Albania to the U.S. since 1998. His first appointment began when he served as Albania’s ambassador to The Netherlands from 1998-2001. Dr. Tarifa is a career sociologist and university professor. Since 1996, he has served as a member of the International Advisory Board of “Journal of Social Sciences.” From 1993-1998, Ambassador Tarifa was the founding director of the New Sociological Research Center in Tirana, Albania.

Alamine Touré is an economic and political analyst in Mali. An activist, he is a member of AMSUNEEM, a student union in Mali and the first organization to have fought openly against the dictatorial regime of General Moussa Traoré. Mr. Touré recently participated in civil society consultations on the Poverty Reduction Strategy. He is a representative of the Organisation for Economic Co-operation and Development’s Sahel and West Africa Club in Mali.

Jan Vandemoortele is principal advisor and group leader of the Social Development Group at the United Nations Development Programme (UNDP). He has served previously with the United Nations Children’s Fund, where he headed policy analysis, and with UNDP as senior economist in Malawi/Zambia as well as with the Regional Bureau for Africa in New York. Prior to that, he worked for 12 years for the International Labor Organization, mostly in Africa.

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Jack Watson is a lawyer and venture capitalist investor. He most recently served as chief legal strategist of the Monsanto Company. During the Carter administration, Mr. Watson served as assistant to the president for intergovernmental affairs, secretary to the Cabinet, and White House chief of staff. Mr. Watson also directed the transition of government to and from President Carter in 1976-77 and 1980-81.
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P. Craig Withers is the director of program support of The Carter Center's Global 2000 agenda, focused on international health and development. He manages daily operations, international health program staff, and develops new programs. Prior to joining Global 2000, he worked on Guinea worm and river blindness eradication in Nigeria, Sudan, and Francophone West Africa at The Carter Center and at the Centers for Disease Control and Prevention.

James Wolfensohn is the World Bank Group's ninth president since 1946. Mr. Wolfensohn established his career as an international investment banker with a parallel involvement in development issues and the global environment. His last position prior to joining the Bank was as president and chief executive officer of his own investment firm, James D. Wolfensohn Inc., set up in 1981 to advise major U.S. and international corporations.

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ARE WE REALLY ATTACKING POVERTY?  
THE GLOBAL EFFORT TO ERADICATE POVERTY

Wednesday, February 20, 2002  
7:00 – 8:30 p.m., Ivan Allen Pavilion  
Audience Q&A will follow
FREE, RSVP IS REQUIRED

Poverty in all its forms is the greatest challenge the international community faces today and the greatest moral problem of our time. Join a panel of experts who will discuss actions that need to be taken if we are to meet the goal set by international leaders to cut global poverty in half by 2015. The discussion includes a look at a new holistic, people-centered approach, emphasizing social equity and improved quality of life as essential to sustainable development.

- Edmund Cain, Director of The Carter Center’s Global Development Initiative
- Tim Geithner, Director of Policy Development and Review at the International Monetary Fund
- The Honorable Eveline Herfkens, Minister for Development Cooperation for the Netherlands
- Dr. Kenneth King, Guyana’s Permanent Representative to the European Union and an author of Guyana’s national development strategy
- Dr. Carol Lancaster, Professor, Georgetown University’s Edmund A. Walsh School of Foreign Service and former deputy administrator of the United States Agency for International Development (USAID)
- Jan Vandemoortele, Principal Adviser and Group Leader, Social Development Group, United Nations Development Programme

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THE CARTER CENTER, 453 FREEDOM PARKWAY, ATLANTA, GA 30307 (404) 420-3804 FAX (404) 420-5145
WORLD LEADERS CONVENE AT THE CARTER CENTER TO ADDRESS CHALLENGES TO OVERCOMING GLOBAL POVERTY

Atlanta, GA...World Bank President James Wolfensohn, United Nations Development Programme (UNDP) Administrator Mark Malloch Brown, United States Agency for International Development (USAID) Administrator Andrew Natsios, Minister of International Development for Norway Hilde Johnson, and Minister of Development Cooperation for the Netherlands Eveline Herfkens will join former U.S. President Jimmy Carter and former Secretary of the Treasury Robert Rubin February 21-22 at The Carter Center to address challenges to economic development and overcoming poverty. Four sitting presidents, from Albania, Guyana, Mali, and Mozambique, will detail their countries’ experiences in developing poverty reduction strategies with the help of the international community.

Hosted by the Center’s Global Development Initiative, the Development Cooperation Forum “Human Security and the Future of Development Cooperation” will explore development strategies and the obstacles to achieving development in impoverished countries. More than one billion people live on less than a dollar a day, and poverty has been increasing. Outside of China, more than 100 million people have been added to this dollar-a-day statistic over the past decade. The greatest number of poor people live in South Asia, but the proportion of poor is highest in Sub-Saharan Africa, a region plagued with civil conflict, stagnant economic growth, and the spread of HIV/AIDS.

The international community has set targets to decrease by half the proportion of people in extreme poverty worldwide by 2015, ensure all children are enrolled in primary school, reduce infant and child mortality by two-thirds and maternal mortality by three-fourths, and preserve the environment. These Millennium Development Goals (MDGs) were endorsed by 189 countries at the September 2000 UN Millennium General Assembly in New York. Recent reports from the United Nations and the World Bank indicate these goals likely will not be met and, in some instances, conditions are deteriorating.

(MORE)
At the Forum, UNDP Administrator Mark Malloch Brown will announce the first UN assessment on global progress toward the Millennium Development Goals. Robert Rubin will discuss the need to build political support to address poverty in an environment of global interdependence, and World Bank President Jim Wolfensohn will address why effective development cooperation is more important than ever in a post-September 11th world.

Conference participants include Tim Geithner, director of policy development for the International Monetary Fund (IMF), Jean-Claude Faure, chair of the Development Assistance Committee of the Organisation for Economic Co-Operation and Development (OECD), Callisto Madavo, Africa region vice president of the World Bank, and Nancy Birdsall, president of the Center for Global Development.

"The urgent need for more effective development cooperation to greatly reduce human suffering and all the ills that such suffering spawns cannot be overstated," said Ed Cain, director of the Global Development Initiative. "Based on The Carter Center's experience in developing countries, we have been able to help demonstrate how effective cooperation can be improved through broad participation and nationally driven sustainable development strategies. Only through such strategies will it be possible to identify, adopt, and implement the policies and practices needed to achieve the Millennium Development Goals."

The Center’s Global Development Initiative is working with Albania, Guyana, Mali, and Mozambique to formulate comprehensive national development strategies through partnerships with government and civil society. These strategies are blueprints for economic, social, and democratic development that represent a shared vision for the future. The Initiative acts as a catalyst and facilitator for nationally led dialogue and practices that strengthen donor coordination and the prioritizing of needs.

The forum is sponsored by the Kellogg Foundation, the United States Agency for International Development (USAID), the Governments of the Netherlands and Norway, and the Carnegie Foundation.

Founded in 1982 by former U.S. President Jimmy Carter and Rosalynn Carter, The Carter Center works to promote peace and health worldwide. It is guided by a fundamental commitment to human rights and the alleviation of human suffering; it seeks to prevent and resolve conflicts, enhance freedom and democracy, and improve health.

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Editor’s note: This conference is closed to the public, but attached is the schedule with conference discussions open to the media. If you plan to attend the conference, you must register with Kay Torrance at 404-420-5129 or by email, ktorran@emory.edu by 4:30 p.m., Friday, Feb. 15.
WORLD LEADERS CALL FOR AN INCREASED
COMMITMENT OF RESOURCES BY THE INTERNATIONAL
COMMUNITY TO COMBAT POVERTY

Atlanta, GA…..At a high-level forum at The Carter Center, leaders and representatives of developing countries and international development organizations called attention to the lack of progress toward achieving the Millennium Development Goals to reduce poverty.

The goals call for extreme poverty to be reduced worldwide by half by 2015 and to provide education, improve health, and preserve the environment. These targets were endorsed by 189 countries at the September 2000 UN Millennium General Assembly in New York.

World leaders who convened for the Development Cooperation Forum February 21-22 included former U.S. President Jimmy Carter, former Secretary of the Treasury Robert Rubin, World Bank President James Wolfensohn, United Nations Development Programme Administrator Mark Malloch Brown, and the presidents of Guyana, Mali, and Mozambique. They noted that although more than one billion people live in abject poverty, there is a lack of political energy in rich countries to help their poorer neighbors.

“The Forum called attention to the urgent need to move beyond rhetoric and put into action a plan in which resources are fully committed,” said President Carter. “The consensus of nations on how to fight global poverty has never been as strong as it is today.”

Citing the increasing interdependence of developed and underdeveloped countries, the leaders said the wealthiest countries must commit greater financial resources through more aid and debt relief and create greater access to markets. On their part, the underdeveloped countries recognized the need to take bold steps to reduce corruption and use aid more effectively.

The upcoming Financing for Development Conference in Monterrey, Mexico on March 18 is an opportunity for leaders from around the world to adopt this compact.
“I do think we have a tremendous amount of self-interest in increasing development assistance,” said Mr. Rubin, who co-chaired the conference with President Carter. “Poverty can foment hopelessness, resentment, and anger, which in turn can lead to instability and even terrorism.”

The Carter Center’s Global Development Initiative, which hosted the Forum, will continue to track these issues and work with its four partner countries—Albania, Guyana, Mali, and Mozambique—to develop comprehensive National Development Strategies (NDS).

After an invitation from a government, GDI brings together civil leaders, business leaders, and representatives of nongovernmental organizations to contribute to an NDS. This diverse input is crucial to foster long-term democratic progress and sustainable development. Such collaboration is likely to result in better, more appropriate development policies because they are based on the knowledge and experience of those most affected by development problems.

“A National Development Strategy strengthens democracy and respect for human rights by reinforcing democratic institutions and supporting a more participatory, cooperative, and democratic culture,” President Carter said. “When citizens have a greater stake in formulating the NDS, and feel that it is their own, they view their democratic institutions with a greater sense of legitimacy.”

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Banker: Aiding poor is good business; Leaders to meet at Carter Center Thursday

By Moni Basu

The president of the World Bank has a message for the business community - and he points to the Carter Center to illustrate his call.

“I think it's important for capitalism to show compassion and social understanding,” James Wolfensohn said. “You can approach it two ways - either that it's good business to develop your market or you could do it on the basis that it's morally and ethically right. I like to think that you start with the first and move to the second.” One of the most successful World Bank-funded programs has been the Carter Center's river blindness eradication project in Africa, Wolfensohn said. The center works closely with Merck, the giant pharmaceuticals firm, which donates the disease-controlling drug Mectizan®.

“That is probably a magnificent example [of success] because it involves the Carter Center and Merck. And it saved hundreds and thousands of lives,” he said.

Wolfensohn will be in Atlanta for an economic development forum at the Carter Center that starts Thursday. Also expected to attend are leaders of key developmental agencies and the presidents of Albania, Mali, Guyana and Mozambique.

Business has overtaken official government aid as the engine of global development, Wolfensohn noted.

A decade ago, the amount of investment in developing nations was $30 billion a year, said Wolfensohn, who joined the World Bank in 1995. Today, it stands at $200 billion, compared to $50 billion from donor nations. Whether it's altruism or self-interest, Wolfensohn said the corporate world cannot ignore the fact that 80 percent of the world, or 4.8 billion people, live in the non-industrialized world.

“Business has recognized that a significant part of the future is in the developing world,” he said. “In order to bring about market development in those countries, you need to make sure people live in safety and with a future.”

Wolfensohn, a former investment banker often described as a “plutocrat for the poor,” is a proponent of strong partnerships between government and industry. In his tenure, he has walked a fine line between trying to retain the confidence of the governments that fund the World Bank while reaching out to voluntary organizations and interest groups.

He has found foes both in anti-globalization forces and also in U.S. government officials who want to scale back World Bank goals and curb America's share of development assistance.

Wolfensohn said he is optimistic about what the Bush administration will finally decide on U.S. foreign aid in the budget for next year.

In total amount, the United States ranks second only to Japan as a donor nation. But as a percentage of national income, America spends less than any other industrialized nation, giving only $29 per person a year, the lowest amount in 50 years.

President Bush's budget for 2003 increases “international assistance” programs by $750 million, although $500 million is for military aid.

The proposal was declared vastly inadequate last week by a coalition of 160 development agencies, including Atlanta-based CARE.
Foreign aid will take center stage next month at an international development financing conference in Monterrey, Mexico. Bush is expected to attend that critical meeting.

Development agencies argue that the world is losing its fight against poverty and that foreign aid needs to be doubled to $100 billion a year.

Mark Malloch Brown, administrator for the United Nations Development Program, is expected to tell the Carter Center conference that goals to decrease abject poverty will likely not be met. By the year 2015, the international community had hoped to halve the number of people (1.2 billion) living on less than a dollar a day.

Ed Cain, director of the Carter Center’s Global Development Initiative, called the timing of the Atlanta meeting crucial.

“We have just come off the World Economic Forum,” he said, “and the Financing for Development Assistance conference in Monterrey is really where the rubber is going to hit the road.”
World Bank president says poverty, terror fight linked

The world's leading nations must increase efforts to reduce the global poverty if the fight against terrorism is to be won, the president of the World Bank said Thursday.

Jim Wolfensohn told an audience of international leaders at the Carter Center that developed nations can no longer afford to ignore their responsibility to poor countries. “The world will not be stable if we do not deal with the question of poverty,” Wolfensohn said in a keynote address of a two-day forum on global development.

“If it is not stable, we will be affected by migration, crime, drugs and terror,” he said.

The forum gathered world leaders from Guyana, Mali, and Mozambique to discuss ways to create sustainable growth in those nations. Through its Global Development Initiative, the Carter Center works with developing countries to help them overcome poverty.

“If a wall ever existed between the developing and developed world, the image of the World Trade Center collapsing destroyed that world forever,” Wolfensohn said.

Wolfensohn's address followed an announcement by the United Nations that an international goal to halve the poverty level in developing nations by 2015 will not be met.

Economic forecasts in China and India seem to be on track, but other areas, including Africa, need more investment. Researchers predicted that African poverty in 2015 would be only marginally lower than 1998's, if current trends continue.
World poverty issue takes stage

Carter Center focuses on how to pay for gains

By MONI BASU
mbasu@ajc.com

Ahead of two big global development conferences on the horizon, the “scorekeeper” for the United Nations is telling the world that it is falling behind in the race to end poverty.

Mark Malloch Brown, administrator of the U.N. Development Program, said the need to bring poverty issues to the forefront of political debate is more critical than ever.

“We must take development from the backwaters of politics,” Brown told heads of state, aid agency representatives and financial institution leaders gathered at the Carter Center on Thursday.

The forum precedes a key financial development conference in Monterrey, Mexico, next month that Brown described as a meeting on “how to pay” for development programs. In August, world leaders attend a summit in Johannesburg, South Africa, that will focus more on “how to go about it.”

A year and a half ago, a U.N. summit adopted a set of eight ambitious Millennium Development Goals to be reached by 2015. Leaders of 150 countries pledged to halve the number of people — more than a billion — who live on less than $1 a day by that year.

Among the other goals were a reduction of hunger and access to clean water and education. U.N. Secretary-General Kofi Annan asked Brown to be the “scorekeeper” and “campaign manager” for the goals.

In his “report card” Thursday, Brown said some countries are on track for a few goals, but none of the targets is likely to be reached at the current rate of progress. He said many nations are hampered by crippling debt burdens, inefficient and ineffective public spending, and poor market access. He urged countries to use the millennium goals as a benchmark to drive political will.

“We are nowhere near reaching those goals, but we’ve left the starting blocks,” Brown said. He credited developing nations for seeking greater accountability and weeding out corruption.

Even in a country such as Mozambique, often singled out as a development success story and touted as a model for Afghanistan to follow, poverty eradication remains a distant goal, Brown said.

Mozambique ended 16 years of civil war in 1992 with a peace agreement and $6.5 billion in international assistance, comparable to the amount pledged to Afghanistan. The southern African nation, which has benefited from the Carter Center’s Global Development Initiative, once posted a whopping 10 percent growth rate.

But, Brown said, “When you’re compounding a capital income of less than $200, even 10 percent can take you a lifetime to get you out of poverty.”

Richer nations must add to the dwindling coffers of foreign aid, he said.

“There is no real sense of what our aid dollars buy for us,” Brown said. “And certainly, in a capital like Washington, there’s an apparent failure to see this change in [developing nations] of greater accountability and a continued belief that somehow foreign aid dollars are gone.”

U.N. development agencies along with the World Bank have put in place a system of aggressively tracking aid money and monitoring progress on the millennium goals. Five nations — Tanzania, Vietnam, Cambodia, Chad and Cameroon — already have filed reports. The UNDP hopes that every developing country will do the same in time for a progress report that Annan is expected to present in 2005.

Not being able to keep track of aid money has been a problem. But former Treasury Secretary Robert Rubin, a co-chairman at the Carter Center conference, said that, given the changes, the United States should rethink its low foreign aid contributions.

“I do think we have a tremendous amount of self-interest in increasing development assistance,” Rubin said. “Poverty can foment hopelessness, resentment and anger, which in turn can lead to instability and even terrorism.”
Foreign aid stabilizing Mozambique

Destructive conflict

When I paid an official visit to the African country of Mozambique, it was obvious that the country was in need of foreign aid. The country has been devastated by civil war, which has led to the destruction of infrastructure and the displacement of people. The country needs assistance in various areas, including education, health care, and economic development.

Economic goals

Mozambique has set economic goals to attract foreign investors and develop its economy. The country has a large and untapped market, which is attractive to foreign companies. The government has implemented policies to create a conducive environment for business, including tax breaks and incentives for foreign investors.

A success story

Mozambique has made significant progress in recent years, thanks to foreign aid and its own efforts. The country has reduced poverty levels and increased access to education and health care. However, there is still much work to be done, and the country needs continued support from the international community.
FOR IMMEDIATE RELEASE
Thursday, March 14, 2002

CONTACT: Kay Torrance
404-420-5129

FORMER U.S. PRESIDENT JIMMY CARTER TO ADDRESS WORLD LEADERS IN MEXICO AT THE INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT

Atlanta, GA….Following The Carter Center’s Development Cooperation Forum in which leaders said the world is not on target for cutting global poverty in half by 2015, former U.S. President Jimmy Carter will address international leaders Tuesday at the International Conference on Financing for Development in Monterrey, Mexico.

“The Carter Center’s Forum called attention to the urgent need to move beyond rhetoric and put into action a plan to mobilize the resources necessary for a serious assault on poverty,” President Carter said. “The Monterrey conference provides an opportunity for wealthier countries to demonstrate their political commitment to helping their poorer neighbors.”

The Carter Center’s Development Cooperation Forum, held February 21-22, 2002 in Atlanta, called attention to the lack of progress toward achieving the Millennium Development Goals—targets which include decreasing by half the 1.2 billion people living on less than a dollar a day and ensuring all children are enrolled in primary school, by 2015. These and six other goals were unanimously endorsed by the September 2000 U.N. Millennium General Assembly in New York.

At the Forum, President Carter, the presidents of three developing countries, World Bank President James Wolfensohn, United Nations Development Programme Administrator Mark Malloch Brown, and other leaders from civil society and the private sector called on wealthy countries to commit more financial resources to combat poverty.

(MORE)
“A more just and fair world benefits all,” President Carter said. “Reducing poverty is in the national interest of all countries. Poverty weakens democracy and its institutions – we cannot have genuine human security for all until poverty is eradicated.”

In Monterrey, President Carter will meet with finance and development ministers from some 60 countries to discuss the need to achieve global human security through greater development assistance, debt relief, fair trade, increased foreign investment, and better managed domestic resources.

Editor’s Note: President Carter will hold a press conference on Tuesday, March 19, 2002, at 4:30 p.m. in the Press Center on the ground floor of the CINTERMEX Convention and Exhibition Center. The director of The Carter Center’s Global Development Initiative, Ed Cain, will be available throughout the conference for interviews on the issues of global poverty and development.
Press Conference by Former United States President Jimmy Carter

“I wished I had known then what I know now about the third world”, former United States President Jimmy Carter said today at a press conference in Monterrey, referring to how little Americans understood about how little they gave and how desperately aid was needed.

The Monterrey Conference could serve to educate the American people, he said. Also, the Conference might well stimulate the rich countries to be more generous and encourage the developing world to vastly decrease the corruption and waste in their countries. At the same time, waste and corruption decreased on their own when aid touched people on a personal level.

He said the greatest challenge was bridging the divide between those nations that had everything and those whose...
citizens were living in abject poverty. During a recent trip to Africa, where he had visited some 10 nations with Bill Gates, Sr., he had seen first-hand the lack of investment in the treatment of HIV/AIDS, for example. That had been “a real eye opener in the field of health”.

The United States gave one-thousandth of its gross national product (GNP) to overseas development, while Europe and Japan gave approximately three times that much, he continued. “We were all shocked obviously by the tragedy that occurred in New York on September 11th in that savage terrorist attack”, but in Africa alone, that many people died every 12 hours of AIDS. And, much of that could be prevented. Development assistance was critically important if it was spent wisely and effectively.

Allocating funds for health for a particular disease, whether malaria, river blindness or AIDS, however, was a different story, he said. If a top official began to steal that money, he or she was more likely to get caught because people would rise up and demand that that waste be stopped. Improving the quality of someone’s life meant development assistance was less likely to be wasted or subjected to corruption.

A sked about United States President George Bush’s proposal for increased aid to developing countries, he said he was pleased at his statement and commitment. That had been a long-awaited and dramatic statement, but it should be put in perspective. However, the effective date would be in fiscal year 2004, while the needs were urgent now. Also, part of President Bush’s statement concerned the need to meet certain criteria before that aid became available to a particular country. It was important to be “generous and not just demanding”, he added.

Just 10 days ago, he said, he had visited the only clinic in the Central African Republic, where 267 people were suffering from advanced AIDS, most of them women with small children. There was “zero medicine, zero treatment, zero programmes” for AIDS prevention. The women had just come for a morsel of food to tide them and their babies over for the next day.

He said that 90 per cent of the beds in the local hospital in the capital city of the Central African Republic were filled with AIDS victims. Now, if that country could not receive aid until it proved it was efficient, it would never get the help it needed. “We can’t expect a country to fulfil criteria in advance that might be beyond its reach”, Mr. Carter said.

A correspondent said that, notwithstanding President Bush’s promise of $5 billion, it seemed that the dominant United States position was that trade was better than aid, and an unseen, but all-seeing, hand of the market would cure all ills. What did he think about that?

Mr. Carter replied that the developed rich nations had imposed trade restrictions on the poorest nations that far exceeded any total aid that they gave. For instance, in agricultural protection alone, “we cost the developing world three times as much as all the overseas development assistance that they received from all sources”.

He added that when anyone talked about increased trade as a substitute for supplementing aid, they should look at how those countries were prevented from trading. So, in addition to giving foreign aid, the trade barriers that prevented countries from marketing their only attractive natural resources or produced goods should be reduced.
Replying to a question about whether the United States should pledge to give 0.7 per cent of its GNP to official development assistance (ODA), he said, yes, but that was an unlikely prospect now. Yet, the Europeans had pledged 0.39 per cent of their GNP compared to the United States’ one tenth of 1 per cent.

Asked whether Mexico’s President Vicente Fox was a model leader for the developing world, Mr. Carter said that President Fox had done a good job, and his positive relationship with President Bush would be helpful to his country. He added that Mexicans and others should be given amnesty or an opportunity to remain in the United States legally and continue to do their vital work.

Responding to a question about farm subsidies, he said that agricultural barriers had been reduced or eliminated with Canada and Mexico and that had not hurt the American farmers. The next step was to turn the hemisphere into a free-trade zone. Compensatory efforts should be made when the export potential of the truly poor nations was hurt.

When he was President, he replied to another question, foreign aid had been between two- and three-tenths of 1 per cent. As President, he had had a constant annual battle with the Congress to increase that aid, pointing out that each dollar invested by the United States benefited it to the tune of about $6. During the cold war, he added, one purpose of giving assistance to an African nation, for example, was to keep the Soviet Union from coming in and buying their friendship with a higher level of assistance. At that time, Congress was more receptive to foreign aid programmes. In terms of agricultural subsidies during his Administration, those were probably about the same as now.

Responding to a question about the recent United States’ decision to stop contributing to the United Nations Population Fund (UNPFA), he said he was not familiar with that decision, but one factor in the White House and Congress that seriously damaged health programmes around the world was the preoccupation with the abortion issue.

Under Presidents Clinton, and George Bush, Sr. and Jr., there had been a very tight restraint on allocation by Congress of funding for any programme involving family planning, if that could possibly encompass abortion. Now, as a leader of a non-governmental organization that invested half its efforts in the health field, he saw the adverse effect of those restraints on public health. That debate was still in its formative stage and had not yet been resolved.
UN development conference gathers steam, Soros, Carter scheduled to appear

A UN development conference was set to gather steam here Tuesday, with famed financier George Soros and former US President Jimmy Carter expected to add their voices to calls for a more vigorous assault on global poverty.

Ministers and senior officials from 120 countries were meanwhile planning another full day of round-table discussions to prepare the ground for a summit on poverty and development Thursday and Friday.

US President George W. Bush and more than 60 other world leaders are expected to adopt the Monterrey Consensus, a 16-page document committing them to step up the campaign against global poverty.

But the text binds them neither to dollar targets nor to timetables and - in its present form - has already been dismissed as ineffectual by non-governmental organizations, of which more than 260 are represented here. Nonetheless, the Monterrey gathering has been hailed by its organizers as a milestone in the anti-poverty effort, notably as it has mobilized the United Nations, the International Monetary Fund, the World Bank and the World Trade Organization, along with corporate and government leaders.

On Tuesday, according to UN officials, Soros will hold a press conference outlining a plan to increase the flow of capital to help vulnerable countries ward off recession and spur growth.

He will be followed by Carter, who since leaving the White House has become a spirited anti-poverty activist.

UN officials said the former president was expected to meet with finance ministers and then hold his own news conference.

On Monday the United States went on the offensive here, defending the scope of its foreign aid to poor countries but backing away from a UN call for a sharp increase in official assistance to fight poverty.

"We're proud and pleased about the story we have to tell about our contribution on this issue," Washington's United Nations representative John Negroponte said.

President Bush last Thursday unveiled a fresh US initiative, pledging a further five billion dollars in foreign aid starting in 2004 to poor countries it deems to have made commitments to good government and market-oriented economies.

The gesture appeared designed to head off a renewed attack here on the United States for its comparatively meager assistance to developing countries, 0.10 percent of its gross domestic product, the lowest such percentage of all industrialized nations.

The European Union, which currently allocates 0.33 percent of its output to development aid, last week pledged to boost that figure to 0.39 percent.

The Bush offer was quickly dismissed by non-governmental organizations as woefully inadequate, even though it represents a dramatic increase from the 11.6 billion dollars the administration has earmarked for foreign aid in its fiscal 2003 budget.

"In a world where the total, global contribution in any one year to development assistance is on the order of 50 billion dollars, I think a five billion dollar increase is very, very significant," US Under Secretary of State Alan Larson told a press conference here.
But Larson steered clear of backing a call by UN Secretary General Kofi Annan for rich countries to add another 50 billion dollars annually to official development aid in the next two to three years.

“I don’t think there’s anyone who knows with certainty how much more official development assistance is needed,” he said.

“We are supporting the call for greater urgency in dealing with development and the president has responded with a very strong commitment by the United States.”

The administration’s aid strategy, reiterated by Larson Monday, would place greater emphasis on private foreign investment and trade as means of raising living standards in poor countries.

Larson also defended Washington’s trade record in the face of a recent firestorm of global outrage at Bush’s decision to impose heavy tariffs on certain imported steel in order to shield struggling U.S. steel makers from foreign competition.

“Our record is very strong in using trade as a means of widening the circle of prosperity,” he said, noting that the United States each year absorbs 450 to 500 million dollars in imports from developing countries.

He also argued that Bush had gone out of his way to spare developing nations from the tariffs.
Carter heartened by US signals on helping the poor

By Alan Beattie

Jimmy Carter, the former president, has been ploughing a lonely furrow of liberal concern for developing countries within the United States in recent years. Attending the United Nations conference on development finance in Mexico, and watching the flurry of US announcements on aid over the last week, he thinks the country may at last be moving in his direction.

Backed by the Carter Center think-tank he set up after leaving office in 1980, Mr. Carter has become a quiet but determined advocate of more help for poor nations. Speaking to the Financial Times, he said that the vivid horrors of the Aids pandemic in Africa and the realization that poverty-stricken nations are more conducive to terrorism have been instrumental in changing the US public’s mind. “Investment in increased foreign aid assistance can be a factor in reducing the level of violence and animosity towards the United States,” he said.

As well as joining the chorus of criticism that even the new enhanced US aid effort is inadequate, he is concerned that the as-yet-vague conditions for who gets the aid may also repeat old mistakes. “They may yet be heavily fraught with political considerations,” he says. “My guess is that President Bush and (secretary of state) Colin Powell and (Treasury secretary) Paul O’Neill haven’t decided yet.”

He also strikes an unusually skeptical note on the new mantra that aid must only go to well-run countries. On a recent visit to the Central African Republic, he said, he saw an AIDS clinic that was largely confined to distributing food to sufferers. “They didn’t even have a typewriter to apply for money from the (UN-run) global health fund,” he said.

Mr. Carter’s interventions may attract accusations of liberal do-gooding. But for a former US politician, his willingness to admit past mistakes and criticize insular US development policy makes him an unusual contributor.

After criticizing US agricultural protectionism during a press conference at Monterrey, he faced the inevitable question: why did he not do more to reduce it when he was president himself? “I wish I knew then what I know now about its effects on the Third World,” said the former peanut farmer. “I have learned from my mistakes.”
The Carter Center at a Glance

What is The Carter Center?

The Center is a nonprofit, nongovernmental organization founded in 1982 in Atlanta, Ga., by former U.S. President Jimmy Carter and his wife, Rosalynn, in partnership with Emory University. The Center has helped to improve millions of lives in more than 65 countries by waging peace, fighting disease, and building hope. We work directly with people threatened by war, disease, famine, and poverty to solve problems, renew opportunity, and create hope. A key to our success is the ability to make detailed arrangements with a nation’s top leaders and then deliver services to thousands of villages and family groups in the most remote and neglected areas.

What has the Center Achieved in 20 years?

The Carter Center has alleviated suffering and advanced human rights by:

- Observing about three dozen multiparty elections in more than 20 countries
- Leading a worldwide campaign that has reduced cases of Guinea worm disease by 98 percent
- Preventing or correcting human rights violations worldwide
- Helping to provide some 35 million drug treatments to sufferers of river blindness in Africa and Latin America
- Creating new avenues for peace in Sudan, Uganda, the Korean Peninsula, Haiti, the Great Lakes Region of Africa, Liberia, and Ethiopia
- Working to erase the stigma against mental illness in the United States and abroad
- Strengthening human rights institutions, civil society, and economic development in emerging democracies
- Fostering improved agricultural practices, enabling 4,000,000 farmers in Africa to double, triple, or quadruple their yields of maize, wheat, corn, and other grains
- Building cooperation among leaders in the Western Hemisphere
- Helping inner-city families address the social issues most important to them

How is the Center staffed and funded?

The Center has about 150 employees, based primarily in Atlanta, Ga. The Center is financed by private donations from individuals, foundations, corporations, and international development assistance agencies. The 2000-2001 operating budget, excluding in-kind contributions, was approximately $34 million. The Carter Center Inc. is a 501 (c)(3) charitable organization, and contributions by U.S. citizens and companies are tax-deductible as allowed by law.
Where is the Center located?

The Carter Center is located in a 35-acre setting 1 1/2 miles east of downtown Atlanta. Four circular interconnected pavilions house offices for President and Mrs. Carter and most of the Center's program staff. The complex includes the nondenominational Cecil B. Day Chapel and other conference facilities.

The Jimmy Carter Library and Museum, which adjoins the Center, is owned and operated by the National Archives and Records Administration of the federal government. The Center and Library are known collectively as The Carter Presidential Center.