

**ROUNDTABLE ON THE WHITE PAPER ON
INTERNATIONAL DEVELOPMENT**

**New Partnerships for Development:
Building Blocks or Dangerous Myths?**

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A fairly excited discussion on new patterns of development cooperation has already taken place, and all that was even faintly worthwhile or enlightening has already been said. There are not many new ideas or fresh insights that I can add. Instead, I shall focus on some very concrete, some very practical building blocks for a new and productive partnership between Britain and the developing world.

Before I do so, let me briefly state three new realities that I believe will dominate the partnership between the North and the South in the 21st century.

First, the traditional North-South cleavage will no longer be regarded as a useful basis for negotiations. In fact, this divide will become increasingly irrelevant in coming years. Many global issues will bind these groups, many others will divide them. The new basis of negotiations will be common interests, not geographical boundaries. Interest-based groups are already emerging in negotiations on trade, debt, drugs, migration, private investment and in many other areas.

Second, developing countries would realize that no amount of external assistance can ever substitute for the fundamental reforms needed in their domestic economies. They will no longer look for external alibis for all their internal ills. The increasingly democratic regimes in the developing world will come under intense pressure to look after their own poverty and their own human development, without a permanent reliance on the outside world.

Third, development cooperation will have moved far beyond aid – which will be a receding and marginal part of overall development cooperation – and will focus much more on trade, private investment, debt restructuring, labour and financial flows, and new institutions of global governance. In fact, the 0.7 per cent aid target will lose much of its relevance and emotionalism in international dialogue in the 21st century.

My own conviction is that there will be a pragmatic and realistic move away from the sterile confrontations of the past towards a new and productive partnership among the nations of the world – based not on charity but on mutual interests; not on cold war strategic alliances but on new compulsions of global human security; not on protectionism but on an equitable sharing of market opportunities; not on one-sided conditionality but on two-sided compacts; not on stubborn nationalism but on far-sighted internationalism. And if this sounds rather grand and idealistic, what a challenge for our collective creative genius to forge such new patterns of partnership in the 21st century.

I would like to make six concrete proposals to the Honourable Minister, Ms. Clare Short, six new building blocks for British assistance. The new government is in a fortunate position. The British aid priorities have been so irrational in the past that there is a tremendous potential for introducing some enlightened changes.

First, whether or not it is possible to increase British assistance substantially, it is certainly possible to allocate the existing assistance far more intelligently. There is a great deal of mileage in that. Let me illustrate it with eight practical examples:

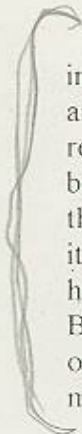
- (i) Britain allocates only 6.6 per cent of its total assistance to five human priority areas: basic education, primary health care, nutrition, safe drinking water and family planning. Why not raise it to 20 per cent (on the pattern of the 20:20 compact agreed in the World Social Summit)? Denmark already allocates 25 per cent; the World Bank is moving towards 20 per cent; maybe Britain can set a better lead in looking after basic human development in poor nations. These are not very glamorous projects but they are absolutely fundamental for poverty eradication.
- (ii) Poverty eradication, as the Minister said yesterday, is not just investment in social services, it is promotion of pro-poor growth. Many policies are important for this purpose but one key element is availability of micro-credits to the poor. Those small loans, on the pattern of the Grameen Bank, lead to sustainable livelihoods and to real empowerment. Will Britain be willing to take a lead in this area, both in collaboration with the World Bank which is taking a new initiative on micro-credits as well as independently?
- (iii) The donors often get quite emotional about poverty eradication goals but allocate very little to the poorest nations or for poverty reduction programmes in actual practice. For instance, India, Pakistan and Bangladesh contain over 50 per cent of world's absolute poor but receive only 12 per cent of world's ODA. El Salvador today gets 16 times more US aid per capita than Bangladesh though Bangladesh is five times poorer and has 25 times the population of El Salvador – simply because the US aid bureaucracy has still not discovered that the communist struggle is over in El Salvador. Aid in the past has often gone to strategic allies than to poor nations. I am not sure what is Britain's record on this count but I believe that it is less than brilliant. Why not put another concrete marker on the ground and monitor regularly the allocation of British aid programmes to the poorest people and to poverty reduction programmes?

- (iv) Today, twice as much ODA per capita goes to high military spenders as to low military spenders in the developing world, again influenced by the strategic alliances of the past. Has Britain ever monitored its aid allocations on this criterion and has it ever counselled aid recipients to reduce their military spending? Canada, Japan and Germany are beginning to make the level of military spending an important consideration in their aid allocations. Is Britain prepared to do the same?
- (v) All donors pay a lot of lip service to gender in development. In actual practice, this concern shows up in cosmetic allocations to some limited programmes of Women in Development (WID). What is really needed is a gender dimension in *all* programmes and a careful monitoring of actual benefits to women from each programme. Can Britain take a lead in encouraging research work on how such gender-related benefits can be measured and monitored in each and every development programme, instead of the traditional treatment of WID programmes as a separate entity?
- (vi) Normally, 90 per cent of the \$ 15 billion of total technical assistance is reserved for expensive and fairly useless foreign consultants. What is Britain's record? Can Britain not give a lead on a new pattern of technical assistance where national experts are recruited and developing countries learn from their neighbours? For instance, Pakistanis today should go to India to find out how, coming from behind, India has doubled its agricultural yields per acre compared to Pakistan, and they should go to Bangladesh to learn from the experience of the Grameen Bank and the BRAC. What on earth are they doing studying agricultural economics in Reading and Wye universities under British technical assistance?
- (vii) Another concrete marker should be to monitor British assistance that goes through governments and NGOs respectively. Since civil society is likely to be the real engine of change in these countries and since it is more cost-effective in human development programmes, why not channel 40 per cent or more through NGOs and grassroots movements, as Canadian CIDA does? Why not encourage recipient governments to forge new and creative alliances with their own local communities who should be fully involved in implementing social sector projects as well as in owning them? At least, why not set some concrete targets in these areas and monitor them?
- (viii) It is my conviction that investment in ideas is far more vital than investment in equipment. Yet donors have a bias towards equipment rather than ideas. An example: UNDP's *Human Development Reports*

cost only \$ 1 million a year, yet have had tremendous impact on global development dialogue and policies. UK never gave a penny for this intellectual enterprise, other donors did – particularly Jan Pronk in Netherlands as well as the Scandinavian countries. I have a feeling that British assistance in the past has been particularly anti-intellectual – seldom supporting investment in ideas even though Barbara Ward kept reminding: “Ideas are the prime movers of history. Revolutions usually begin with new ideas.” How about removing this anti-intellectual bias in British aid allocations?

Let me now turn to my second practical proposal. Britain must enlarge its concept of development cooperation to include, besides aid, trade, investment, debt and migration in the overall framework. The 1992 Human Development Report analyzed that developing countries lose \$ 500 billion a year because of discriminatory treatment in trade (particularly in case of textiles and agriculture) and because of restrictions on the free flow of capital and labour, while they get only \$ 50 billion in aid. This is not the most handsome bargain in history. I am in favour of developing a consolidated index of all net flows (including aid, trade preferences, debt forgiveness, migration policies) which will shake up many donors when they confront the end result of their own policies. Can Britain take the lead in this? Can it develop, monitor and recommend to other donors a consolidated index of development cooperation? And can it adopt more enlightened trade, debt, migration and private investment policies? Particularly, can it use its ODA to encourage private investment to go to many poor developing countries which are not receiving such investment at present?

Third, Britain’s stand on global development issues is even more crucial than its foreign assistance. Yet my own experience is that Britain’s stand has often been quite reactionary in the past – sometimes even more reactionary than the US. When there is any talk of new institutions of global governance – that Paul Streeten and Sonny Ramphal referred to – Britain is in the lead dubbing them as unrealistic and idealistic. And this from a country that produced Lord Keynes and the last coherent blueprint for global institutions. Similarly, when global taxation has been discussed in various UN forums – from carbon tax to Tobin Tax – the UK representatives have normally thrown an uncontrollable fit, matched only by Jesse Helms and Bob Dole, who threatened to cut off assistance to any UN agency that dared talk about global taxation. So much for freedom of ideas and speech. In the last two decades, Brandt Commission and Global Governance Commission were funded by Jan Pronk in the Netherlands, UN Reform proposals by the Nordic bloc and several other intellectual initiatives by other donors. Where was UK all this time? Is it possible that Britain becomes a more enlightened spokesman for new partnerships of development and finally buries the Thatcherite image of reactionary stands on each and every issue that was even vaguely innovative and visionary? Let me make a concrete proposal. Can Britain finance a small group in the IDS to review global institutions for the 21st century, along with global taxation proposals, to prepare a coherent and professional policy blueprint for the consideration of the international community at the time of the proposed Millennium Summit in the year 2000?



Fourth, there is one issue on which I feel quite strongly: corruption, domestic and international. Developing countries transfer more corrupt money abroad each year than any aid they receive. Most Western nations – with the commendable exception of US – regard commissions and bribes paid by their multinationals as legitimate expenses of business and as tax-deductible. The offshore banks of Western nations accept the flight of this corrupt money, give it protection under bank secrecy laws, make handsome profits on it, while their nations give eloquent lectures to developing countries on protection of human rights. This is totally different from the treatment of laundering of drug money. Can Britain take the lead in joining the US in declaring bribes by multinationals as a criminal offense and by treating safe havens for corrupt money on par with the laundering of drug money?

Fifth, in many poor nations, a real competitor for investment in people is investment in arms. For instance, India and Pakistan, despite their crushing poverty, spend \$ 14 billion a year on military and have six times more soldiers than doctors. In the last four years, they have bought twice as many arms from the global arms bazaar as Saudi Arabia which is 25 times richer. In fact, when their children are crying for milk in the middle of the night, their military generals are out shopping for arms. And who is selling them these arms on subsidized suppliers credits, as a unique gesture of development cooperation? President Miterrand used to send his brother General Miterrand – and I will not mention who Margaret Thatcher used to send. Why not a new initiative to sell fewer arms and more human development? Our good friend, Oscar Arias, the Nobel Peace Prize Winner from Costa Rica has, drafted the first ever international code of conduct for arms sales from rich nations to poor nations, with the active help of 15 other Nobel Peace Laureates. This code of conduct has many sensible proposals, including banning arms sales to authoritarian regimes, unstable governments, and actual and potential trouble spots. Oscar Arias has not been able to find even one sponsor in the United Nations for his courageous proposal. Here is a sensible proposal wandering in search of leadership. If Britain really wants to make history, this is not a bad place to start – by sponsoring this path-breaking initiative.

Sixth, I dearly hope that Britain will support strengthening of the UN as a development agency in the next century. The World Bank is being burdened by the donors with thousands of trust funds and every conceivable task – from capital assistance to technical assistance, from building physical capital to human capital. How about trusting the UN with more human development programmes – as UN has country field offices, works with small projects, interacts with NGOs and grassroots movements, is better trusted by the recipients. Why not work closely with the UN to make it more efficient and cost-effective? Why not even persuade the World Bank to enter into a new partnership with the UN where the Bank funds more education, health, family planning and other human development programmes but uses some of the UN agencies – like UNICEF and UNFPA – to execute these programmes on the ground in close collaboration with local communities?

There are many more practical proposals one can add to this list to forge new partnerships for development cooperation. But let me conclude with one final observation. The Labour Government in Britain has a unique opportunity to articulate a new framework for development cooperation. But such a framework cannot be built on mere platitudes in the new White Paper, however skillfully drafted, or on principles of motherhood, however elegantly stated. In the last analysis, British leadership can be built only on new and bold initiatives and on a series of concrete, practical steps.

A presentation made in the Roundtable on the White Paper on International Development, organized by the Institute of Development Studies on 18-19 August 1997 in Sussex, UK.