

Development Cooperation in the 21:st Century



**DEVELOPMENT
COOPERATION
IN
THE 21st CENTURY**



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PREFACE

The world around us is changing more rapidly than ever before. This is particularly true in the so-called Third World. In a period of 30 years, the countries of Africa, Asia and Latin America have covered as much ground as the industrialised world did in a hundred years. An agency like Sida must be prepared for change, and be prepared to throw its weight behind those changes which will reduce poverty and contribute to sustainable development.

Many of the institutions and approaches through which development cooperation works were developed in the 60s and 70s, and many of us who are currently working in this line of activity have learned our profession in that period. Yet, the world at the close of the 90s is indeed a very different one from what it used to be 20 years ago. Very often we ask ourselves whether our approaches and methods have changed enough to meet the challenges of our present situation.

When the Swedish International Development Cooperation Agency (Sida) was created in 1995 through merger of five previously existing programmes and agencies, it occurred to us that this agency would have to be equipped and structured to meet the challenges not only of our present time, but also further down the road, of coming generations. Even before the merger was completed, we launched a project entitled "Project 2015" to generate a vision of what the world around us would look like 20 years from now. The project resulted in a series of seminars and studies, most of which have now been published.

The 2015 studies have given us a certain idea – although sometimes contradictory or blurred – of the challenges that will be posed by the world around us. To conclude the series, we shall now proceed to deal with the question of development cooperation itself. Will there be a need for transfer of concessional financing and of knowledge, and if so, where will those needs be most urgent, and how can they best be met? Our discussions and studies have addressed this topic, and they are summarised or rather reflected in the present volume, "Development Cooperation in the 21st Century".

In the first essay of this volume, "The Changing Global Framework", Sida's Chief Economist **Dag Ehrenpreis** brings together all the threads of the previous studies in examining the various aspects of globalization – economic, financial, social, cultural and political – to present a comprehensive picture of the somewhat confusing strands of development that we have observed. He projects different scenarios for the future and discusses the question as to whether there is a possibility for 'convergence' in the sense that poorer countries will catch up with richer ones in the long run. His conclusions are that such a reversal of past trends would require deliberate policy changes both in richer and poorer parts of the world but that special efforts must be taken to buttress change in poor and indebted countries which otherwise run the risk of getting marginalized. Ehrenpreis concludes that aid agencies must create an organisational capacity for analysing and coming to grips with the uncertainties and complexities of rapidly changing requirements.

Eleven years ago in a review of Swedish aid, Professor **Göran Hydén** warned that it might fall into a "dependency trap" in Africa and that the public commitment to the budget target of one per cent of GNI might be difficult to sustain in such a scenario¹ This vision turned out to be quite prophetic. In his present

¹ "The Pitfalls of Development Aid" in "Swedish Development Aid in Perspective", P. Frühlings ed, A & W International, Stockholm 1996.

essay, Prof. Hydén prophesies that in 20 years, foreign aid will have all but disappeared, replaced by transfers within a vastly expanded European Union. The very concept of development is being questioned, and humanitarian relief is all that donors will offer struggling African economies. To salvage the essence of development cooperation, Hydén proposes a new formula for development financing through a system of *autonomous development funds*. These *foundations* should not be controlled by host governments or donors but by a wider range of interested parties, bringing civil society closer into the management of development finance. This formula would increase transparency and would also be more attractive to public aid donors than the current bureaucratic channels.

The multilateral financing system is discussed by the multilateral organisation specialist **Björn Tore Carlsson** in his essay. The role of the UN programmes in development finance will continue to decline, and there are serious indications that the World Bank will also play a diminished role because of insufficient concessional contributions. The EU will continue to grow in financial strength although it will not be able to assume the leadership so far exercised by the Bank. This poses new questions about donor coordination and development strategy. Some of these questions will feature in the negotiations for a successor arrangement to the current Lomé convention in the year 2001.

The role of development research is highlighted in **Malur Bhagavan's** essay, based on a series of studies and seminars in Sida's Department for Development Research Assistance, Sarec. Four global themes deserve particular attention, namely global interdependence, human security, gender equity and sustainable development. Bhagavan examines each one of those challenges and suggests how the international community can join hands to meet them. He gives particular emphasis to measures to avoid widening the "knowledge gap" between rich and poor nations. This gap is currently widening, even between developing countries, strengthened by the donors' tendency to bet on winners. A more comprehensive approach to the advancement of knowledge in weaker Southern countries is advocated.

In more than 30 years of official development assistance, public opinion has on the whole been very supportive of the aid effort, and a wide range of organisations and institutions have been involved and have defended it in times of budget austerity. During the last ten years, however, a significant drop in public support seems to have taken place. Sida's former Information Director, **Bengt Liljenroth**, explores factors which motivate people to support or reject development assistance in an essay entitled "Between God and Toothpaste". Based on in-depth interviews and group discussions with people in different age groups, he finds that ethical issues are coming up very strongly on the agenda. Particularly among young people there is also a very strong feeling that action must be taken against the global threats to the environment. What is equally clear, however, is that those who express these concerns do not necessarily see public agencies like Sida as a natural avenue for approaching these problems. Liljenroth concludes that it is up to Sida and its political principals to show that official development cooperation is a credible instrument for dealing with those problems.

The volume is concluded by an overview by **Gus Edgren**, Director of Sida's Policy Department, of a number of present and future challenges facing the development "industry". He examines in particular four tendencies, the decline of the investment-and-growth paradigm, the growing donor emphasis on democracy and human rights, the attempts by governments to harness globalization for various forms of global governance, and the shifting emphasis from development investment towards humanitarian relief operations. Taken together, these tendencies and trends will present the "aid industry" with challenges and opportunities which are very different from what the industry has become used to. A fundamental change in the aid relationship and in the way we do business will be required if development cooperation is not to become a sunset industry.

I commend this volume to discussion by all of those who are interested in the future of development cooperation, and I hope that this discussion will make all of us better prepared to face the challenges of the 21st century.

Stockholm in August 1997

Bo Göransson
Director-General

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THE CHANGING GLOBAL FRAMEWORK

by

Dag Ehrenpreis

Department for Policy and Legal Services
Sida 1997

1. INTRODUCTION

There has been a sea change in international relations in the 1990s.

Globalization is the concept frequently used to characterize and analyze the process that has brought about vast systemic changes in the world economy in recent times. The global framework for international relations, including development cooperation, has changed dramatically as a result of rapid globalization and the geo-political transition following the fall of the Berlin Wall in 1989 and the collapse of the Soviet Union in 1991. The worldwide spread of the capitalist system to the former centrally planned economies is a major facet of globalization. In China, where the communist political system is still being maintained, the command economy is being replaced by the "social market economy".

The process of globalization has been accelerating in the recent past under the growing influence of the economic liberalization doctrine, the technological revolution and the geo-political transition. Globalization has been accompanied by two other simultaneous, interrelated and interacting processes: regionalization and fragmentation. Together these processes are shaping events with a profound impact on economic and political as well as social and cultural developments at all levels: global, regional, national, communal and household.

Project 2015 has emphasized regional studies and implications for aid strategy and management. In this overview paper, the evolving global framework for international development cooperation and the prospects for the next 15-20 years are discussed. This is not an attempt to predict the future, but to analyze current and possible future trends. The aim is to put international development cooperation in its proper long-term context.

The emphasis in this paper is on economic and financial development aspects. Development assistance in the modern form has been defined mainly in terms of transferring resources from more to less developed

countries and areas, starting with the Marshall Plan for the post-war reconstruction of Europe some 50 years ago. Economic growth with institutional change is a basic and necessary condition for development, although other aspects – e.g. social, political, cultural, environmental – may be at least as important for widely shared improvements of human well-being. The broader aspects of development are also discussed in this overview.

2. BRAVE NEW WORLD

The end of the Cold War has had implications for most developing countries – more comprehensive and direct for some than for others. When one of the two superpowers ceased to exist, so did the strategic importance of many developing countries. This had been a major factor behind the resource flows from the previously rival superpowers. The former Soviet Union and Warsaw Pact countries (Eastern Europe and Central Asia) were important aid donors to socialist regimes in the Third World. In the 1990s, they have become major recipients of official aid, competing with the low-income countries for the shrinking aid budgets of high-income countries.

In the new international economic and political situation, it is no longer meaningful to use the conventional classification of countries belonging to one of three worlds: developed market economies (“OECD/the West”), centrally planned economies (“the socialist bloc”) and developing countries (“the third world”). The term “developing countries” has always been a combination of euphemism and wishful thinking. The need to modify the international terminology in classifying countries in different economic circumstances has led to increased use of classification according to income level, foreign indebtedness, level of growth rate and other, more adequate contemporary criteria.

International financial liberalization is another area of dramatic change, fuelling globalization. Starting in the early 1970s with the collapse of the Bretton Woods system of fixed exchange rates based on a USD /gold convertibility standard, all restrictions on capital movements have been abolished – like a domino effect – throughout OECD and many other countries. An explosive expansion of the volume of international capital movements followed.

In 1973, average daily foreign exchange trading was about USD 15 billion. In 1980, it had increased to USD 80 billion and in 1995 to nearly USD 1260 billion, equal to the entire official gold and foreign exchange reserves in the world. These flows corresponded to 10 times the value of world trade in 1980 and nearly 70 times in 1995, respectively. Similarly rapid expansion has followed in international bank lending and bond markets. In the 1990s, the rapid growth of private capital flows has reached some developing countries. (Eatwell 1997; World Bank 1997)

A technological revolution has reinforced the process of profound economic and political changes behind globalization. Prompted by the exponential growth in research and development, there has been a rapid growth of new techniques and industries. The new technology is not only invading the market with new products, but perhaps more importantly, it is revolutionizing the whole spectrum of production and marketing processes.

The sectors with the fastest and farthest-reaching technical change are: microelectronics and semiconductors, biotechnology, man-made materials, telecommunications, artificial intelligence, robotics, propulsion and energy. This mounting wave of innovations is altering the balance of comparative advantage of nations, from natural resources to human capital. There is an increasing premium on competence, education and training. And perhaps more obviously, the communications revolution is building a “global village” (Gómez 1995).

The globalization process with dynamic economic, financial and technological market integration illuminates different dimensions of the unification of our one and only world. At the same time, social and economic polarization seems to be increasing continuously, at the global as well as regional and country levels.

The number of people living in poverty keeps increasing, but so does the number of people who manage to rise above the poverty line. Rapid economic growth in some 15 countries (esp China) has increased the incomes of many of their 1.6 billion people – more than a quarter of the world's population. It has reduced the proportion of their people living below the national poverty line by half in less than 20 years. However, an even larger number of people have become poorer in about 100 developing and transition countries with declining or stagnating average incomes. (UNDP: HDR 1997)

3. ECONOMIC GLOBALIZATION

Globalization refers to the rapid and pervasive diffusion around the world of goods, services, capital and technology. It is a process comprising the integration of free markets, investment flows, trade and information. The reduction of natural barriers, such as transport and communications costs, and artificial barriers such as tariffs, quotas, exchange controls and regulation of capital flows, have been major factors behind the globalization process.

The rapid economic growth of Pacific Asia, and European economic and institutional integration are key elements of globalization. Thus, globalization is sometimes used to explain the current erosion of the post-war dominance of the USA in the world economy (somewhat paradoxical considering its role as the only remaining superpower) by the emergence of regional spheres of influence in Asia and Europe.

Table 1 indicates a clear trend for the emerging global economic domination of three regional blocs (the "Triad") with Pacific Asia overtaking Western Europe and North America. The framework for the global political economy in the coming decades will mainly be set by the evolving relations between the regional spheres of influence of the Triad. An important checkpoint will be the fate of the European Monetary Union (EMU), which is scheduled to enter into force in 1999. Many analysts predict that in the next 20 years, the world will move increasingly towards three major currency areas: the Dollar, the Yen and the Euro.

Table 1: Regional division of world GDP¹

	Western Europe	North America	Pacific Asia	Rest of the world
1960	22%	37%	10%	31%
1980	30%	26%	16%	28%
1995	31%	28%	27%	14%

Source: Swedish Export Council

The rest of the world, i.e. mainly Eastern Europe/CIS, Africa, Arab states, South Asia and parts of South-East Asia and the Pacific, Latin America and the Caribbean, have lost about half of their share of world production in the last 15 years, mainly to Pacific Asia, while Western Europe and North America have increased their shares only marginally.

¹ North America = NAFTA (Canada, Mexico, USA). Pacific Asia = Australia, Oceania, South Korea, China, Japan, Hongkong, Indonesia, Malaysia, Philippines, Singapore, Taiwan, Vietnam and Thailand.

The rest of the world includes the 48 "Least Developed Countries" (LLDCs) with 10% of the world's people. Of the LLDCs, 33 countries are in Sub-Saharan Africa. The share of LLDCs in world trade is insignificant. Total LLDC exports have declined from close to 0.9% of world exports in 1980 to 0.4% in 1995 (about 1.4% of total exports from developing countries). (OECD 1997)

One explanation behind the declining share of LLDCs in world trade is related to the high concentration of primary commodities in their exports: two-thirds, with only one-third for manufactures. The comparable figures for all developing countries are 40% and 60%, respectively, and for industrial countries 20% and 80%. Primary commodities' shares of world trade and production have declined, mainly because of low income elasticity of demand, and declining intensity of raw materials use in economic activity.

Real commodity prices in the 1990s were 45% lower than in the 1980s – and 10% lower than the lowest level during the great depression in 1932. The terms-of-trade for the LLDCs have declined a cumulative 50% over the past 25 years. (UNDP-HDR 1997)

A factor behind these trends may be changes in the organisational structure of the commodity markets, namely the large presence of transnational corporations (TNCs) and cartels in the production and marketing of commodities. The final consumer markets for some commodities are dominated by TNCs who control downstream marketing, transport and distribution. Thus, a few TNCs account for 85% or more of world trade in wheat, coffee, cocoa, grains, iron ore, jute, timber, tobacco and tea. The high costs of processing, packaging, advertising, marketing and distribution mean that the share of the primary commodities in the final product price is small, e.g. 4-8% for raw cotton, 6% for tobacco, 14% for bananas and 11-24% for jute. (OECD 1997)

Globalization involves the emergence of a new international division of labour along with expanding economic activity directed by strategic planning in TNCs. There were about 37,000 TNCs in the early 1990s, of which 90% were based in OECD countries. The TNCs controlled about one-third of all privately owned productive assets in the world. They accounted for one-fourth of the global economic product, nearly 40% of all international trade in the world and half of the trade between OECD members, and some 80% of all trade in technology and managerial skills. The value of total TNC sales, inside and outside country of origin, is about 140% of the total value of international trade. The largest 100 TNCs accounted for a third of the total stock of foreign direct investments in the world. (UNCTAD 1993)

Privatization of state-owned enterprises (SOEs) is a key feature in the systemic transition of Eastern Europe and Central Asia as well as structural adjustment in developing countries. Governments sold off some 3,000 SOEs between 1988-94 for a total revenue of about USD 110 billion, according to the International Finance Corporation (IFC) within the World Bank Group. Ideally, but not necessarily, that also means increased competition, efficiency and growth. It definitely means increasing unemployment in the short-to-medium term.

Critics charge that privatization is a literal "sell-out" to the structural adjustment conditionality of the International Financial Institutions (IFIs) to mortgage local enterprises to TNCs, leading to increased unemployment and higher prices when state subsidies are replaced by private profits. However, privatization can mean improved performance without state subsidies and with widely shared ownership. An example is Kenya Airways, which is now jointly owned by the Government of Kenya, a major international airline, and over 100 000 local investors.

International economic integration and interdependence are core aspects of globalization. Integrating developing countries into the world economy means mainly expansion of TNC operations in these

countries. "The primary agent of globalization is the transnational enterprise" wrote the Chief Economist of OECD in 1990, pleading for governments to act to break the deadlock of the GATT Uruguay Round negotiations in order to facilitate globalization, i.e. adopting government policies to further the integration of the world economy. (Ostry 1990)

The various GATT negotiating rounds have contributed to considerable progress towards eliminating barriers to international trade. The growing regionalism in the international economy has been another major force, with a number of regional economic agreements: the European Union, the North American Free Trade Agreement, the Asia-Pacific Economic Cooperation Agreement, Mercosur to name the most important ones.

In the 1960s, the Newly Industrializing Countries (NICs), e.g. in East Asia, would have encountered tariffs on their exports to OECD countries amounting to up to 17%. Today, these tariffs are below 4%. (World Bank, GEPDC 1996:38) Non-tariff barriers, such as quotas and export subsidies, have also been addressed by the GATT rounds and will again be taken up by the newly created World Trade Organization (WTO), together with other trade and trade-related measures. This means that international trade today is freer than ever before in modern economic history.²

It also means that the very successful policies adopted by the East Asian NICs, with asymmetric and only gradual and long-term trade liberalization with managed export subsidies and state regulation of investments, would not be allowed under WTO rules. Thus, other developing countries cannot copy the East Asian model.

GATT/WTO membership has increased dramatically in recent years. More and more developing countries as well as transition economies have joined the negotiations. In 1996, WTO had 123 member countries and another 31 governments had requested to join the Organization.

The expanded membership has given the new trade organization added strength. All the member countries have a vested interest in the implementation of the agreements. It has therefore become much more difficult for any country to act openly against the established principles and rules. Although deviations from the norm of free trade do occur, governments are reluctant to do so openly.

Thus, "voluntary export constraints" have replaced import quotas, and trade unions in industrial countries use moral and ethical notions of "fair trade", using child labour and environmental pollution as arguments to keep low-cost imports outside the free-trade agreements. Also some countries employ more subtle macro-economic policies, e.g. exchange rate management, to improve the trade balance.

These types of efforts are not necessarily indications of continuing protectionism. They can also be interpreted as an acknowledgement of the principle of free international trade with the caveat of guarding the possibility of protecting national interest in exceptional circumstances. (Kaul, p. 5)

For developing countries, the WTO will be important mainly through its effect on the trade policies of industrial countries. The trade policies of the developing countries themselves are likely to continue to be liberalized under the structural adjustment process. It is generally agreed that the openly or more indirect protectionist trade policies imposed by industrial countries have been an important impediment to economic development in less developed countries.

² However, other authors (Hirst & Thompson 1996) have pointed out that the international economy was even more open in the decades preceding World War I in some respects and argue that globalization is largely a myth in support of the idea of the ungovernability of markets.

Thus, trade liberalization under WTO should be an important break-through for the developing countries. Overall, it seems likely from a number of studies and projections that WTO will bring about significant benefits to developing countries as a whole. However, the actual improvement in the trading environment facing developing countries is rather limited, for a number of technical reasons which are beyond the scope of this paper. The benefits are substantially smaller than they might at first appear and are likely to be overstated over the long term. (Woodward 1996)

Like other aspects of the globalization process, they are also very unevenly distributed between different sub-groups within the increasingly heterogeneous group lumped together under the heading "developing countries". Thus, benefits are strongly skewed towards larger, higher-income and more industrialized developing countries (and similar regions/socio-economic groups within countries), and away from smaller, lower income and more commodity-export dependent countries. The net benefits to countries in the latter group, which includes most of sub-Saharan Africa, will be at best limited and may be substantially negative. (Woodward, 1996)

The Agricultural Agreement of the GATT Uruguay Round will according to a FAO study (1995) lead to a slowdown of food consumption worldwide when producer subsidies are reduced and prices increase. The low-income food-deficit countries will be the worst hit. Latin America will lose both revenue and food security, East Asia will import 60% more agricultural products than previously and South Asia will experience a net loss in its food trade. The agricultural bill of Latin America will increase, but African countries will be the worst affected, with their agricultural import bill increasing from USD 8.4 billion in 1988 to USD 14 billion in 2000. (ISS 1997)

Thus, trade liberalization under WTO will benefit those that have the ability and flexibility to take advantage of the increased opportunities of export development. A quick (and "dirty") summary of the distributional consequences may be: the winners are the TNCs and the NICs. The poor and underdeveloped regions, countries, and peoples may gain in the long run from "trickle-down" and "spillover" effects, but there is a considerable risk that they will be net losers, at least in the short-to-medium term.

3.1 Structural Adjustment

The financial and oil crises of the 1970s were especially harmful to the developing countries. They were encouraged by the IFIs to finance their growing deficits with credits, mainly from recycled petrodollars. World inflation and interest rate levels escalated, which for most developing countries led to debt crises, starting in 1982 with the insolvency of Mexico and Argentina.

In response to the debt crisis of the 1980s, there was an unprecedented wave of market-oriented economic reforms aiming at restoring export growth and debt-servicing capacity. First and strongest implemented in Latin America, stabilization and structural adjustment policies increasingly preoccupied governments also in Asia and Africa. In the 1990s, the systemic transition in Eastern Europe and Central Asia is the most dramatic version of this process.

Many countries adopted similar measures, viz harsh public expenditure reduction, deregulation of the domestic economy, and liberalization of trade and exchange controls. Deregulation, privatization and

³ First used by John Williamson of Institute of International Economics, Washington D.C., as the consensus of "both the political Washington of Congress and senior members of the Administration, and the technocratic Washington of the International Financial Institutions, the economic agencies of the US Government, the Federal Reserve Board and the think tanks..." – consensus on the character of policy reforms that debtor countries should pursue.

opening up of international economic and financial relations have become fundamental elements and driving forces in the process of globalization.

The stabilization programmes were initially supported by short-term stand-by credits from the International Monetary Fund (IMF). These credits had originally been instituted as a measure against temporary balance-of-payments problems in market economies. When they proved insufficient to deal with the more fundamental structural deficit problems of underdeveloped economies, IMF and the World Bank (WB) jointly developed a set of loan facilities to support Structural Adjustment Programmes (SAPs) based on economic reform policy conditionality.

In some countries, economic reform policies were mainly the result of a growing realization among political leaders of the need for genuine policy reforms to improve economic performance and halt the decline, e.g. in Bolivia, Chile, China, Ghana, Uganda and Vietnam. In these cases, reforms have been sustainable and led to improved macro-economic stability, investment and growth of exports and GDP.

However, in many countries, pressure from the external creditors was a major force behind the announced reform policy packages. Such lack of real national ownership of policy reform and lack of commitment has led to frequent slippages and incomplete implementation of SAPs, undermining the effectiveness and credibility of reform policy conditionality.

“To date, aid donors have been the main agents of globalization in Sub-Saharan Africa. Unfortunately, increased aid flows to the region have failed to improve economic performance in the aggregate in spite of very elaborate attempts by donors to enhance the outcomes of their assistance.” (Mosley 1996)

The major industrial countries, which are the main aid donors, are also the major creditors of international debt. The Paris Club of official debt creditors as well as the IFIs, mainly IMF and WB and regional development banks, have been instrumental in promoting structural adjustment policies. The process of globalization has been facilitated, to say the least, by policy conditionality for debt rescheduling and other forms of balance-of-payments support in accordance with “the Washington Consensus”.³

Policy convergence has also been fostered – and is being closely monitored – by institutions such as rating agencies, e.g. Moody’s and Standard&Poor, commercial banks, insurance companies and mutual funds, i.e. “The Market”. An increasing number of “emerging economies” are being risk-assessed and receiving “investment grade” or near investment-grade ratings (Kaul/GEPDC, p 23). This is an indication of their growing capacity in terms of expected “soundness” of macro-economic management, and hence, an indication of policy convergence throughout the world. Traders, investors and workers can be increasingly confident that they will find familiar business environments if they consider moving to other countries.

One commentary observed that we almost live again in a two-superpower world:

“There is the U.S. and there is Moody’s. The U.S. can destroy a country by leveling it with bombs; Moody’s can destroy a country by downgrading its bonds.” (Cohen 1996)

Structural adjustment policies of some kind have eventually been accepted as necessary in most countries in economic crisis, decline or stagnation. A broad consensus has emerged among governments, politicians and academics on the need for increased economic flexibility and adaptation to rapidly changing international economic conditions.

There is also consensus on the importance of fundamental macroeconomic stability through appropriate fiscal, monetary and exchange rate policies. However, there is still considerable controversy over many aspects of structural reform policies aimed at restoring growth, e.g. the removal of relative-price distortions, timing and sequencing of trade and financial liberalization, privatization and the reduction of state interventions.

One Project 2015 study on East Africa notes that reform policies "would have had to be implemented sooner or later by African governments of any complexion. However, several of the items of the structural adjustment package were linked mainly with the changing Western ideological currents emerging in the early 1980s, rather than with perceived needs or problems of sub-Saharan African countries. One major problem related to the adjustment packages was thus that they could not be unwrapped so that African governments could choose from them those elements which seemed most appropriate for the situation of a specific country." (Havnevik, p. 24)

Another *Project 2015* study compared the SAPs for Tanzania and Bangladesh, and also came to the conclusion that they were more a product of ideology than of perceptive country analyses, since they were almost identical. Thus, the results in these two very different countries were found to be qualitatively divergent. (Sobhan 1996)

World Bank policy conditionality has been criticized not only by politicians in developing countries, NGOs and academicians. Official institutions in EU and Japan have expressed views on development management and structural adjustment policies that differ considerably from those of the WB, e.g. on the role of the state and the interpretations and replicability of the East Asian Miracle. Thus, the future of IFI policy conditionality as a globalization force may be closely linked to the relative economic and political influence in international economic affairs of Washington, Brussels and Tokyo.

The following statement by the director of Japan's official development finance agency OECF's Research Institute of Development Economics is illustrative:

"... the World Bank's 'framework approach' which places importance on market principles and Japan's 'ingredients approach' which admits aggressive intervention of the government have not yet found common ground, probably because each of them differs greatly in historical background of economic development." (Goto 1997)

The "framework approach" refers to the macro-economic policy framework rather than the institutional framework, which affects transaction costs at the micro-level. The government has an important role in establishing an institutional framework conducive to lowering transaction costs, functioning markets and stimulating productive investments. This crucial role of the state was neglected in the early SAPs, which emphasized the importance of reducing public expenditures for stabilization.

There are indications of a redefinition of the role of the state in World Bank policy. The World Development Report 1997 is devoted to "*The State in a Changing World*". In the foreword, Bank president James Wolfensohn states with reference to the development success stories:

"...be it the development of today's industrial economies in the nineteenth century or the postwar growth 'miracles' of East Asia. Far from supporting a minimalist approach to the state, these examples have shown that development requires an effective state, one that plays a catalytic, facilitating role, encouraging and complementing the activities of private businesses and individuals.... Without an effective state, sustainable development, both economic and social, is impossible."

The SAP controversy naturally extends not only to policy conditionality but also to interpretations of *results*. The positive effects of stabilization policies for laying the foundations for growth seem well established, at least for short-term growth. However, long-run growth requires investment in both physical and human capital. It is therefore a matter of great concern that investment rates are falling rather than rising in response to SAPs. Investment and growth results have generally been inadequate, while the debt burden continues to increase. (White 1996)

Studies of the impact of adjustment on agriculture and manufacturing indicate a consensus that price reform has been a necessary, but not sufficient condition for restoring growth. There remain serious shortcomings if a substantial supply response is to be forthcoming. To rectify these shortcomings will require an increase in public resources directed towards the agricultural sector, and may call for a greater role for the state rather than a reduced one. Rural infrastructure is required, as may be government intervention in rural credit markets. The manufacturing sector will grow under strategic restructuring rather than the shock liberalization treatment to which it is typically subjected. (White 1996)

The social impact of adjustment is one of the most controversial areas. Social indicators in adjusting as well as non-adjusting countries remain at appallingly low levels. And there is a lot of evidence of increasing social problems linked to SAP measures, e.g. the introduction of user charges in social sectors and the retrenchment of state employees from the civil service and parastatals.

On the other hand, stabilization measures were inevitable due to the general economic decline and the fiscal crisis of the state, and it is not clear that alternative measures for financial sustainability would have had better social impact. SAPs are designed to improve market conditions and incomes in the rural areas, where the poverty problems are most prevalent, but the rate of success is still very much disputed.

The World Bank is devoting considerable efforts to monitoring the social dimension of adjustment and to reformulating policies for social progress. It is also placing increased emphasis on gender and environmental aspects of adjustment. World Bank economists have recognized that the gender dimension of adjustment, income distribution and development had been neglected until recently. That dimension is now more frequently taken into account, e.g. the fact that many policy instruments have a gender-differentiated impact, and that gender-based targeting may be a key policy approach to enhancing not only distribution but also supply-response to SAPs and thus growth. (Kanbur 1997)

Thus, there seems on the whole to be a convergence of views among policy-makers and analysts regarding adjustment policies, although many points of contention remain. The process of globalization itself, however, sets strict limits to the policy options available, especially to heavily indebted and other aid dependent countries.

3.2 The Debt Issue

One important reason for the lack of investment and sustainable growth response to stabilization and structural adjustment policies is the debt overhang. This problem is particularly serious for Sub-Saharan Africa (SSA), where the ratio of external debt to GDP has nearly tripled over the past 15 years, reaching over 80% in 1995. SSA's indebtedness thus measured is 2.5 times that of East Asia and nearly twice that of Latin America.

This very high indebtedness leads to three key influences on private investment via risk perceptions. First, uncertainties with respect to the ability of governments to service the large obligations expected in the future without seriously reversing the recent gains in reducing the fiscal deficit, thus causing macroeconomic destabilization. Second and related to the first is the perception by investors that future

taxes may have to be increased so as to finance large external transfers of debt service payments. This raises uncertainty on future returns to investments. Thirdly, transfer risks associated with the balance-of-payments problem of large future debt servicing may lead to restrictions for remittance of profits and other funds abroad.

A high debt overhang will therefore undermine sovereign credit-worthiness, thus constituting a major obstacle to investment and growth. The debt overhang is a major factor deterring private investment in Sub-Saharan Africa, and thus for the very weak investment and growth response to even 10-15 years of SAPs. This is the essence of "the debt trap". (Elbadawi, Ndulu & Ndung'u 1997, Jenkins 1997)

The debt crisis of the 1980s was a serious threat to the stability of the international financial system. Major international banks were under the threat of bankruptcy. The crisis became acute when Mexico in 1982 indicated that debt service payments were about to be suspended. This led to a series of measures to get the major debtor countries back to a position of debt sustainability and servicability, e.g. the Baker Plan in 1985 and the Brady Plan in 1989.

These measures basically rescheduled debt payments to commercial as well as official creditors by mobilizing additional financing from the different creditor groups to keep payments flowing. The debt relief measures were linked to structural adjustment programmes supported by the IFIs. They were of particular importance for middle-income countries with large debts to commercial finance institutions. In other words, the measures were successfully designed to deal with the large bad debts that were a threat to the financial system.

The largest debtors with unsustainable debts were provided with huge financial support, saving both them and the international economy from collapse. Thus, the "debt crisis" was resolved from the creditor perspective. The poorer debtor nations with smaller debts in absolute terms were no threat to the system, even though their debts were much larger in relation to their economies. For them, the debt crisis continued to deteriorate.

In the Paris Club of official creditors, debt relief with an element of debt forgiveness was introduced with the "Toronto terms" in 1988, when the SAP strategy had not resulted in export growth and improving debt sustainability, especially for the Severely Indebted Low-Income Countries, "SILICs".⁴ Instead, exports declined further, aggravated by terms-of-trade deterioration. This drove the SILICs deeper in debt.

With increasing adjustment lending and falling commercial credit worthiness, the IFIs' share of SILIC debt increased fast. Debt service payments from SILICs to IFIs increased by 60% between 1987-93. IMF's negative net flows on non-concessional lending to LICs exceeded its positive net flows on concessional lending to LICs by over 50% in 1995, maintaining IMF as a net recipient of flows from low-income countries in recent years. The World Bank has positive net flows to low and middle income countries, except in Latin America and the Caribbean.

The necessity of reducing the debt stock as well as total debt service -including that to the IFIs - for heavily indebted poor countries has only recently been accepted, with reluctance, by most of the major shareholders of the IFIs. This led to a new approach, which was adopted by IMF and the World Bank in 1996: the Highly Indebted Poor Country (HIPC) debt initiative.

⁴ There are 38 countries in the SILIC category according to *Global Development Finance* (World Bank 1997). They are defined by either one of two key ratios being above the critical level: net present value of debt to GNP > 80% or net present value of debt to exports > 220%.

The purpose of the HIPC initiative is to enable poor countries with good policy performance to escape from unsustainable debt and an endless process of debt rescheduling by focusing on achieving overall debt sustainability. It is to deal with the HIPC debt problems in a comprehensive and concerted way, committing all creditors involved (bilateral, commercial, multilateral) to act together, with broad and equitable participation.

The HIPCs are defined as those countries that are eligible for World Bank assistance only from IDA, i.e. on highly concessionary terms, and for ESAF support from IMF, and who face an unsustainable debt situation even after the full application of current debt relief mechanisms. The initial estimate was 41 countries, of which 33 are in Sub-Saharan Africa.

Eligible HIPCs must have shown a commitment to economic reform programmes as well as to structural and social policy reform, including improving basic health care and education. HIPCs have to implement World Bank/IMF-supported SAPs during a six-year period.

A debt sustainability analysis (DSA) will be undertaken jointly by officials from IMF, the World Bank and each debtor country. The level of sustainability will be defined on a country-by-country basis, within a range of 200-250% for the NPV debt-to-export ratio and 20-25% for the ratio of debt service-to-exports.

It is clear from these definitions that the choice of base period, and assumed prices and volume growth rates of exports are key factors in determining debt sustainability as well as amounts of debt relief needed. It is not surprising that these figures have already become controversial in the first DSAs undertaken, i.e. for Bolivia, Uganda and Ivory Coast, which are expected to reach their decision points in 1997. So are possibly also Burkina Faso, Guyana and Mozambique. Ethiopia, Cameroon, Guinea-Bissau and Nicaragua may reach the decision point in 1998, with Congo (Brazzaville), Madagascar, Niger, Tanzania and Zambia possibly following in 1999.

The outcome of the HIPC initiative, however, is still uncertain. Financing is far from secured, and the political will among some of the major G7-creditors to fulfill the initiative is highly doubtful. Germany, Japan and Italy have opposed the initiative from the outset and are arguing for the most restrictive ways of implementing it, now that it has been launched. France's main interest is to ensure as generous treatment as possible for its former colonies. Thus, it managed to get the IMF/World Bank joint Development Committee in April 1997 to amend the HIPC debt sustainability criteria, adding a fiscal criterion⁵, which made it possible to include Ivory Coast in the first group of expected HIPC beneficiaries. The United States has taken to arguing for extra social conditionality, which means postponing the first HIPC graduations into debt sustainability by at least a year.

Still, it is a very positive recent development that the IFIs are pushing the HIPC initiative, implicitly recognizing their own responsibility for keeping the HIPC countries in the debt trap. The new president of the World Bank, James Wolfensohn, has put his personal prestige on the line for the success of the initiative. It is undoubtedly a major issue of direct concern for the possibility of the HIPCs to avoid eternal marginalization and get on the track of sustainable development, e.g. by becoming creditworthy and attracting private capital for productive investments.

3.3 Private Capital Flows

Private capital inflows to developing countries have increased dramatically in the 1990s. Private capital constituted 44% of total net long-term resource flows in 1990. By 1996, the share had risen to 86% of

⁵ NPV of debt to fiscal revenue at 280% if a country has export earnings above 40% of GNP and fiscal revenues above 20% of GNP.

aggregate flows that were nearly three times as large. China has received more private capital than any other country, with about 25% of total private flows to developing countries 1992-96. (World Bank, GDF 1997)

All developing regions experienced large increases in private capital inflows over the period. Sub-Saharan Africa received virtually nothing until 1994, but since 1995 has received more than either South Asia or Middle East & North Africa. The increase in private flows to SSA in recent years is particularly large if the francophone CFA countries are excluded and private transfers are included. In particular Uganda has received large amounts of returning flight capital as private transfers. (GDF 1997; Bhattacharya, Montiel & Sharma 1997)

The middle-income countries continued to receive nearly three times as large private flows as the low-income countries, which have a much larger population. The two largest countries, China and India, received about 90% of the total going to low-income countries. The other low-income countries have very limited access to financial markets due to lack of creditworthiness. Only a few have any prospects of medium to long-term commercial bank lending.

Among the main recipients of private capital – i.e. middle-income countries plus China and India – private capital inflows have been spread more widely in the past three years. The share of the top twelve countries has declined from over 87% in 1992 to under 73% in 1995-96.

However, foreign direct investment (FDI) continues to be even more concentrated than other forms of private capital flows. In 1990-94, around 85% of all FDI flows to developing countries went to the 10 major recipients, and China alone (eight coastal provinces and Beijing) received 35%. About 95% of total private investment in developing countries went to just 20 countries, with about 145 countries splitting the remaining 5%, and Africa receiving less than 1.5% during the 1990s. For a third of the developing countries, the ratio of FDI to GDP has fallen over the past decade. (ISS 1997; World Bank News No 15, 1997; UNDP-HDR 1997)

However, some African countries have recorded large increases in FDI flows in the 1990s. A large proportion of these flows has been directed to the oil and mining sectors. In 1995 Nigeria, Angola and Ghana received 59% of all FDI going to SSA (except South Africa). Other main recipients were Mozambique, Namibia, Tanzania, Uganda and Zimbabwe. (WB/GDI 1997)

The composition of private capital flows has changed during the 1990s. Whereas all forms of private flows have increased, portfolio flows and bank loans have increased much more rapidly than FDI. The FDI share of all private flows decreased from 55% in 1990 to 45% in 1996.

In the so-called “emerging economies”, private capital markets have matured in both the range and the depth of financial instruments and investor funds. But, according to the World Bank, the advance has been modest and remaining concerns include weak risk assessment capacity, volatility of portfolio flows responding to – and causing – macroeconomic uncertainty, and security of access. The Bank warns that developing countries are, and will continue to be, susceptible to financial volatility and economic shocks and asks: “how secure will access to the international capital markets prove to be in the face of future economic shocks?”. (GDF 1997)

The World Bank summarizes the prospects for private capital flows to developing countries:

“If they have adequate institutions and sound policies, developing countries may proceed smoothly along the road to financial integration and gain the considerable benefits that integration can

bring. Most of them, however, lack the prerequisites for a smooth journey, and some may be so ill prepared that they lose more than they gain from financial integration. Developing countries have little choice about whether to follow this path, because advances in communications and new developments in finance have made the course inevitable. They can, however, decide how they wish to travel, choosing policies that benefit the economy and avert potential shocks.” (World Bank 1997 b).

The main reference paper at the UN inter-agency seminar on Globalization and Liberalization: Effects of International Economic Relations on Poverty organized by UNCTAD in Geneva in 1996 was more sceptical on the sustainability of private investment benefits:

“The major increase in direct and portfolio investment (D/PI) in recent years has provided much-needed relief from the liquidity restraints of the 1980s for a number of large and mostly middle-income developing countries. In some countries, it may also bring significant benefits in terms of overall productivity and competitiveness. However, it is not clear that these flows will be sustained over the long term; and they will be increasingly off-set by the corresponding outflows.⁶ In the event of a sharp decline in such flows, a new balance of payments crisis could be precipitated; and the domination of D/PI (and other non-reschedulable debts) in developing countries’ liabilities would seriously complicate the process of adjusting to such a crisis.” (Woodward, 1996)

The concentration of private flows leaves all but the largest low-income countries almost entirely dependent on official financing, increasing their vulnerability to the expected decline in aid flows due to political and budgetary pressures.

3.4 Official Development Finance

One aspect of the changing global framework of particular interest to Sida and Project 2015 concerns the shifting pattern of development finance in the 1990s. In 1996, total private net flows to developing countries were 5.5 times larger than in 1990, i.e. an average annual growth rate of nearly 33%, while long-term net official development finance declined by 28%, i.e. over 5% per year. (In current USD ; World Bank 1997a)

Total ODA disbursements as a fraction of donor countries’ GNP fell from 0.33% in 1990 to 0.27% in 1995 and (according to preliminary DAC figures) to 0.25% in 1996. These were the lowest levels since the UN adopted the 0.7% net disbursement target for ODA in 1970. In fact, they were the lowest levels ever recorded. ODA from the United States fell from 0.21% to 0.10% of GNP 1995 (0.12% 1996)- the lowest DAC figure. Japan has in recent years become by far the largest donor country in terms of aid volume, but since 1996 decreases its aid programme very fast (25% in real terms in 1996 disbursements and 10% further cut announced for 1997).⁷ (WB 1997 a, p.35; OECD/DAC 1997)

⁶ In Sub-Saharan Africa, profit remittances have exceeded net inflows of FDI in every year since 1984, generating a cumulative outward net transfer over the last decade in the order of USD 20bn – equivalent to 8% of GNP or around 20% of the increase in the region’s external debt over this period. Furthermore, these outward net transfers have increased over the period. (Woodward, p.51)

⁷ Preliminary DAC figures for 1996 indicate continued absolute decline of ODA, while private flows continued to rise so much that total net financial flows from DAC members to developing countries exceeded USD 300 billion for the first time, of which USD 234 billion were private flows – an increase of 52 % from 1995. ODA flows in 1996 represented only 0.25% of total DAC members’ GNP – a new record low. Japan remains the largest donor, but its ODA volume declined by 25% in real terms in 1996 down to 0.20% of GNP, while the USA increased ODA by some 20% to 0.12% of GNP and thus was the second largest donor.

The real cuts in long-term development assistance in recent years are more severe than the figures for official concessional flows suggest. There has been a marked shift towards funding refugee relief and other emergency aid, including peacekeeping efforts. The share of such emergency aid has increased from less than 2% in 1990 to 12%.

Another major shift in official concessional finance has been the rapid rise in the share of Eastern Europe and Central Asia from virtually nothing in 1990 to an estimated 20% in 1996. Net official aid to these countries increased from some USD 2 billion in 1990 to USD 9 billion in 1995. Of the USD 252 billion in total grants and technical cooperation assistance in 1992-1996, USD 61 billion went to Eastern Europe and Central Asia, i.e. 24%.

Considering these and other examples – military debt reduction, refugee reception costs in donor countries, administrative costs and decreasing real loan concessionality with lower market interest rates – of broadening the statistical scope of ODA in comparison to the original DAC definition of ODA for long-term development, the real decline of ODA has been shown in recent studies to be even sharper, especially in the 1990s. (Raffert 1996; Fernandez-Arias & L. Serven 1996)

On the other hand, the reduction of aid may primarily have hit flows provided for other primary purposes than sustainable economic and social development – e.g. ensuring political/commercial/strategic/military influence. This changing structure of aid flows may contribute to increasing aid effectiveness and thus decreasing “aid dependency” problems (Sida 1996). If such “aid” were to be replaced to a significant degree by effective development cooperation focusing both directly and indirectly on poverty reduction – by targeted social development support and emergency relief, and stimulating policy reforms and

Fig. 1. Country distribution of Aid

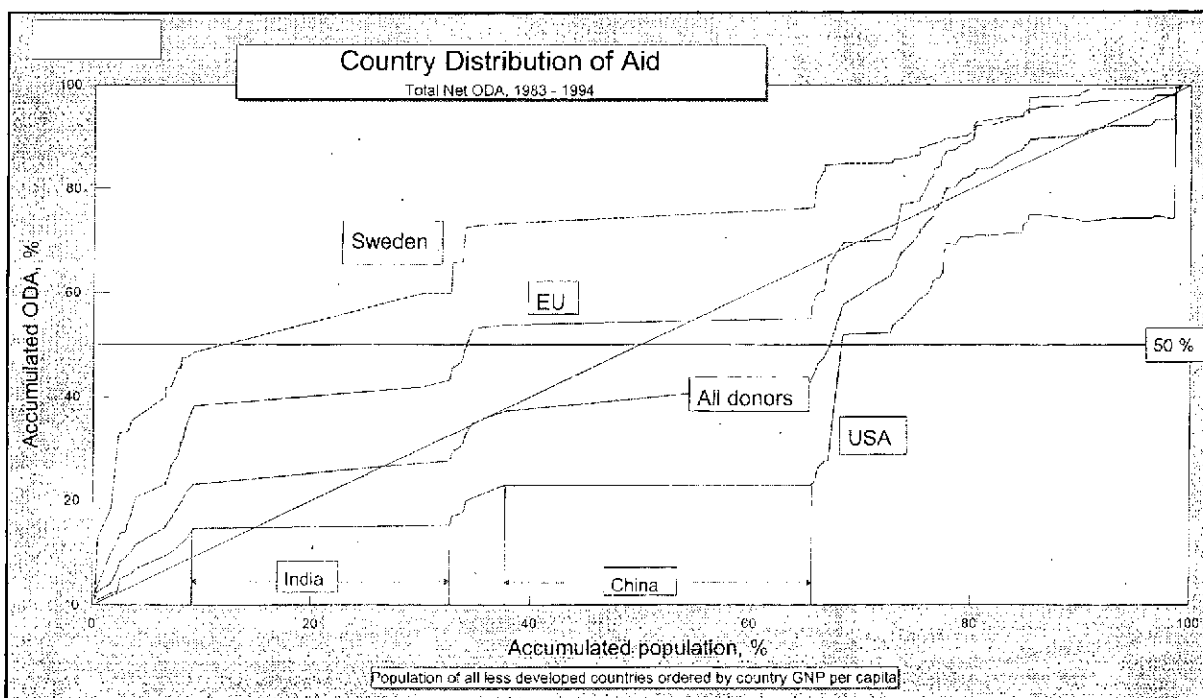


Fig. 1. Swedish bilateral aid is more poverty-oriented than that of other donors. One half of Swedish aid goes to the poorest countries with about 12% of the population of all developing countries, while e.g. one half of USA aid goes to the developing countries with the highest incomes, with 35% of the population (incl. Egypt and Israel). Countries with the 50% poorest of the populations in developing countries received about 75% of Swedish aid, compared to some 53% of EU aid, 38% of total DAC aid and 21% of US aid. (Source: *Promoting Sustainable Livelihoods. A report from the Task Force on Poverty Reduction*, Sida 1996.)

removing structural obstacles to broad-based and self-sustaining economic growth – then the “aid and development impact” of the end of the Cold War may prove a blessing in disguise.

The changes in the volume and pattern of international aid in the 1990s clearly demonstrate its political character. Aid, even when effectively geared towards economic and social development, has always been politically motivated and tuned to prevalent ideological currents among the leading international powers. The Cold War was probably the major driving force behind international aid under US leadership, from the Marshall Plan to the New International Order.

Considering the distribution of aid, Asia and SSA receive the major chunks, with about USD 20 billion for Asia and about USD 19 billion for SSA 1994-95. Latin America is a distant third with under USD 7 billion.

China has emerged as the largest recipient by far of ODA. In 1995, China received about USD 3.5 billion in ODA, in addition to being by far the largest recipient of private capital of all developing countries. This is a strong indication that aid flows and private flows complement rather than substitute each other, and perhaps also that the commercial motives for aid dominate over the poverty reduction ones, and perceived efficiency over needs.

Solidarity/poverty reduction/needs has been a major aid motive only for a few aid donors with small shares of total ODA but large shares of aid to GNP and of aid to least developed countries, mainly the Nordic countries and the Netherlands.

Figure 1 shows the cumulative distribution of aid between countries from the lowest to the highest per capita incomes, for Sweden, the European Commission, total DAC and USA for the period 1984-93. These “Lorenz curves of aid” reflect the past allocation of aid of large donors, especially the USA, according to political and commercial criteria rather than for poverty reduction.

The volume, forms and distribution of ODA will also in the future reflect global political developments.

4. DEMOCRACY AND GLOBALIZATION

“...the increasing globalization of world affairs has implications, possibly negative, for the future of political democracy. Nevertheless, it is increasingly clear that nation-states will have to be supplemented or in important aspects replaced by bodies capable of dealing with the problems of the global environment, the global economy, global demographic movements, global inequalities and, increasingly, the globalization of communication and culture.” (Hobsbawn, 1996.)

Globalization implies increasing dominance of market forces and, conversely, reduced power of the state and the political sphere. Certain concern has been expressed (and, among some economists and businessmen, hope) that globalization will entail a reduction in the influence of democratic domestic institutions over economic policies and in the role of the public sector. Such profound changes are already affecting the political-economy not only of indebted low-income countries but of virtually all countries, not least Sweden and other EU members trying to meet the fiscal convergence criteria to qualify for the European Monetary Union.

The political and constitutional consequences are yet to be seen, but may be far-reaching. There are indications that both political and business leaders in western democracies are tempted by the Asian model, which has combined ultra-rapid economic growth based on globalization with social stability and cohesion, based on political authoritarianism. (Dahrendorf 1996)

In 1996, the Belgian Parliament authorized the government to rule by decree in order to reach the criteria for EMU membership. Even in Sweden, the chairman of the Commission on Labour Law Reform – a leading actor in the privatization of parastatals – has written that the war against unemployment should be compared to a conventional war, and therefore it would be appropriate for the government to rule through the Emergency Powers acts. (Tony Hagström, DN 26 May 1996) A Swedish professor of economics with financial market clout has argued that Sweden should join EMU mainly in order to remove economic policy-making power from Swedish politicians (DN 29/3-97). And over 100 leading Swedish industrialists have signed a manifest protesting against the energy and economic policies of the parliamentary majority, and warned of the economic consequences, including threats of leading Swedish companies joining the globalization wave and moving to countries with more favourable conditions.

These examples may not be representative of the majority view of either political or business/financial circles. But they are significant indications of a new situation: that it has become legitimate to argue in respected public fora for the supremacy of economic interests over democratic institutions.

One of the major consequences of globalization may be that it is no longer political decisions that set the framework for business activities and economic development, but business decisions that set the framework for political activities.

In this connection, it is important to note that neither statistical nor historical evidence indicates any general conflict between political rights and economic performance. There is evidence in both directions. The economic and social policies behind the East Asian miracle were carried out by authoritarian regimes, but there is no evidence that this fact had any causal significance. In history, no famine has ever occurred in a democratic country with freedom of expression and publishing. (Sen 1996)

Aid donors are increasingly introducing political conditionality in respect of democracy, human rights and other aspects of “good governance”, in addition to IFI conditionality for economic reform policies. These double sets of conditionality may not be fully compatible. Governments and parliaments in emerging democracies may wish to design their own reform policies rather than follow the blueprints of

the IFIs. However, such “homegrown” policies have not always been accepted by the IFIs. This has prompted observers to claim that what was offered by Western donors was “choiceless democracy”. (Havnevik 1997; Mkandawire 1996)

If the important decisions about policies affecting economic and social developments in any country are taken in the boardrooms of the IFIs and the TNCs, wherever they are, what is then the relevance and eventually legitimacy of national governments and democratic institutions? Will democracy at the national level be undermined, especially in the fragile emerging democracies? Will democracy be transformed and concentrated to the local and /or supra-national level?

A recent study by the Institute for Democracy and Election Assistance (International IDEA) on the rate of participation in about 1,400 general elections in 176 countries shows that voter participation has diminished since the 1980s, after having increased from the 1940s through the 1970s.⁸ In old democracies like France, Great Britain and the United States – but also in new ones like Russia and Poland – at least one-third of the electorate have not participated in recent elections. (UNDP:HDR 1997) This may be a sign of a crisis of democracy, due to the perceived alienation of politics from people’s lives and the impotence of political institutions to deliver on promises of jobs and improved livelihoods.

Similar tendencies have also been noted in Sweden, which traditionally has a very high voting rate. In the last election to the Swedish Parliament, the voting rate was lower than normal and in the first Swedish election to the European Parliament it was far below previous voting rates in general elections. Many commentators have stated that globalization entails a crisis or even the end of politics, because “political leaders have ceased to be very important.” (Naisbitt 1994)

The historical experience shows that market-based economic development leads to increasingly uneven income distribution. This has led to increasing social segregation among both developed and developing countries. Recent studies in the USA (Freeman 1996) show for example that in the group of working poor, there has been such social and moral degradation that many individuals no longer differentiate between legal and illegal economic activity. The social gap between “the haves” and the “have-nots” is growing and there is a fear that, if this tendency continues, it will threaten our western democracy and also the legitimacy of the western form of government (Thurow 1996). This may provide opportunities for populists and demagogues to use the discontent among the socially disadvantaged for purposes of political extremism.

Warnings have come even from the heart of global capitalism. The World Economic Forum in Davos in 1997 for the first time discussed the dangers of globalization, especially increasing inequalities and marginalization as a threat to social cohesion and stability. One of the major actors in the globalization process, the Hungarian-American finance wizard and philanthropist Georg Soros, in a widely published international newspaper article (DN 15/1-97) warned that brutal capitalism has replaced communism as the most dangerous threat to democracy in the world.

What will be the fate of the nation-state with continued globalization? Given the tendency for increasing social gaps, the state has an increasingly important function to safeguard a minimum of social development and cohesion. The more it fulfills the redistributive role and finds ways and means for all citizens to have access to adequate livelihoods, jobs, child-care, education, health and housing, the less it will have to spend on law and order, police, prisons and restoration of vandalized public property.

⁸ President Clinton was re-elected in 1996 by about 23% of the electorate, i.e. 49% of the 47% that voted, according to International IDEA.

If the proportion of the population earning an income directly through (legal) economic activities continues to fall, there must be some mechanism for guaranteeing the others with an entitlement of livelihood. Unless some other, non-market mechanism for redistribution is devised, such provision will have to be based on public authority. This, however, seems to be an increasingly unreachable objective in the context of economic globalization.

Thus, in the era of globalization nation-states everywhere are facing difficult choices. They need to assume a strategic role of renegotiating the inclusion of each country in the emerging global order, while exercising the essential political functions of the nation-state, namely internal legitimization, regulation, distribution and control. As shown above, these functions have been affected by the globalization of markets, culture and security, and the degrees of freedom in choosing between different policy options have been reduced.

Under globalization, the main current role of the state is dismantling or “reinventing” its role: privatizing SOEs, deregulating markets, reforming taxes etc. All such political reforms require an active and competent state apparatus. It is not just administrative reform but a major political project which can only be carried out by a functioning state. The new state needs to develop a different outlook and the new interventionism will differ in substance. The pendulum seems to be swinging back from neo-liberalism.⁹ (Gómez 1995; World Bank WDR 1997)

5. CULTURE AND GLOBALIZATION

Economic globalization inevitably affects culture¹⁰ through the penetration of markets everywhere. This is nothing new. People from different cultures have always interacted through trade, travel and communication. Art and architecture, music and literature have received and provided influences through such interaction. So has education and health, consumption and production, social and political systems, and all aspects of human life. The quality of our own lives are to a very large extent the result of such cross-cultural influences. Most people would agree that, on the whole, they have made us better-off.

The current surge of globalization has magnified the density and the complexity of such cultural interaction. Five principal factors have been instrumental in spreading a homogenous globalized culture:

- the spread of mass literacy throughout the world
- the transnational media
- the expansion of TNCs
- the revolution in long-distance transportation
- the new technology in communications.

There is a popular notion that a global culture of western consumerism and light entertainment – symbolized by e.g. Coca Cola, McDonalds, Euro-Disney, Hollywood, Levi's, Michael Jackson, MTV and

⁹ Recent general elections in Britain and France seem to confirm this statement, although they may mainly reflect the frustration of voters with incumbent governments' belt-tightening economic policies and inability to reduce unemployment.

¹⁰ In accordance with the terminology adopted by the World Commission on Culture and Development, “culture” is used here in a broad sense, including various aspects of the way of life in a society, e.g. ethics, pluralism, human rights, gender roles, status of minority groups, religious and language issues.

Club Méditerranée – is achieving a hegemonic position at the expense of traditional and genuine national cultures. Undoubtedly, there is a considerable element of such “muzak” cultural influences spreading with globalization.

However, cultural globalization also includes the spreading of ethical, legal and political values endowed with universal recognition, e.g. democracy and human rights, the ten commandments and similar moral values, social justice, economic rights, gender equality, environmental protection, medical and technical progress etc.

There is also the transnational culture of intellectuals and professionals exchanging ideas and sharing experience and knowledge. There are all the other cosmopolitans, the guest workers, expatriates, exiles, tourists. Well over 100 million people live outside their home country, and several hundred thousand passengers fly across borders every day. (Hannerz 1990)

There is the English language, the lingua franca of the global village, spoken as a mother tongue by 400 million people in twelve countries and by another 500 million people as a second language. It is the language of some 60% of the world's radio broadcasts, 70% of international mail, 85% of international telephone conversations and 80% of information stored in computers around the world. (Naisbitt 1994)

There are the global media, not just satellite television but newspapers, magazines, books, films and interactive media such as Internet.

All these aspects of cultural globalization have had important influence and have catalyzed both demand for and resistance to rapid changes in traditional cultures and life-styles. The resistance has been driven by reactionary forces including fundamentalist religious groups, especially Islamists, and nationalist political circles. They constitute a potentially very powerful constellation and there are already many examples of the kind of conflicts, extremism and backtracking on human and especially women's rights that such reactions have led to, e.g. in Algeria, Egypt and Iran.

The following comment by the main orthodox newspaper of Iran upon the appointment of a new Minister for Culture and Islamic Propaganda in August 1997 is illustrative:

“The Ministry of Culture is the command centre against the enemy's cultural invasion and must never be taken over by cowards who in their hearts do not detest America.” (DN 14 August 1997)

The broad and basic cultural issue of modernism versus traditionalism, or perhaps development versus stagnation, is highlighted by the tensions between the forces promoting cultural globalization and those resisting it. In a worst-case scenario, this tension could grow so strong over the next 20 years that a global conflict becomes inevitable. The whole future of the globalization process, and indeed of the world may depend of the outcome of such a conflict.

Further to the issue of cultural nationalism, it must be recognized that cultural traits can extend both within and beyond the social units of nationhood and statehood. Local and regional varieties of culture abound even in the most highly homogenized nation-states. The definitions of local, national, regional and global culture are not very clear.

Global culture cannot substitute for the feeling, identity and sense of direction that come from national and local/regional cultures, as only these provide continuity from generation to generation. With shared memories of events and personages, which have been turning points in its collective history, local and national cultures provide a sense of common destiny. When exposed to global culture, people display an

amazing ability to handle, rearrange or reinterpret a wide variety of clothing, architectural styles, songs or even TV series in a way congenial to their indigenous cultural traditions. In stressing the resilience of national and popular discourses, codes and practices to the homogenizing pressures of a global culture, post-modernism itself is a global symptom and a vindication of the vitality of national cultures. (Gómez 1995)

In this perspective, the tensions between modernism and traditionalism could be kept within low levels of conflict and national cultures would be able to absorb and contain the influences of cultural globalization.

6. ENVIRONMENT AND GLOBALIZATION

Environmental protection is a truly global concern. Environmental problems like global warming, ozone holes, and air pollution causing acidification of lakes respect no national borders. These problems have engaged large groups of people in the developed countries over the last 20 years. In these countries, environmental problems are often different from those of the low-income countries.

The environmental problems of the industrial countries are more global, while those of developing countries in a sense are more local. There is a tendency to export pollution from industrial countries by air or water, or by relocation of polluting industries due to environmental and health legislation. Massive deforestation in tropical countries, toxic dumping and marketing of consumer products with high levels of dangerous substances, e.g. high-tar cigarettes, are examples of how globalization tends to transfer environmental problems from rich to poor countries.

The spread of western consumerist life-styles to low-income countries is an important aspect of globalization. There is incontrovertible scientific evidence that globalized generalization of western consumption patterns would be ecologically unsustainable and potentially disastrous for the global environment. Thus, there is an inherent contradiction in the globalization process, which can only be resolved if the industrialized countries as well as developing countries implement "ecological structural adjustment policies" which reduce pollution and restore the balance between use and renewal of natural resources.

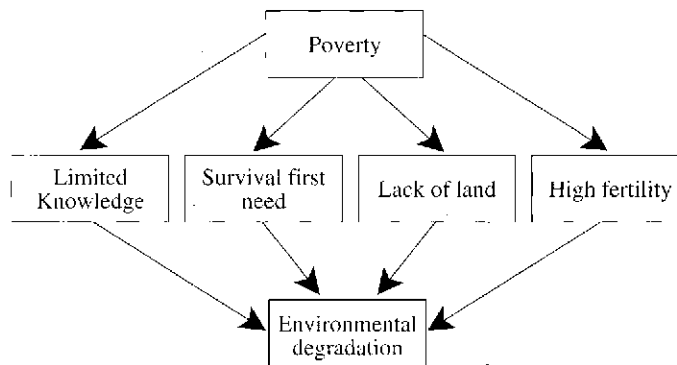
The policy principles and practices to achieve such balance were laid down in Agenda 21 adopted at the UN Rio conference in 1992. Unfortunately, the follow-up conference held in New York in 1997 showed that the rate of implementation of Agenda 21 was disappointingly low and on the whole inadequate, even though some progress has been made.

The environmental interaction between the sometimes ruthless exploitation of nature in industrial areas and the quality of life in poor countries is illustrated by global warming – caused by carbon dioxide emissions mainly from industrial countries. Reversing the long-term increase in such emissions will depend on whether countries succeed in de-linking economic growth from emissions growth. Far greater efforts in energy conservation will be required. China has managed to achieve strong gains in energy efficiency, but these gains have been eroded by increasing consumption of energy due to its rapid economic growth.

Global warming probably causes recurrent droughts in poor countries and is expected to cause major long-term changes in agricultural systems, thus endangering food security in poor regions. Global sea levels are expected to rise and cause flooding of some very large and densely populated areas, thus threatening the lives and livelihoods of many hundreds of millions, perhaps billions of people, mainly in the densely

populated coastal areas and river deltas of southern and eastern Asia. For example, the land area of Bangladesh would shrink by 17% with a one-meter rise in sea level.

Poverty-related environmental degradation involves issues like water shortage, deforestation, desertification and the salination of soils. The connection between poverty related and environmental degradation may be illustrated as in the figure.



(Sida, Miljö och Fattigdom)

The environmental problems of the developing countries are extremely difficult to resolve, since they usually concern people's livelihoods. Deforestation is not only caused by the necessity to make more land arable as populations grow, but also from the fact that 2 billion people in the developing world use wood as the primary source for heat and cooking.

Poor and vulnerable people under pressure are often forced to misuse natural resources in a non-sustainable way (e.g. in the Sahel). Although such misuse in the long run will cause soil erosion and livelihood insecurity and increase the risk of conflicts, this behaviour is rational in their existing situation. The compatibility between sustainable use of natural resources and daily survival can however be enhanced by policy measures such as land reform to secure the rights of usufruct of local communities and households. (Kibreab 1997)

In SSA, 65 million hectares of productive land have become desert in the last 50 years. Salinization affects 25% of the irrigated land in Central Asia and 20% in Pakistan.

There are now over 1.3 billion people in the world, who subsist on an income below the general poverty line of 1 USD /day, according to the World Bank. There are over half a billion poor people living in ecologically fragile regions in low-income countries. UNDP estimates indicate that this number will increase to 800 million by 2020. These "wretched of the earth" are the people who are most dependent on a sustainable environment for their survival. (UNDP:HDR 1997)

"They perceive no alternative to misusing and overusing these resource stocks today even at cost to their livelihood tomorrow. So they are driven to deplete their main means of future survival...As overall result, the bottom billion face an outlook of ever greater constraints." (Myers 1995)

Environmental degradation often leads to natural disasters and/or conflicts. An average of nearly 120 million people have been struck by disasters each year since 1970. There is an increasing flow of environmental refugees, recently estimated to number 25 million. Some forecasts predict that they will be as many as 200 million by the year 2015. (UNDP:HDR 1997; Myers 1995)

Rapid, accelerating urbanization will follow, as stated above. It is predicted that the total urban population of the world will double in about 20 years. This will cause major problems of air and water pollution as well as garbage and sewage disposal. Between one third and one half of urban solid wastes are uncollected in developing countries, which leads to serious health implications. Furthermore, coastal, marine environments are severely affected and this will result in increasing livelihood problems for the inhabitants of coastal areas. The huge population shift from rural to urban areas will also put heavy strain on soils and water resources used increasingly intensively to feed the growing populations.

“Overall, the world’s natural habitat is projected to be at serious risk. Non-domesticated area is projected to drop from its current 70% to about 65% in 2015 and then to 60% in 2050, mainly due to the increased need for land to grow food. Although this change may seem small, many individual species-rich ecosystems in the tropical and sub-tropical zones are at serious risk”. (UNEP 1997)

Projecting past trends, there is evidence pointing to increasing frequency of environmental disasters in the future particularly for low-income countries. But there are also some positive factors like increased awareness and development of new policy responses, rapid progress in environmental technology, transition towards ecologically sustainable production and consumption patterns and so on. Thus, the worst-case scenarios of many environmental experts may yet be avoided. Considering the impending disaster projections of the Club of Rome in 1974, there should still be room for some hope.

There is no time or place for complacency, however. Restoring environmental sustainability at global as well as national and local levels is a matter of life and death for a large part of the world’s population, and thus a challenge for enhanced international cooperation in policy-making and monitoring of the highest order.

7. POPULATION GROWTH

To what extent has development tended to reduce population growth rates? Clearly, economic and social development in general has been associated with major reductions in birth rates and the emergence of smaller families as a norm. In particular, conditions of economic security and affluence, wider availability of contraceptive methods, expansion of education (particularly female education), and lower mortality rates have had – and are currently having – substantial effects in reducing birth rates in different parts of the world. (Sen 1994)

The rate of the world’s population growth is declining steadily, from 2.2% per year in the 1970s to 1.6% in the period 1980-95 and a projected 1.3% per year in 1995-2010. The highest growth rates are in Sub-Saharan Africa, where the overall rate is falling from 2.8% in the period 1980-95 to 2.6% in 1995-2010. These growth rates are expected to continue to fall until the size of the world’s population becomes almost stationary. (Sen 1994; WB:WDI 1997)

Since Thomas Malthus first published his famous, alarmist *Essay on Population* 200 years ago, the world population has grown some six times larger, while food production and consumption per capita are much higher now, and there has been an unprecedented increase both in life expectancies and in general living standards.

Malthus’ analysis could not predict the demographic transition¹¹, the agricultural and industrial revolutions with the historically unprecedented economic growth, and massive emigration. In the

¹¹ The historical phase when a country, due to economic and social development, moves from high fertility and death rates to low ones.

beginning of the century the British population was 41 million, and without emigration it would have been 71 million. During the 19th century as a whole, the British population grew fourfold whereas the national product grew fourteenfold. (Kennedy 1993)

All developed countries have passed through the demographic transition and most of them have reached such low fertility rates that they have almost no natural population growth. Even low and middle income countries in South East Asia have gone through the demographic transition, which implies the importance of other factors than high income. But a strong correlation clearly exists between population growth and living conditions, especially of women.

Living conditions consist of many things, but there are three components that seems to be more important than others for reducing population growth:

- 1) *Livelihood security*: Children are partly seen as a resource for maintaining livelihoods where there are no pensions or social welfare systems. When social security improves due to economic and social development and/or public social welfare policies, fewer surviving children are needed. When child mortality is reduced, this means fewer pregnancies are needed.
- 2) *Women's ability to earn an income outside the home*: Womens' opportunity costs of having children increase and as a consequence they want fewer children.
- 3) *Women's control of their fertility*: If pregnancies can really be a voluntary choice by women, and if they get information and access to family planning services, a substantial reduction in fertility rates normally follows.

These three factors will improve mainly as a result of broad-based economic and social development, although they could be enhanced by government policies.

Nine out of every ten people added to the world's population over the next 15-20 years will be in developing countries. By the year 2015 there will be about 2 billion more people on earth than in 1995. Most of them will be born in poor and underdeveloped regions. This will cause considerable, perhaps disastrous economic, political and environmental strains and thus constitutes a major challenge to present and future leaders.

The fact that Malthus was mistaken in his analysis and forecasts does not mean that contemporary fears about the consequences of population growth must be similarly erroneous. During the last decade, the world's population increased by about as much as the total population size in Malthus' times, nearly one billion people. Whatever the merits of the case presented by the neo-Malthusians today, complacency based on past success is not a satisfactory answer. (Sen 1994)

Even if the world may maintain its capacity to support growing populations, it is the distribution of human, natural, physical and financial resources and man's ability to govern on a global level that will determine the sustainability of future population growth.

For the world as whole, total production may well continue to grow much faster than population, as it did in Britain during the 19th century. However, wealth and incomes are not global, but are nationally and regionally distributed between poorer and richer nations, localities and households. The unequal pattern and distribution of growth implies a real neo-Malthusian threat in low-income countries.

Furthermore, migration to fertile, virgin lands is no longer possible. Increasing flows of migrants and refugees are causing serious tensions in the areas they try to settle in. Even countries that have traditionally

accepted migrants are closing their borders. This is one area where globalization is resisted, with obstacles to free migration being erected by people and states:

"...apart from a 'club-class' of internationally mobile, highly skilled professionals, and the desperately poor migrants and refugees who will suffer almost any hardship to leave intolerable conditions, the bulk of the world's populations now cannot easily move." (Hirst&Thompson 1996)

When migration across borders becomes increasingly difficult, poor people from economically marginal areas will instead move to better-off areas in their own country, usually towns and cities.¹² According to World Bank projections, urbanization will continue to accelerate in the next 25 years, so that the total urban population of the world will surpass the total rural population around 2015, each with over 3 billion people.

The increasingly rapid rate of urbanization may lead to over-crowding and cause new tensions, conflicts and environmental problems that have to be attacked at all possible levels.

8. FOOD SECURITY

Global agricultural production as a whole continues to be sufficient to feed the growing population of the world. Grain prices have not increased in real terms in the long run. Price variations have been of a temporary nature and due to particular shocks such as droughts, floods, wars etc. On the whole, it is entitlements and purchasing power that determine whether or not people get adequately fed. Nutritional problems are usually problems of poverty and of distribution, not of food production except locally.

Thus, it is again a matter of the distribution of available resources, not their total volume. According to FAO estimates, food supplies have increased from a nutritional equivalent of 2300 calories per capita 30 years ago to about 2700 calories in the mid-1990s. Adding the grains used as animal feeds, average food availability increases to 3000 calories, which according to nutritional expertise should be adequate.

However, there are substantial regional differences in caloric intake. The SSA average is only 2100 calories. Future food availability is estimated to continue to be very low in Africa. FAO estimates that the number of people suffering from undernutrition in the world will diminish from about 800 million at present to about 650 million in 2010, of which 300 million in SSA, i.e. nearly half of the undernourished in the world.

Total global food demand is expected to increase by 50% by 2015 and by more than 110% by 2050. This is projected to lead to an increase of 27% in agricultural land use by 2015 and of 42% by 2050. The somewhat optimistic reports, e.g. by FAO, assume that if technology and management methods are implemented successfully, demand can be met without reaching the biophysical limits of global food production. More pessimistic assessments, e.g. by the Worldwatch Institute, fear that increased demand will lead to non-sustainable agricultural practices, declining food security and increasing malnourishment. (UNEP 1997)

¹² In most developing countries, there is a large disparity in income, poverty and social services between urban and rural areas. In 1990, 47% of the rural population in south Asia were living in income poverty, compared with 36% of urban people. In LAC, the incidence of rural poverty is 1.8 times that of urban poverty. Illiteracy in developing countries is on average about twice as high in rural as in urban areas. (UNDP:HDR 1997)

Fig. 2. Chronic Undernutrition in Developing Countries

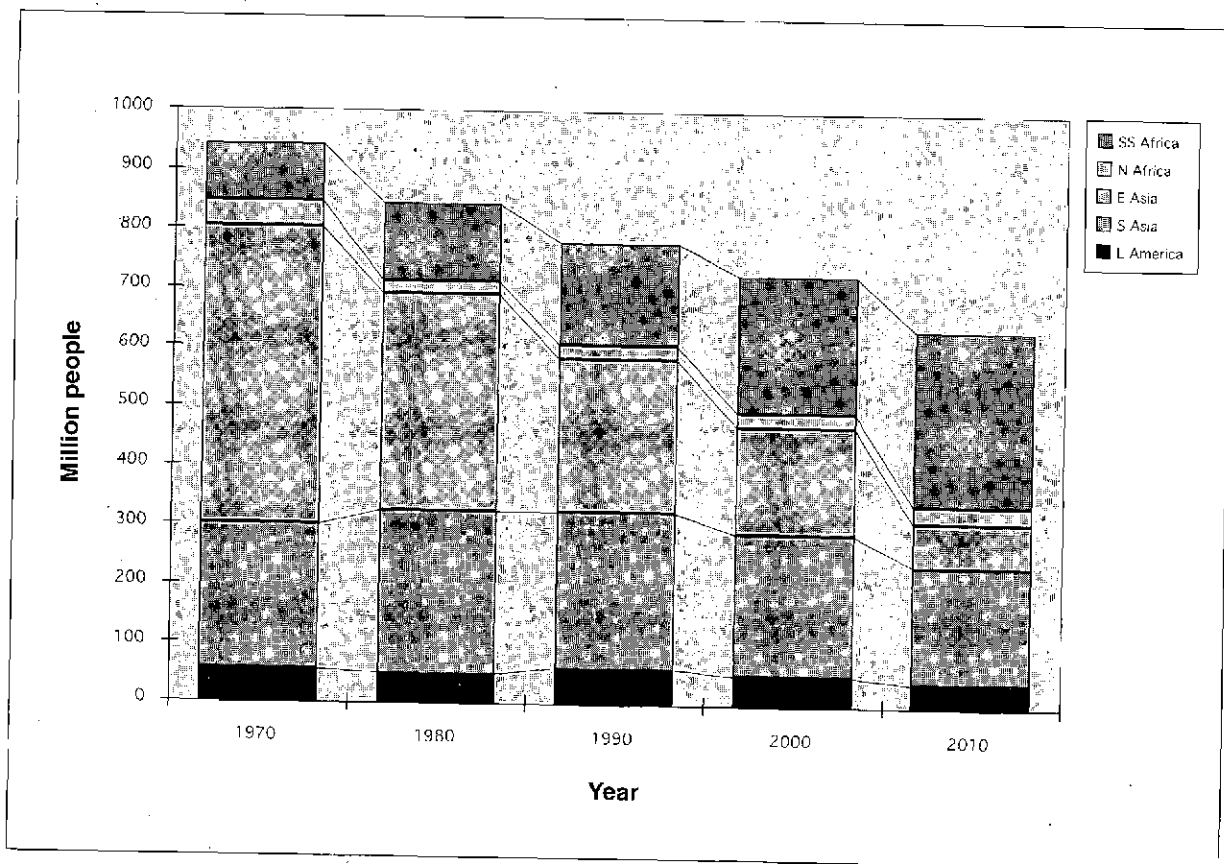


Figure 2 shows the total level of undernutrition in the world 1970-2010, and the composition by region according to IFPRI projections. East Asia, i.e. mainly China, had nearly half of total undernutrition in 1970, but economic growth gradually reduced this share to 32% by 1990 and will reduce it to some 11% in 2010. South Asia (mainly India) had marginally surpassed East Asia by 1990 with over a third of total undernutrition, but is projected to reduce it in both absolute and relative numbers, the latter to just over 30% in 2010. In SSA, both the absolute number and the share of total undernutrition is increasing continually, the latter from 10% in 1970 to 23% in 1990 and a projected 46% in 2010.

Production increases in developing countries mainly come from rising productivity. However, in SSA it is mainly expanding areas under cultivation that provide larger output, when it occurs. FAO sees increased productivity as the solution to future food security. Many developing countries still have very low agricultural productivity compared to others. Thus, there is a large potential for increased production just by extending the use of existing methods to underdeveloped agricultural areas.

Agricultural research should also lead to the development of new technology for enhancing the production of foodstuffs, e.g. aquaculture, biotechnology and urban farming. Water supply, institutional capacity and human capital are probably going to be more severe constraints to increasing agricultural production in Africa and other low-income areas than arable land. Rural credits could have a major effect, especially if the gender bias could be overcome. Empowering and training women could be the key to increasing food production and reducing undernutrition, especially in Africa.

9. WOMEN AND GLOBALIZATION

“Changes in the world economy are affecting both the nature and structure of employment and the sustainability of other forms of livelihoods. The processes of economic restructuring are complex so it is not surprising that they should be benefiting some groups of men and women depending on where they live, the work they do and their income group, while impacting negatively on others. The processes associated with economic restructuring have certainly benefited some women by creating new opportunities for employment which carry specific demand for female labour; on the other hand they have adversely affected some women’s livelihoods. The growth of labour-intensive industries in developing countries has created more “female” jobs, whilst attempts to reduce fiscal imbalances by reducing state spending on social services, have affected women in the reduction of their bargaining power overall, in cases where public sector job losses disproportionately affect women, since female employment in the public sector is often on better conditions than in the private sector.” (Masika & Jockes 1997)

Globalization affects the structure of the labour markets, even if labour mobility is much more restricted than that of capital, especially across frontiers. The increasing employment of women in manufacturing industries is the most conspicuous pattern caused by globalization and foreign direct investment in developing countries.

One example is the rapid expansion of the ready-made garment industry in Bangladesh, which led to rural-to-urban migration of many thousands of young, usually single women. Although working conditions are poor, female garment workers consider their situation considerably better than the perceived alternatives (domestic service or agricultural labour), according to surveys.

The relatively poor, and women in particular, often work in the labour-intensive informal services sector. These services can be connected to the operations of foreign direct investment and with international markets, e.g. in export processing zones, so that poor women can share in the benefits of the globalization process. However, these links are very weak because of under-capitalisation in the local informal sector.

Examination of rapidly growing economies involved in international markets, e.g. Brazil and Korea in the 1970s, shows that women were incorporated into industrial employment in large numbers, including the widespread entry of women into non-traditional sectors of industry. Labour-participation rates of women have increased significantly world-wide in the period 1970-1990, with the usual exception of SSA. (Keller-Herzog 1996)

In countries where many men emigrate, more opportunities for employment become available to women. With more women-headed households, the need increases for women to find employment to support their families. Growing economies expand the labour market and increase women’s economic activity – whereas contraction has the opposite effect. In many developing countries and in eastern Europe, SAPs with reduced public spending have led overall to declines in employment opportunities – in some cases forcing women out of the labour force, as in SSA. (UN 1995)

Globalization has adverse effects on women when they are marginalized from industrial production and pushed out of traditional domains of production by the introduction of new technologies and land uses. Such effects also occur when women are pushed out of employment as a result of relocation of industries to other countries, as experienced by Swedish women in the textile industry in Borås.

In rural areas, the introduction of new technology and new agricultural practices continues to favour men. A significant trend in developing countries has been the move towards private ownership of land. New

laws tend to be premised on the assumption that men are heads of households. Women are less likely to have access to agricultural credit without collateral such as land, and have limited opportunities for participation in decision-making processes regarding agricultural production. However, there is an emerging trend of “*feminisation of agriculture*” as men migrate to cities in search of employment. These contradictory gender-structural development tendencies in agriculture may explain a large part of the stagnation of peasant agriculture and its lack of supply response to gender-blind structural adjustment policy reforms. (Masika & Joeques 1997)

Globalization increasingly involves expansion of service sectors in developing countries. This is leading to increasing employment creation, involving both low and high skilled grades. Gender biases in education, whereby women are concentrated in arts and humanities subjects, and in professional areas such as law, lends support to speculations that expansion of trade-related services may represent an important new source of relatively well-paid employment opportunities for women in the future. (Joeques 1995)

However, increasing female labour participation may also be caused by so-called “poverty-push” factors or “distress sales”. (Moser 1996)

Thus, access of women to new and better-paid industrial employment is not necessarily an indication of increasing welfare of women:

“The extent to which rising rates of female participation in paid labour decompose existing forms of women’s subordination depends primarily on the level of remuneration that women receive and the opportunities that the organization of paid work provides for collective action of various kinds.”
(Elson 1992)

10. WIDENING GAPS OR CONVERGENCE?

Development has become increasingly uneven between and within regions and countries. Between 1960 and 1994, the share of global income (GNP per capita) of the poorest countries with 20% of the world’s peoples declined from 2.3% to 1.1%, and continues to shrink. The share of the richest 20% rose from 70% to 86%, and continues to increase. Thus, the ratio of the shares of the richest and the poorest fifth among the world’s nations increased from 30:1 in 1960 to 61:1 in 1991 and to 78:1 in 1994. The gap is widening rapidly. (UNDP:HDR 1997)

But the real gap between the rich and the poor in the world is much larger, taking into consideration the widening disparities within countries. The average income of Japan is 36 times that of Tanzania, but the average income of the poorest 20% in Japan (with low income inequality) is 130 times more than in Tanzania (which like most countries in Africa and Latin America has very high income inequality). (UNDP:HDR 1996)

Overall, there has been considerable economic progress in developing countries, with many regions experiencing sustained economic growth over the years since 1970. However, economic development has proceeded unevenly across geographic regions – Sub-Saharan Africa (SSA), Latin America and the Caribbean (LAC) suffered substantial economic decline in the 1980s. The benefits of increased participation in trade and receipts of foreign direct investment, two important factors associated with structural economic change, have also been unevenly spread, as stated above in this overview. Overall, the bulk of FDI and trade have flowed between the developed market economies.

The distribution of global output has become more concentrated in the 1990s. For the declining economies in LAC and SSA, the Arab states and Eastern Europe together, the share of global income fell between 1970 and 1990 from 16% to 15%, while their share of global population increased from 28% to 30%. The growing developing economies of Asia and the Pacific in the same period increased their share of global income from 16% to 35% and of population from 53% to 54%. Thus, per capita incomes fell in all the economically declining regions between the early 1980s and early 1990s, while those of the growing developing regions increased by 2.5% – 4% per annum. (ISS 1997)

The process of economic development has become increasingly polarized between the major regions of the developing world. The economic performance of some countries between 1970 and 1990 has allowed them to attain in a relatively short time the levels of GDP per capita that are typical of industrialized developed market economies, while others are likely to emulate this performance in the late 1990s and early 2000s. For a considerable number of other developing countries, the prospect of rapid economic growth seems far removed. Polarization and uneven development between and within the major regions of the world are thus likely to become further accentuated in the 21st century. (ISS 1997)

There is a lively debate among development economists on whether or not per capita incomes converge or diverge. In the standard neo-classical economic growth models, the economy tends to a “steady state” of constant per capita income, so that countries with higher per capita income have lower growth rates than those with lower per capita income.

Thus, if all countries followed this model with the same technology, savings and population growth assumptions, there would be *absolute convergence* towards the common steady state per capita level of income. The *conditional convergence* hypothesis predicts the same outcome, but only for those countries which have the same technologies, preferences, rates of population growth, government policy, institutional framework etc. According to the *club convergence* theory, they would also have to have similar initial conditions. (Kanbur 1997)

Club convergence implies that countries that may be identical in their structural characteristics but differ in their initial level or distribution of human capital are likely to grow towards different levels of steady state per capita incomes. This is a result of significant differences in such elements as human capital, income distribution, fertility, externalities, and institutional factors such as imperfections in capital markets and lack of competition in other market structures. Thus the recent literature on “endogenous growth” generates the result that there is no tendency for even growth rates – let alone per capita incomes – to converge. A major role is therefore possible for policy to promote the conditions that stimulate growth.

There is considerable empirical literature on whether or not per capita income levels in fact converge over time. A World Bank Policy Research Working Paper (Pritchett 1995) argues that the following facts characterize the pattern of growth rates in the last century or so:

- massive divergence in absolute and per capita incomes,
- steady and near equal growth rates amongst the leaders in the long run,
- the currently poor countries have had low growth historically,
- in the modern period, some countries that began poor in 1960 continued to stagnate,
- others had extremely rapid growth,

- growth rates have varied dramatically across developing countries,
- growth over time for individual developing countries has also been highly variable, and
- growth rates in developing countries have not been characterized by persistence.

The implication of these facts is to reject the absolute convergence theory and to support the club convergence hypothesis. Getting the structural features right can change the growth prospects for a country, e.g. human and physical capital accumulation rates and land reform. If the convergence theory were valid, there would be no need for specific policy action. But convergence has not come to the rescue of the poor countries who have stagnated since the 1960s. On the other hand, there are very clear policy reasons for why those countries which have grown rapidly have done so. (Kanbur 1997)

Thus, there is no underlying law determining the level of inequality in global distribution of income. Whether the uneven development which is characteristic of the last few decades will continue depends mainly on policy decisions taken at the national level as well as in international organizations such as the IFIs and the WTO.

If globalization continues to strengthen the forces of increasing inequality in the next few decades, there is likely to be a resurgence of interest in redistribution in the international development policy discussion, as in the 1960s and 1970s. There will be a need to evaluate and learn from the mistakes and successes in these decades, to develop new methods for redistribution and for promoting more equitable patterns of growth. These issues are more likely to reappear in even stronger form in the next decade than to go away. (Kanbur 1997)

11. SOCIAL DEVELOPMENT

In the mid-1990s the world is significantly more developed in terms of social indicators than it was 20-25 years ago. Progress has been made in all the major world regions. However, progress is spread very unevenly over the world, with some regions having done much better than others. Also, within regions there are considerable differences between individual countries. There is a broad correlation between economic growth and social development, but there is certainly no automatic link between the two. (ISS 1997)

The World Summit for Social Development in 1995 adopted the Copenhagen Declaration on Social Development integrating economic, social, gender, democracy, transparency and environmental issues. Actions were recommended to create, in a framework of sustained economic growth and sustainable development, a national and international environment favourable to social development, to eradicate poverty, to enhance productive employment and reduce unemployment, and to foster social integration. (WSSD 1995).

“Globalization, which is a consequence of increased human mobility, enhanced communications, greatly increased trade and capital flows, and technological developments, opens new opportunities for sustained economic growth and development of the world economy, particularly in developing countries. Globalization also permits countries to share experiences and to learn from one another’s achievements and difficulties, and promotes a cross-fertilisation of ideas, cultural values and aspirations. At the same time, the rapid processes of change and adjustment have been accompanied by intensified poverty, unemployment and social disintegration. Threats to human well-being, such as environmental risks, have also been globalized. Furthermore, the global transformations of the world economy are profoundly changing the parameters of social development in all countries. The challenge is how to manage these processes and threats so as to enhance their benefits and mitigate their negative effects upon people.” (WSSD, 1995, p. 5)

Social integration is a recent and very relevant addition to the topic of social development. It is closely related to the concept of 'social capital'. A recent UNDP report (de Vylder, 1995) stressed the need to focus not only on physical capital and human capital, but also on social capital, by which is meant all kind of formal and informal processes and structures, norms and regulations, networks and social institutions which hold societies together. The formation of social capital enhances social cohesion and is crucial for human development.

Regional trends of various social indicators over the past 20-30 years show that progress has been made almost everywhere in all areas of social development. Life expectancy has, on average, increased by more than 15 years in all developing countries. Infant mortality has been reduced by more than 50 per cent. Malnutrition rates have declined by almost a third. The proportion of children out of primary school has fallen from more than half to less than a quarter. And adult literacy has increased from 43 per cent to 61 per cent.

However, in all these areas there are still considerable, unacceptable gender disparities.

Although there have been overall improvements, the situation in sub-Saharan Africa and in South Asia is still bleak. Life expectancy in sub-Saharan Africa is particularly low compared to other world regions, and the infant mortality rate is very high. About half of the world's malnourished children and nearly half of all illiterates live in South Asia, where more than half of the children under 5 are underweight, and nearly half of all adults are literate; adult literacy is lower in South Asia than in any other region of the world. (ISS 1997; UNDP:HDR 1997; HDC 1997)

Some 20-30 years ago, the variation in social indicators across the regions of the world was less marked than it is in the 1990s. Despite overall improvements on average, there has been relative deterioration, in particular in sub-Saharan Africa and South Asia.

It is relatively straightforward to investigate regional trends in social indicators such as life expectancy and literacy. It is, however, much more difficult to analyze trends in poverty, largely because there are no comparable data on poverty in various regions of the world over the past 20-30 years.

The *World Development Report 1990* developed a more or less consistent data set based on a common poverty line that allows comparisons to be made across countries. It is based on a USD 1 per person per day cut-off point and employs purchasing power parity (PPP) indices based on consumption, to convert consumption measured in USD per person into consumption measured in local currency.

Regional trends in poverty since 1987 suggest that in this relatively short time span the percentage of poor people has hardly changed. In terms of absolute numbers, however, there has been an increase of 7 per cent: 1.3 million people were poor in 1993, while 1.2 million people were poor in 1987, an increase which is more or less in line with the growth of population. One implication has to be that, on average, inequality has increased within countries, since, on average, consumption levels have risen.

Thus, more than a quarter of the population of developing countries still live in poverty as measured by the new UNDP Human Poverty Index (HPI). About a third live in income poverty on less than USD 1 per day. (UNDP:HDR 1997). The number is increasing in every region of the world – except South East Asia and the Pacific.

South Asia has the most people affected by human poverty according to the HPI. And it has the largest number of people in income poverty: 515 million. In total, Asia and the Pacific have more than 950 million of the 1.3 billion people who are income-poor.

Sub-Saharan Africa has the highest proportion of people in – and the fastest growth in – human poverty. Some 220 million Africans are income-poor. It is estimated that by the year 2000, half the people of SSA will be in income poverty.

In LAC, income poverty is more pervasive than human poverty – affecting 110 million people – and it continues to grow.

Eastern Europe and the countries of the Commonwealth of Independent States (CIS) have seen the greatest deterioration in the past decade. Income poverty has spread from a small part of their population to about a third – 120 million below an adjusted poverty line of USD 4 per day.

In industrial countries, more than 100 million people live below the income poverty line (set at half the individual median income). Thirty-seven million people are unemployed.

Among the poor in the various regions, some people suffer more than others – particularly women, children and the aged.

The latest data show that the UNDP Human Development Index (HDI) declined in the past year in 30 countries, more than in any one year since first calculated in 1990.

“The costs of eradicating poverty are less than people imagine – about 1% of global income and no more than 2-3% of national income in all but the poorest countries. Further cuts in military spending, with the savings channelled to poverty reduction and pro-poor growth, would go far towards providing the resources required. The challenge of mobilizing resources is thus mostly a challenge of restructuring priorities – and of steadily mainstreaming these priorities into a new programme of pro-poor growth. Combining growth with a small but steady redistribution towards poverty eradication could ensure all the resources required within this generation.” (UNDP:HDR 1997)

12. SCENARIOS FOR THE FUTURE

The ISS report for Project 2015 presents forecasts for economic growth and the incidence of poverty for different regions to the year 2015. The forecasts are based on long-term regional growth models produced by the World Bank and the Central Planning Bureau of the Netherlands. The latter contains four scenarios for the period up to 2015. These are based on different perspectives on economic development, an analysis of the situation in 1990 and the comparative strength of the major regions (the Triad). Trends in various regions of the world, including demographic trends, natural resource depletion and environmental degradation, globalization, and social and economic trends are incorporated in the scenarios. The main emphasis is on economic development, although the study also touches upon political, social and environmental concerns. The treatment of gender issues is mainly confined to estimates of female-male gaps in labour participation rates.¹³

The CPB study has four different scenarios, referred to as “Global Shift”, “European Renaissance”, “Global Crisis” and “Balanced Growth”. The main difference is in their underlying assumptions concerning growth rates in the major industrialized regions and subsequent spread effects to the

¹³ The same basic four scenario model is applied by the Swedish defense research institute FOA in an environmental impact study for the Natural Environmental Protection Board: “Omvärlden år 2021. Fyra globala scenarier”. Stockholm 1997.

developing regions. The scenarios give annual average growth rates for the world economy varying from a high of 3.6% to a low of 2.2%.

All scenarios show the Asian region achieving economic growth rates well above population growth. Japan is the most dynamic industrial economy in every scenario. Even the most pessimistic scenario can be considered quite positive in the light of past trends. SSA and LAC experienced growth rates in the 1980s that were considerably lower than those projected in the Global Crisis scenario.

The projections for social indicators demonstrate general improvements by 2015, even in the low growth scenario. This is due to the inclusion in the model of an autonomous element, which captures other factors than economic growth to influence social development.

The range of poverty incidence in the results goes from only 394 million people living below the poverty line in the best case scenario to nearly 1.3 billion, i.e. slightly below the present level.

When assessing the results of these models, one should keep in mind that they are regarded as the optimistic ones of a series of global scenario studies in the 1990s. Furthermore, their worst-case scenario, "Global Crisis" was excluded from the poverty projections for technical reasons. In that scenario, it would seem safe to predict a continued increase in the number of absolutely poor in the world. Even in the best-case scenario social indicators in SSA remain low. The school enrollment rate would only reach about 50% and the literacy rate only 60%. In LAC, Asia and the Pacific and Eastern Europe, universal literacy would be achieved by 2015.

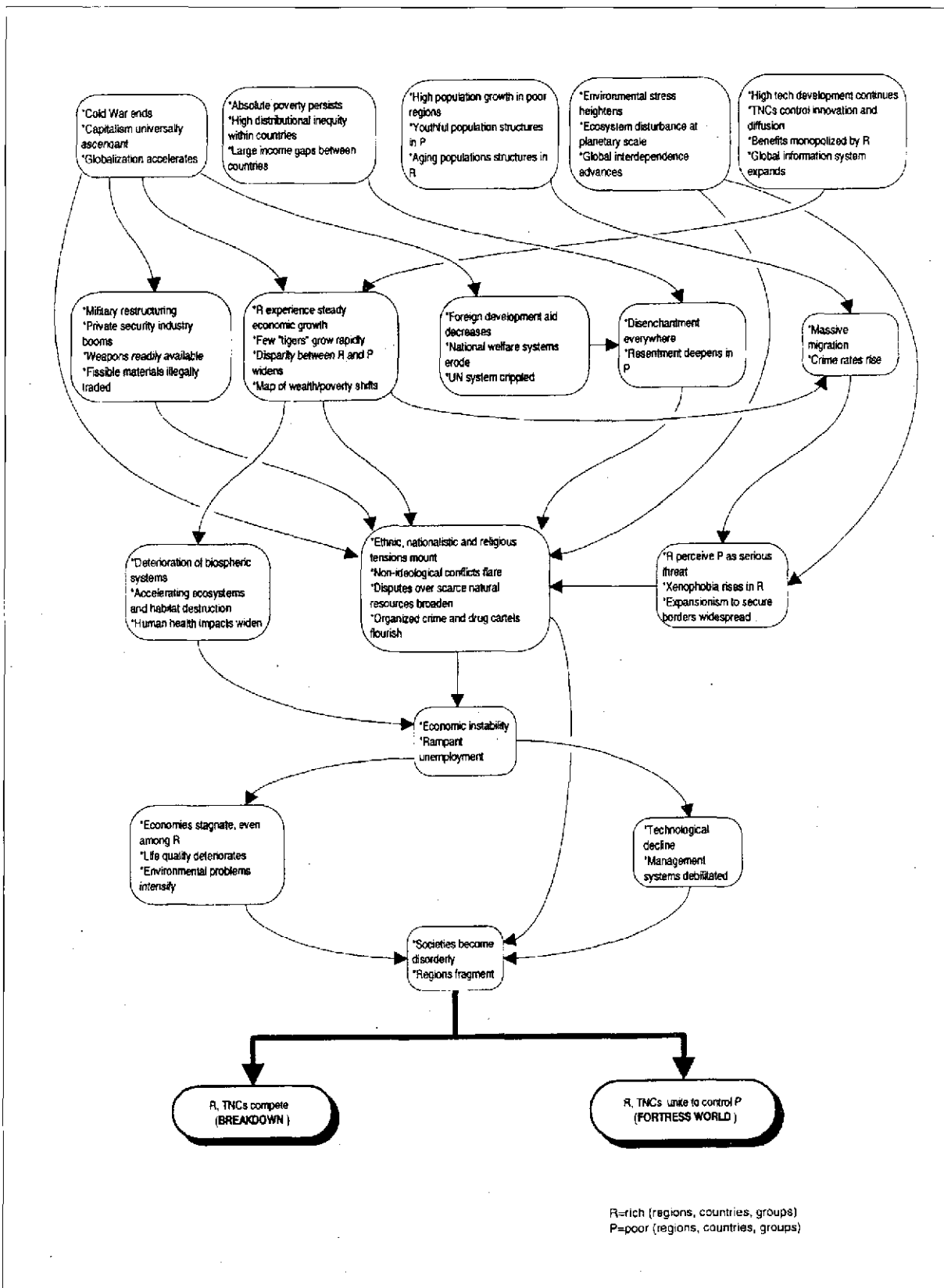
The projections for poverty and social indicators, particularly in SSA, indicate the huge scale of the problems to be addressed in these areas. This means that continued attention and increased efforts have to be directed to social development policy. Policy intervention is needed to ensure that the poor get the maximum possible return from their productive assets – land, labour and capital. In many countries, policy thus needs to be as concerned with access to and distribution of assets as with promoting employment generation – the focus must be on the complete range of livelihoods for the poor. The model simulations show that policy orientation can be as important as economic growth in achieving social development.

The best impact on social indicators will be achieved through a combination of policies: those that make it possible to translate economic gains into improved access to social services and higher standards of living for the whole population; and those that take more fully into account such non-economic factors as technological change and improved social organization and their impact on the distribution of wealth and opportunity. (ISS 1997)

The independent, international and interdisciplinary Global Scenario Group established by Stockholm Environmental Institute (SEI) recently presented a report on global futures, focusing on social and environmental conditions in the 21st century. The report has three broad types of scenarios: *Conventional Worlds*, *Barbarization* and *Great Transitions* which are characterized by, respectively, essential continuity with current patterns, fundamental but undesirable social change and fundamental but favourable social transformation. (SEI 1997)

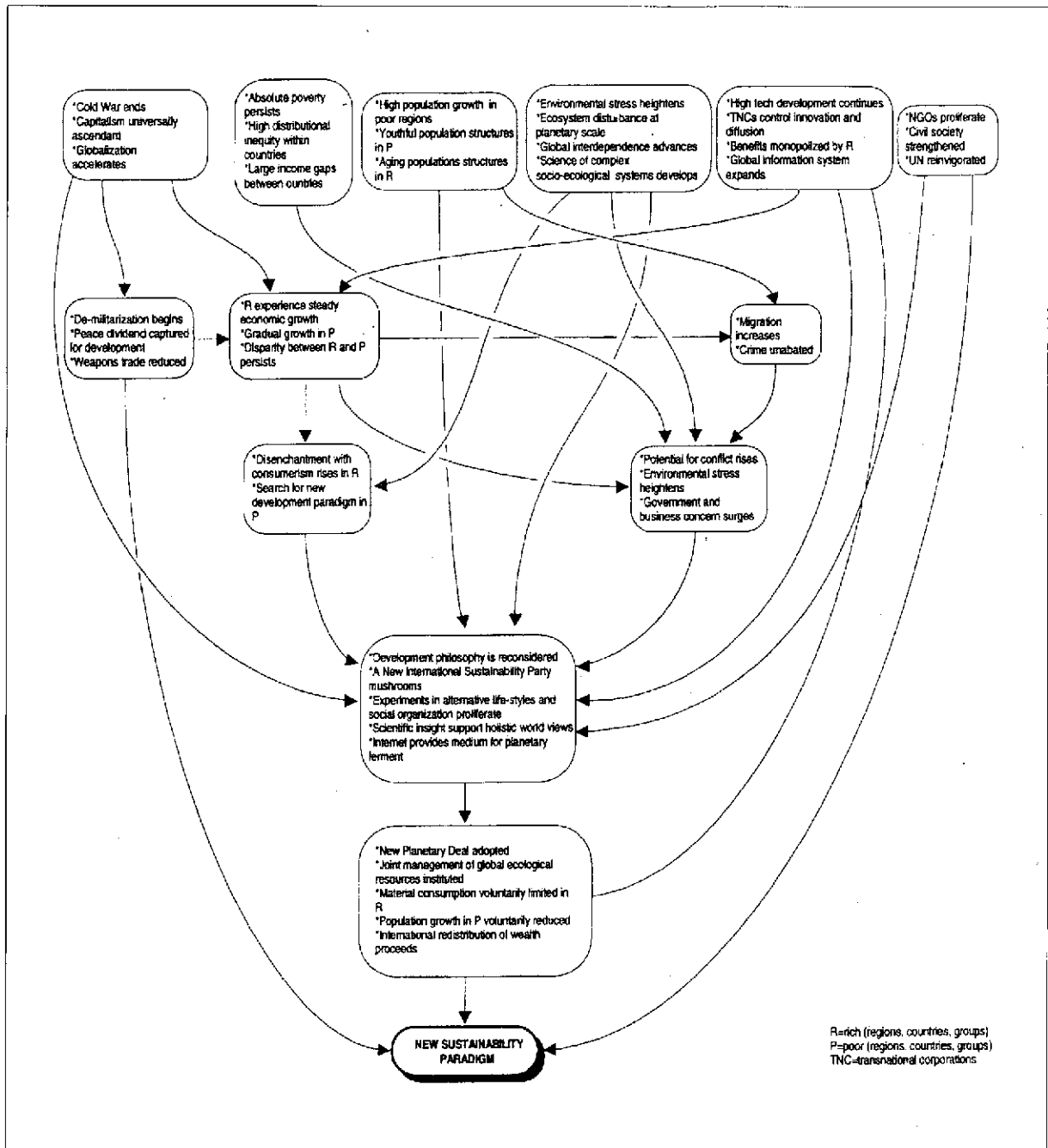
Figures 3 and 4 show the two latter scenarios, with two possible outcomes of the *Barbarization scenario*, depending on the response of the main institutions to this multidimensional crisis: *Breakdown* or *Fortress World*.

Fig. 3. The Barbarization Scenario



Source: SEI 1997.

Fig. 4. The Great Transitions Scenario



Source: SEI 1997.

13. UNCERTAINTIES, RISKS AND SHOCKS

Projection and simulation models capture some, but far from all, aspects of our future. The scenarios have several shortcomings.

First of all, they assume a straightforward correlation between social development and economic growth. However, development is a multi-dimensional process, that involves many factors, and there may be reasons for believing that the causality runs from social development (e.g. as it affects human capital formation and political stability) to economic development as much as it runs in the other direction.

Second, the projections assume continuity in past trends, while the future may well be characterised by major shocks and breaks with the past. The world is changing very fast. Some changes are foreseeable, but many are not, including economic, environmental, political and technological change. Like earthquakes, they are certain to occur generally but almost impossible to predict specifically, and even harder to control.

Future scenario models 30 years ago could not have foreseen the major events of the 1970s or their consequences, e.g. the collapse of the international monetary system with fixed exchange rates with the US dollar as an anchor, and the oil crises. Simulation models 20 years ago did not predict the debt crises and the neo-liberal paradigm shift of the 1980s. Forecasting models of 10 years ago did not foresee the collapse of communism and the end of the Cold War, with accelerating globalization.

Thus, it would be futile to predict economic and social developments in the world in the next 20 years. However, it may be useful to consider some factors not included in the above scenario models, and how they might change the forecasts.

Four possible causes of increasing uncertainties are:

- 1) technological change, employment and international migration;
- 2) future patterns of trade, especially illegal trade in drugs and arms;
- 3) political instability, war and conflict;
- 4) environmental and health risks.

1) Technological innovations have had major impact on social development and standards of living. Further acceleration of technological development will occur in the future. Technological change may have serious consequences for the structure of employment, requiring people to adjust to entirely new situations; it can mean jobless growth and, consequently, push people to migrate, which may cause political resentment and conflict. In addition there may be threats to the natural environment. But technological innovation may also create opportunities for resolving many of the economic, environmental and social problems looming over current projections -with the right policies.

2) International trade and foreign direct investment is dominated by the Triad of North America, Europe and Japan and a small number of countries in developing regions. An empirical analysis of trade and finance also suggests that it is more appropriate to speak of regional blocs than of global markets (De Jong and Vos, 1995). FDI in developing countries is highly concentrated. Even if trends embodied in the optimistic scenarios above were to materialize, many countries would still be largely left out, although the relative importance of the major players in the world economy would change.

Two markets are particularly important in the context of uncertainty, unpredictability and uncontrollability: the drugs and arms trade. Drugs and arms are the most important commodities in international trade. The illegal drug business is now a huge transnational industry, worth around USD 500 billion annually, exceeding the oil trade, and second to only arms trade (UNRISD, 1995:13). Studies of the cocaine industry in Colombia, Bolivia and other South American countries show that it may be equivalent of up to 20 per cent of GNP and on level with official exports.

The trade in arms occurs partly within legal boundaries but also here a substantive part is illegal. The legal arms trade has fallen as a result of the end of the Cold War. SIPRI estimates a reduction from USD 44 billion in 1987 to USD 23 billion in 1996. The level has stabilized and a slight increase seems to have occurred in the last two years. The figures are estimated to cover about two thirds of the total arms trade. The illegal arms trade is also believed to have fallen in the 1990s. (DN 31 May, 1997)

When the illegal trade in arms and drugs is taken into account, the picture of international trade that emerges is very different from the one based on legal transactions only. Illegal trade cannot be regulated by national governments or by international law or institutions. Of course, nation states will continue to play a role in the fight against the illicit trade in narcotics, either at the national level or through international cooperation. But illegal trade in drugs and arms will remain outside the control of governments and other regulating bodies, which makes it even more difficult to produce future estimates of their volume and impact.

Such huge illegal trade generates even larger amounts of accumulated black money, creating demand for financial services. Arms- and drug-related financial flows enter the legal banking system through the practice of money laundering. Thus, a considerable part of the explosion of international financial transactions has murky roots. Because of the illegal nature of the drug trade, only estimates can be made of such financial flows and estimates vary widely. According to UNRISD (1995:12), more than USD 100 billion worth of drug money has been laundered annually in Europe and North America over the past decade.

3) Increasing socio-economic inequality, the repression of minority rights, increased adherence to newly constructed religious and ethnic identities and factional fighting between dominant power groups can lead to political instability, criminal violence and, in the extreme, civil war. In recent years there have been an alarming number of conflicts involving race, religion or ethnic identity. (UNRISD 1995)

Violent conflicts, within and between nations, have obvious adverse impact on human development, both directly and indirectly through their impact on socio-economic conditions. In order to identify policies that can reduce the costs of war and its indirect human development impact, it is necessary to identify the mechanisms contributing to the immediate and long term development costs of war. Sida is supporting international research on these issues, based at Oxford University and the World Institute for Development Economics Research (WIDER).

4) There is increasing concern over the dangerous link between environmental degradation and public health risks. The uncertainties of environmental sustainability have been discussed above, particularly concerning the risk of global water crises, the depletion of the ozone layer, warming by greenhouse gas emissions, urban air and water pollution in the new megacities etc. All these environmental problems can seriously affect human health, directly and indirectly. Similarly, rural livelihoods are threatened by erosion or salinization of agricultural land, and the livelihoods of coastal populations by destruction of coastal marine environments such as mangrove feeding areas for fish and other seafood.

Other health uncertainties concern the future control or spread of AIDS and possible new unknown pandemics, and the resurgence of malaria and tuberculosis etc. There may of course also be advances in medicine that will help to control or even eradicate AIDS and other infectious diseases.

The impact of HIV/AIDS is particularly devastating in SSA, where the epidemic is expected to cause nearly 20 million additional deaths in the 30-year period 1985-2015. AIDS has lowered current life expectancy by six years (about 10%) and it is estimated that in the most affected countries, mortality will increase by 160% in the age group 35-49 years in the period 1985-2005. The AIDS epidemic is spreading fast in Asia, where additional deaths are expected to rise from 3.7 million in 1995-2005 to 6.6 million in 2005-2015. Overall, the total death toll of AIDS in the developing countries is expected to be slightly above 14 million in the period 1995-2005 and slightly less in 2005-2015. (UNPD 1996 Revisions)

14. CONCLUSIONS

The ISS study for Project 2015 cited three main themes as the basis for conclusions about the global framework for economic and social development:

- 1) The uneven pattern of development over time and between countries;
- 2) The increasing uncertainty of the global environment from the perspective of a developing country and, hence, the greater risks;
- 3) The multi-dimensionality of social development, one very important aspect of which is gender relations.

The first conclusion is that international and national efforts to reduce poverty, to increase human development and to promote all other aspects of social development need to intensify even if higher rates of macro economic growth are achieved. Although in some scenarios absolute poverty will be reduced, it will remain high in Africa and South Asia, and possibly continue to increase. Hence, global poverty reduction will have to remain high on the policy agenda in the twenty first century.

International and national efforts to improve indicators of social development, such as literacy, school enrolment and life expectancy, need to focus as much on the policy environment in which growth occurs as on economic growth itself. Especially as far as Latin America/Caribbean and South Asia are concerned, it can be just as important for policy to be pro-poor as it is to achieve overall economic growth. In more concrete terms, this means a policy which enhances productive employment opportunities, which expands and improves health and education services, and which regards equity and some redistribution of wealth as top priorities.

Country specific factors, for example unsustainable debt levels, may for some countries cause substantial negative deviations from the regional trend. Moreover, it is also well known that in large countries, such as Brazil, China and India, the spread of social development is spatially uneven. Growing spatial inequality is well established across all aspects of development, and seems likely to continue.

There is a strong perception in the literature produced in recent years that development needs to be conceptualised beyond the boundaries of the traditional subject matter of economics. Successful development is increasingly being defined with reference to concerns that embrace the subject matter of all the social sciences, and several of the physical sciences. Social development, which refers to the enhancement of human capabilities and the enlargement of opportunities to deploy them, is seen accordingly as being both cause and consequence of a broadly conceptualised development process.

Social development between and within countries is likely to continue to diverge because of the very different capacities to accommodate the increasing uncertainty and risk that will continue to exist in the global environment. Thus, internal and external liberalization of agricultural markets has increased the polarization of rural economics. Future developments in global markets and the intensification of globalization itself may also exacerbate the deepening national and local inequalities. Future gains may potentially be greater, but so may future losses. Globalization raises the stakes of development.

These characteristics of globalization, plus the heterogeneity and context specificity of processes of social development have important implications for policy makers. They may imply working out new, socially and culturally specific forms of social policy design rather than seeking to develop successful ways and means of transferring the South East Asian miracle to sub-Saharan Africa. The development of standardised social policy packages does not seem to be the right approach to pursue at national and even local levels. Rather the need is to devise new modalities that encourage indigenous solutions to social development which respond to country-specific and local circumstances.

Certain social relations, in particular women's autonomy and the ability of the institutions of civil society to actively participate in the development process have been identified as important determinants of successful social development. Socially sustainable gender relations, combined with public action, are key issues for social development. Sustainable gender relations and public action are, however, not only the cause of social development; they are also part of its effect. Policy makers need therefore to recognise this reflexive dynamic and seek to facilitate it.

Government intervention plays a key role in social development outcomes. While governments can play a positive role in aiding social development, bureaucratic obstruction and corruption are important causes of social underdevelopment. The accountability of governments is a problem in many countries. Misuses of government power such as, for example political repression, torture and human rights abuses can be the direct cause of social underdevelopment. At the same time, globalization is weakening the nation state and may result in a reduction of the role national governments can play in social development.

Globalization is a double edged sword, as it carries with it opportunities for positive as well as negative change in social welfare and development. For instance, it is of course possible that technological and scientific advances at one end of the world, such as developing vaccine against AIDS, can ameliorate social development all over the globe. (Cf the eradication of smallpox.) For policy, the conclusion that has to be drawn is that the environment in which social policy operates matters and that this environment is likely to be increasingly divergent and subject to faster change than in the past.

Further, what these conclusions suggest is that future social development depends not only on economic growth or a favourable policy environment, but also on developments in many other fields, e.g. technology, natural resources, markets and security. For those working in bilateral and multilateral development agencies, this means the boundaries of "development" will become increasingly wider. This trend is likely to intensify in the future.

Finally, development cooperation agencies should examine how their own organisational structures can be revised so that long and short term aid policy can cope better with the not so predictable and controllable future. The increasing uncertainty surrounding the development process, especially in the world's poorer regions, the accelerating pace of technological change and economic globalization are all good reasons for focusing attention on the need for new institutions and/or the revamping of those that exist.

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THE BATTLES FOR NEW FORMULAS:

FOREIGN AID IN LONGER TERM PERSPECTIVE

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1996

1. INTRODUCTION

The 2015 Project was started by Sida to encourage its own staff to lift their eyes above today's horizon with a view to allowing the agency to develop a better perspective on what it should do tomorrow. The purpose of this paper is not to examine a particular region of the world or a specific theme, but rather examine how our own ideas and discourses have shaped the fate of foreign aid and might do so in the future. Ideas are important because they provide understanding but by also helping to produce formulas or paradigms they create a measure of certainty under which specific policies can be pursued. Ideas are not wholly free-floating but typically developed in response to particular events or circumstances. Development discourse has been very much influenced by challenges caused by changing circumstances in the global arena. Foreign aid, in turn, has taken much of its lead from the rationale provided by shifts in the thinking about development. The main argument of this paper is that we are currently undergoing a crisis in development thinking that calls for new ways of defining foreign aid. The high level of aid dependency that has featured so prominently in the discussions of papers presented under the auspices of the 2015 Project can only be challenged by some radical revision of the way we conduct foreign aid.

Having had the benefit of reading and reflecting on the earlier papers in this project I will deliberately try to challenge the present by looking at what ideas are likely to shape our practice in the course of the next twenty years. Ideas, as we all know, are not easy to get a definite handle on. What follows, therefore, must not be treated as predictive. Nor, however, must it be purely speculative. The challenge is to find a way in-between that provides an account that is at least reasonably probabilistic. The methodological aspects of engaging in such an exercise are worth some comments of their own.

2. IMAGING AND SUBJECTIVE PROBABILITY ASSESSMENT

The conventional wisdom of where the world might be heading is typically derived from statistical trajectories based on available trend statistics on such key variables as the economy, population, food, and energy. Because data on these variables are generally available for each country, it is possible to make global estimates of future trends. These are “hard” data and therefore usually accepted as objective and probable by professional analysts. These projections, however, are based on subjective premises about, for example, anticipated rates of growth. The latter are often set on the basis of averages existing in the present. In any case, the statistical trajectories are crude estimates and, above all, they make no room for unanticipated changes in existing trends. In this respect, they provide “surprise-free” scenarios.

We know from historical experience that a number of factors that cannot be easily anticipated alter the very equation on which these surprise-free scenarios are based. This realization may be higher in today’s post-modernist climate. In the 1960s and 1970s, in particular, we were quite confident that future trends were becoming increasingly predictable. Whether in liberal or communist circles the premise was positivist in the sense that human intervention was viewed as increasingly both effective and benign. This sense of certainty has gradually given way to more doubts about the blessings of our own interventions. We have become more humble in our assumptions about the future. It is no longer as self-evident that the world of tomorrow is going to be better than our own.

There are good reasons, therefore, to be skeptical of the conventional wisdom that is regularly produced about the future. Yet, neither the academic nor the development community has really not paid much attention to what the methods might be that could help us develop alternative scenarios that incorporate consideration of surprises. An attempt in this direction was made in 1986 under the auspices of the Royal Swedish Academy, which brought together a cross-section of scientists and humanists to identify helpful qualitative methods (Svedin and Ariansson 1987). Among those that were recommended as particularly useful were imaging and subjective probability assessment, both used in the context of group-based brainstorming.

This methodology was applied in an exercise aimed at sketching an alternative surprise-rich set of scenarios for the future of Africa to those provided by international organizations which, in the 1980s, in particular, were overwhelmingly gloomy (Achebe, Achola Pala, Hyden and Magadza 1989). Participants in this meeting were a number of prominent African scientists and humanists. The time horizon were set to be 1987-2057, the latter year chosen to coincide with the centennial anniversary of Ghana’s independence, the first in sub-Saharan Africa. With the help of quantitative projections up to the middle of next century, the organizers created a surprise-free scenario for sub-Saharan Africa in year 2057. The statistical profile so produced resembles in all key aspects that of Greece for year 1980. Participants were asked to consider this trajectory and assess what probable alternatives they could generate. Instead of assuming a linear trend with expected changes in quantitative indicators only, participants believe in a more dialectic development, that initially would entail greater decline but in the beginning of next century would be reversed and replaced by what they referred to as “The Big Lift”. In short, they did not rule out a more accelerated trend of development in sub-Saharan Africa during the first half of the 21st century. With statistical projections amended to take into consideration a number of anticipated intervening events, sub-Saharan Africa in year 2057 was made to look more like Italy in 1980. In addition to stimulating alternative scenarios for the middle of next century, this exercise also allowed participants to engage in creative thinking about technologies and other world events that may change the development map of Africa. It is worth mentioning here that the meeting accurately anticipated the collapse of both the Soviet Union and apartheid in South Africa, events that in 1988 certainly looked at best very distant but in the minds of most observers improbable.

Reference is made here to these two projects because they do confirm the possibility of arriving at alternative future scenarios that are not mere speculation or science fiction but sufficiently probable that they can be seriously considered side by side with scenarios built on quantitative and “objective” data. Year 2015 is not as distant as 2057 and there are good reasons to assume the influence of the present on the trends between now and then. All the same, there are also reasons to raise the perspective on sub-Saharan Africa above the level adopted in the regional papers, in particular so as to place these in a broader and less geographically confined manner. To do so, I am raising three questions that are likely to be of significance to our engagement in foreign aid year 2015: (1) What are some of the probable trends at the global level? (2) What is happening to the development concept? and (3) How are perceptions of foreign aid likely to change? This paper is not derived from the brain-storming exercises discussed above but stems from reading of the other 2015 Project documents and participating in some of the discussion sessions held on the basis of those papers. They constitute the spring-board for this contribution.

3. CHANGES AT THE GLOBAL LEVEL

Although to many observers the post-Cold War world looks much like it did at the turn of the last century, it is still *one* characterized more by fluidity than familiarity. We may see the initial stirrings of what to come but much of what we have got used to take for granted will not necessarily be significant fifteen years into next century. There are at least three probable things that could cause a redefinition of the way we look at the world in 2015.

The first of these is the likely end to the free trade regime that has dominated our worldview in the past fifteen or so years. The increasingly global liberalization of the markets will continue to *reinforce not only* inequalities between the North and the South but also between employed and unemployed everywhere. The evolution of the “Washington consensus” into a global gospel in recent years has made most analysts and policy-makers less sensitive to the downside of the approach that they have come to see as very successful. The broad embracement of the current formula for economic development is making us insensitive to alternatives. Hence, we are less prepared for its full political implications.

Particularly likely to become more important in the future are the political costs of having large numbers of people unemployed. The conventional wisdom is still that unemployment will be solved through a more effective application of neo-classical economics. Yet, we know from our own experience that no formula ever works to perfection and that the further it is being pushed in such a direction, the more likely is a backlash and a turn to something else. That happened to the untamed version of capitalism in the 1920s and later to its communist equivalence. It might be argued that we have learnt our lessons and that we are now much better managers of the world economy than those who were in charge in the 1920s. It is precisely this sense of confidence, however, that may turn against us.

The warning signals are already there, but few take them seriously. They are evident in the rhetoric of the political right who argue for greater protectionism and control of immigration, but also on the left where there is growing anxiety with and opposition to the dynamics of global economic integration. Whether it is Buchanan in the United States, Le Pen in France and Zhirinovskiy in Russia on the right, or the Leftist or Environmentalist parties in Sweden on the left, their criticism of the current formula for promoting economic development and human welfare is being treated as marginal largely because it is viewed by the majority as a step backwards.

More recently, however, the current formula has come under criticism also from a credible economic source, former Nobel Prize winner, Lester Thurow (1996), also an economic advisor to the Clinton Administration. In his book about the future of capitalism, he warns against the problems of reconciling

the logic guiding economic policy today and the political logic associated with sovereign governments. He draws attention to the fact that free and rapid capital movements across national boundaries easily lead to imbalances that can cause great shocks in the world capitalist system. He is warning, in particular, that a United States which continues to borrow money overseas and largely lives beyond its means could find itself in a situation where the confidence of investors and traders in the U.S. dollar would cease with the possibility of an avalanche crash for the global economy as a whole. With little openness to possible alternative formulas, such a crash is not only more likely but also going to be more difficult to get out of. The costs of a transition for every one would be much higher.

This scenario anticipates the return of battles over political economy on the global arena in the beginning of next century. There has been much speculation about the rise of cultural identity as a decisive factor in both national and global politics. For example, Huntington (1993) made himself an advocate of the “wars of civilizations” as the next generation of global conflicts for which the world must get ready. Cultural issues are not likely to disappear altogether in the next twenty years and many material issues may continue to be defined through ethnic, racial or religious lenses. All the same, a major shock in the global economic system will demand much more systematic attention to rational and secular means of dealing with its proper restoration and management so that the wars which Huntington talks about will definitely look much less probable.

The second thing that is likely to make the world look different in 2015 is the evolution of the European Union. Much of the efforts to date has been devoted to deepening it, i.e. making the integration among a relatively small number of members stronger. This has often been viewed as a necessity for broadening the membership. The Union must have an identity and a core of constitutional and other requirements before it can open its doors to others. Without these, the Union would easily be watered down. This momentum will no doubt continue into the next century, but the Union will be increasingly faced with demands for membership or associate membership from not only countries in Eastern Europe but also in the Middle East and North Africa. Such demands are likely to make increasing sense to Europeans both for positive and negative reasons. They would not necessarily become fainter if the current international trade regime were to collapse. In such a scenario, they may become even stronger and Europeans would have particularly strong reasons to consider them in such a situation, if for no other reason, so as to keep the door open to the resource-rich countries in the south whose potential has yet to be tapped and developed to satisfy demands in Europe.

There will be countries in the regions around the current Union who will develop economically so as to be increasingly able to meet its entry requirements. In the same way as the North American Free Trade Association (NAFTA) is likely to expand to the rest of the Western hemisphere, the current free trade pressures will hold the prospects of membership in EU open to countries in both Eastern Europe, Middle East and North Africa. Turkey and Tunisia, for example, are likely to look as strong candidates for membership in a few years' time as Poland and Hungary do today.

The potential sphere of members, however, may well be extended beyond the circle of countries qualifying on economic grounds. At present, EU has built a great wall around itself by tightening immigration laws and making travel in and out of union countries much more cumbersome. This has created a sense of control on the part of the Europeans but an increasing sense of both discrimination and injustice among people, particularly in the Middle East and Africa. The latter are not likely to just accept this exclusion from the richer countries in the North and not only will they continue to find ways of entering EU illegally, but they will also engage in acts of revenge that will hurt innocent Europeans either in their own countries or on travel outside the Union. In short, the tensions between Europe and its southern neighbors are likely to grow in intensity. Coupled with continued high levels of unemployment, this issue will be one of the most difficult to tackle in the next twenty years. It is not unreasonable to

assume that in this situation, Europeans and their southern neighbors, including countries as far south as Ethiopia and Eritrea, all of which are part and parcel of an old Mediterranean cultural tradition, will reach agreement about some form of membership in the Union – not full but one that gives their produce and citizens a much greater degree of access to Europe than at present. Countries seeking such membership will be asked to open their own borders for not only capital but also people interested in settling in these countries for the purpose of developing farms or business. The Union may even give select incentives to unemployed persons to take up such offers. The countries to the south, in turn, will be required to guarantee the safety of both capital investments and the life of persons going there to settle. What we are likely to witness in the next twenty years, therefore, is not a recolonization of Africa as portrayed in many doomsday scenarios, but a growing flow of capital and manpower across boundaries of individual countries in and around the Mediterranean but spreading as far north as the rest of the Union. The notions we have had to date of Europe as the white man's continent and Africa as the black man's continent will begin to fade in significance.

Our conceptualization of Africa is likely to be influenced also by the possibility of a growing South African economic presence not only in southern but also eastern Africa. Together with a growing interest from Asian countries, the most striking thing in recent years in East Africa is the rapidly growing presence of South African investors and traders. This trend may well continue to grow in strength over the next twenty years. With northern Africa being increasingly pulled in a northerly direction and eastern Africa being pulled towards the south, the geopolitical battleground may turn out to be west Africa. There, French and Arab spheres of influence will collide and also encounter attempts by Nigeria to continue playing a "big power" role in the region. Thus, it is very likely that west Africa will witness more instability than any other part of the African continent, especially if Nigeria continues its subversion in the region of democratic regimes and support for those that are based in the military.

The effects of these kinds of development would be to encourage a much more differential view of Africa. It would no longer have the image of being the continent where everything seems to go wrong and no one can live in peace. In the same way as we have got used to distinguish between western and eastern Europe, north and south America, or east and south Asia, each with its own image, Africa will increasingly be associated with more than one view.

The third thing that is likely to be of significance is not so much trends of events in Russia but what will happen in China. The latter is important not only because it is the most populous country in the world, not even because it is becoming an increasingly important global actor. Economic liberalization and the growing strength of the Chinese economy are important factors in their own right for understanding China's role in world politics over the next twenty years. Although it has so far evolved in the shadow of the East Asian "tigers" and several other Asian countries, notably Malaysia and Thailand, its relative strength in the future may paradoxically stem from being a latecomer to capitalism. It is still a more self-reliant economy than most others and would suffer less from disturbances in the global economy than those which are extensively integrated into it. Thus, China's future role would become particularly significant in the context of a crisis in the global economy, but its weight would be felt even without such an event. Its influence would be potentially great in eastern and southern Africa where it has already made investments in the past and where its reputation as a partner in development would help it gain advantages over other countries. If Western powers continue to pay less attention to most African countries, it is quite likely that China will fill the vacuum and use good relations with these governments as a means of enhancing its influence in global political fora.

The "surprises" in the evolution of the world economy are not likely to be confined to those mentioned here but the point is that current trends are unlikely to be sustained over the full two decades covered by the 2015 Project. The neo-liberal formula that now is so broadly embraced may one day prove inadequate

precisely because it is so widely used. The challenge facing us all at this point is developing a readiness for alternative formulas, which at the moment seem to be totally lacking with the exception of rightist reactionary or leftist romantic responses that draw their inspiration from the past rather than the future.

4. CHANGES IN THE DEVELOPMENT CONCEPT

Over the last forty years we have got used to taking the development concept for granted. What we have taken little notice of, however, is the tendency to overload the concept so that it today encompasses literally everything that we consider valuable and thus has become rhetorical rather than real. In the 1960s, development was an uncomplicated notion of progress centered on the idea that everything good stems from promoting economic growth. Indeed, development was equivalent to growth. Development in those days was viewed in positivist terms, meaning that there were truly scientific answers to all questions regarding human progress. The more room given to scientific expertise, the greater the prospects of development. The perceived success of the Green Revolution in Asia and individual countries like Mexico was seen as proof of the relevance of this perspective. It was no coincidence that it was with reference to this argumentation that the international agricultural research centers and the CG system were established as the flagship of this positivist approach to promoting human welfare and progress. In retrospect, the 1960s was at one and the same time the age of innocence and the golden era as far as development thinking goes.

The perspective on development changed drastically in the 1970s, largely as a backlash to the very optimistic assumptions prevailing in the earlier decade. Development was not necessarily positive. It certainly was more than just economic growth. Theorists argued that development had its winners as well as losers. In the perspective of the more radical analysts, the development of the rich led to the underdevelopment of the poor. Development in the 1970s was redefined as a zero-sum game in which the logical answer for the purpose of human welfare and progress was found in redistribution of resources and benefits. The practice of development in the 1970s came naturally to focus on such issues as poverty and the satisfaction of basic human needs. It was confirmed in the often quoted speech by Robert McNamara, then President of the World Bank at its Annual Meeting in Nairobi in 1973. It was also echoed in a growing shift in Swedish aid to poverty alleviation. At the global level, it was illustrated by the creation of a number of commissions that focused on the redistribution of resources – and power – from the rich industrialized world to the poor developing countries of the Third World.

The global efforts at redistribution of resources and power were largely unsuccessful because they got entangled in Cold War politics. While there was some sympathy in the West for the concerns raised by such efforts as the creation of a new international economic order, this was usually tempered by more realist concerns about its implications for the balance of power between the West and the East. Most of the Swedish development debate indicated a stronger sympathy for the concerns of the South than the case was in the majority of Western countries but rarely, if ever, could Swedish opinion on these issues sway the decisions in favor of a genuine redistribution of resources or power. Sweden – and its few likeminded counterparts in the donor community – had to go it alone through bilateral aid arrangements which reflected a redistributive ethos. The notion that foreign aid should be given on the terms of the recipient and that no questions should really be asked about how it was going to be used was a philosophy that evolved in the early 1970s and remained influential in Sida – and Swedish political circles – into the 1980s. For example, it is worth remembering that the non-socialist coalitions that governed Sweden from 1976-1982 really never questioned foreign aid as an altruistic expression of Swedish foreign policy. The only doubts were confined to whether Sweden gave its support to the right countries. As far as Sweden goes, the age of innocence in development thinking was perpetuated through the 1970s.

While theories of development in the 1970s emphasized redistribution as much as growth and in that sense incorporated social with economic dimensions, many of the scientific pretensions of the 1960s continued to influence practice. Development economists were busy producing new formulas that would combine redistribution with growth. Management analysts were called upon to develop new organizational approaches that were better suited to activities targeted on the poor majority than the select entrepreneurs or “progressive farmers” as the case had been in the previous decade. The deductive logic of positivism still dominated the minds of development thinking.

The erosion of the scientific and positivist ideas of development began in the late 1970s and early 1980s. This process was driven in part by the growing disillusionment with the role played by government bureaucracies and partly by the decline of Keynesianism as the dominant economic paradigm. The latter had legitimized the lead role of government in development but following the inability of this approach to cope with the turbulence in the global economy caused by the drastic increases in oil prices first 1973 and then again in 1979, economists abandoned it in favor of a return to “classical” economics, i.e. the ideas originally developed by Smith and Bentham.

It is easy to describe the 1980s as a decade when economic ideas came to ride high and overshadow most other factors in the development equation. I suggest that it is important to realize that what happened in the field of development thinking during this decade was much more than just “getting prices right”. Equally significant was the shift away from the trust and confidence that the development community to date had had in professional and scientific expertise. The new philosophy that began to take hold of the minds of theorists and practitioners alike emphasized that development had to be socially and politically grounded and initiated from below rather than above.

This new approach praised small-scale activities over large ones and advocated participation. Redistribution through government programs were largely abandoned both on economic and political grounds but the poor as a category were not forgotten. Indeed, they were given even more prominence than before by the emphasis that was now laid upon empowerment, a concept that interestingly brought the political right and left together in ways that had been impossible in the 1970s. Those on the political right argued that every individual is a rational human being who knows what is best to enhance his or her interest. Thus, peasants as much as any other category of people should be given an opportunity to develop on their own terms. In the perspective of the right, this could be achieved by freeing the economic market from state regulations that encouraged rent-seeking and other measures strengthening the power of the already powerful and wealthy.

Parallel to this thinking was a new current aimed at questioning the validity of expert knowledge in development. Robert Chambers’ book on rural development (1983) was appropriately sub-titled “putting the last first”, a persuasive call for development experts to withdraw from center-stage and give more recognition to indigenous forms of knowledge and institutions that can be provided only by local actors. This was a challenge to a whole range of institutions that had dominated development discourse since the 1960s: international research centers, government ministries, and professional development consultants. The call for more participation by local actors and attention to indigenous knowledge and institutions was taken up by alternative organizations, notably private and voluntary agencies. It spurred the growth of the NGO involvement in development practice and the emergence of private consulting firms of anthropologists and alternative economists for whom such things as farming systems research, informal sector promotion, and women in development programs featured prominently.

This paradigmatic shift took longer to work itself out in Sweden than it did in most other Western countries. Swedish thinking remained wedded to redistribution much longer, the assumption being that states were better than markets in empowering poor people. Incorporation of support for NGOs in

development did not occur until the second half of the 1980s and abandoning the Keynesian outlook in favor of a neo-classical economic philosophy was painfully resolved only after several years on internal battles within the Swedish aid establishment. Much of it seems to have survived because of loyalty to outspoken Third World leaders like Tanzania's Julius Nyerere who throughout the first half of the 1980s refused to accept the policy recipes for his country provided by the Bretton Woods institutions. In the end, it seems the Swedish position was tilted in favor of neo-classical economic ideas in 1984 when a high-level delegation informed Tanzania that while Swedish aid would continue it could not count on others to assist without first signing an agreement with the International Monetary Fund (Elgstrom, forthcoming).

If development theory in the past had moved from an emphasis on growth via redistribution to empowerment, it was redefined in the 1990s by a growing interest in the sustainability of development efforts. By this time, every one had come to realize that a lot of development activities that had been started in previous years were harmful to the resource endowments on which human welfare and progress depend. It became necessary to integrate development thinking with questions of how increasingly scarce resources can be conserved. This began primarily as an effort focused on the natural resource base. The 1992 International Environment and Development Conference in Rio de Janeiro was a major catalyst for this new thinking: It has subsequently been extended to other dimensions of development as well. For example, many analysts today will argue that an activity is not sustainable unless it is being "owned" by the group or community for which it is meant to provide benefits. Those who have the biggest stake in a given development activity must also have the largest say. In short, sustainable development has come to incorporate institutional or political dimensions that further erode the significance attached to scientific criteria. It is how a certain activity is governed that is deemed most important in deciding whether it will be a success or not.

As we approach the 21st century, it is clear that we have moved almost half circle from where we were in 1960 when development theory was new. Development today is a concept that lacks distinct boundaries and it is seen less as a discrete intervention with a view to achieving a change in the course of events. The dilution of the concept in this sense means that as much attention is being paid to the process as to the product of development. Many would argue that development must be allowed to occur at a pace that is compatible with the interests and capacity of the local stakeholders. Outside support may help accelerate a local development effort, but it must not be used to force the local actors to move faster than they are capable of. It is prudent to bend over to listen to these actors and begin with their perspective and expectations rather than adhering to those held by outsiders interested in this activity as managers or funders.

This move away from development as distinct project activities designed and managed by organizations that are separate from these communities, notably government bureaucracies and more recently NGOs, has been prompted by the poor results of past such activities. As the international development community has increasingly lost confidence in its ability to make a difference through rational organizational structures, others have interpreted this lack of positive results as a reason for insisting on a stronger emphasis on measurable results. The crisis facing the international development community today then has three dimensions. At the conceptual level, development has been so diluted that its distinctiveness has disappeared. Efforts to prop it up with new operational dimensions has only added to the crisis because it has made it increasingly difficult to use. At the professional level, it manifests itself in, if not a denial at least a more indifferent attitude to the very knowledge that in the 1960s and 1970s was seen as indispensable to human progress. For example, it is no coincidence that the international agricultural research centers today have great difficulty today in sustaining their funding. At the organizational level, the crisis is felt by the demand by other groups in already developed societies that development activities supported by outside financial support must be able to demonstrate results within relatively short time

periods. This call for a “tightening up” flies in the face of the international development community itself where the currently preferred view of development implies a lot of patience with local actors.

It is easy to see that in this situation many are ready to give up on development. There are those in Western countries who argue for abandoning development aid altogether and instead concentrate on humanitarian assistance only. We should continue to appease our moral conscience but we should refrain from interfering in the lives of other people, because development activities to date have demonstrated that they cause more harm than good for these peoples. This may be an extreme view today but it is shared by growing numbers who do not know development from within. It is also a logical conclusion to draw from the evolution of thinking about development over the past forty years. After all, if we as professionals have little to offer, why should we play the lead role?

5. SHIFTS IN THINKING ABOUT FOREIGN AID

The way our thoughts about development have changed over the years has had implications for foreign aid and how it is being dispensed. The current crisis in development thinking also has repercussions for foreign aid. Its rationale today is considerably weaker than it was only a decade ago, not only because there are more hard-nosed auditors and groups in society who wish to see results, but also because the philosophical rationale for development has become much weaker.

Development (with a capital D), as we have known it since the 1950s, has essentially come to an end. We are now more concerned about security and sustainability than development, concepts that convey something very different than the positivist notion of development that we have took for granted until the last decade.

This is manifest in many different ways. Official development assistance (ODA) has stagnated at a level of US\$ 50-60 billion per year and it faces a bleak future (Carlsson 1996:ii). A declining share of ODA is going to multilateral agencies, including the World Bank’s softer IDA program. Those U.N. agencies that work in the field of humanitarian assistance – UNHCR, UNICEF and WFP – seem to fare better than those involved in long-term development, such as UNDP.

The next few years will be critical for finding a way of salvaging development as a concept and foreign aid as an international activity binding rich countries to the fate of the poor. Given current trends of thinking about development, it is clear that foreign aid as we have come to know it will not survive the next twenty years. Indeed foreign aid is likely to cease being an important global activity because most countries in both Asia and Latin America will have developed to levels where other forms of capital and expertise will be more attractive. Foreign aid will be largely confined to sub-Saharan Africa where the international community will be engaged in a struggle to rescue the concept of development from being overtaken by incessant demands for humanitarian emergency assistance. Foreign aid as a positive activity might be saved – and strengthened – if a new formula can be found that responds to the current philosophical perspective on development which presupposes that local actors must own and manage development activities even if funding comes from the outside. This calls for a fresh outlook on foreign aid and a readiness to adapt structures accordingly over the next twenty years. There will be many battles for such a new formula because there are vested interests who will wish to either preserve the current system or destroy foreign aid altogether. Although it may seem like a radical approach today, in the perspective of the next twenty years, the formula presented here may prove to be a feasible compromise between the forces that want to retain status quo and those who want to abandon foreign aid.

Much attention in the 2015 Project has been paid to aid dependency. Roger Riddell’s paper (1996) tries to define how one determines degrees of such dependency while Sobhan’s paper (1996) discusses the

challenges of such dependency in the cases of Bangladesh and Tanzania. Many of the recommendations made by the two authors are easy to agree with. They all entail a priority for endogenous solutions which can make much fuller use of available local productive capacities and professional skills. More problematic are their professed solutions which, in my view, are much too grounded in the present and the current predicament of individual countries like Tanzania. The radical nature of the formula proposed here lies in the fact that it takes seriously the original rationale for foreign aid as a complement to local initiatives and efforts.

The problem of aid dependency has arisen around Africa not only because most of it has been channeled through inefficient government bureaucracies but also because these external funds have been merged with domestic revenue. The boundary between domestic and external has gradually been wiped out. Aid funds have become increasingly fungible, i.e. they have enabled recipient governments to do a lot of things, including continued high expenditures on the military, which otherwise would not have been possible. Thus, even if foreign aid funds have not been directly used for purposes other than those assigned, they have made recipient government authorities insensitive to the need for balancing expenditures with revenue. Indeed, the significance of domestic revenue not only in financial but also in political terms has been lost. The continued inflow of external funds has made government officials less concerned about the need to diligently collect revenue from domestic sources, both individual and organizational. Tax evasion has become institutionalized, particularly in those circles where the capacity to pay exists. Even more importantly, however, the role of domestic revenue in the context of governance has been totally overlooked. The civic principle that representation is tied to paying revenue is lost in the ongoing debate about how to improve governance in Africa, yet it is critical to that effort. It is precisely here that the most radical rethinking is needed by the donors if they are going to be able to promote development in Africa in the future.

This implies that all outside foreign funding must be made available not directly to governments or NGOs but through intermediary institutions in the recipient countries that are independent of governments and other institutional actors engaged in development activities. A particularly suitable mode of doing so is through the creation of autonomous development funds that are controlled by neither the political executive nor the donors alone. Such funds would be similar to banks in making available complementary finances to those mobilized as collateral by the borrower. They may also be compared to research councils which make available to university institutions and professors additional support so they can develop their professional work further.

The first steps in reorienting foreign aid in this direction over the next twenty years have already been taken in Africa, where the African Association for Public Administration and Management (AAPAM), in collaboration with the Economic Commission for Africa, and with financial sponsorship from the Dag Hammarskjöld Foundation, has worked out a proposal for how to set up such autonomous funds (Hammarskjöld Foundation 1995). The basic features of the formula currently under consideration by AAPAM and the authorities in a select number of African countries that have shown early interest in it, can be summarized as follows.

The funds are autonomous public institutions which are part of the state but not controlled by the political executive (as many development funds used for patronage purposes were in the past). The purpose of these funds is to cut out the opportunities to apply foreign aid for such personal political ends and instead encourage an institutional set-up in which money is being allocated on professional terms after careful assessments have been made of the feasibility of specific proposed activities. They could be governed by a board of trustees that is self-appointing, i.e. it selects its own members, or by one that is representative on an equal basis of key actors. For example, at a special expert consultation devoted to this formula in Kampala in 1995, the governance model favored by participants was one where government would

appoint one third of the trustees, civil society another third, and the resource providers (donors) the remaining third. The point here is that by dividing the composition in a threefold way, there is less likelihood of stalemates or hampering polarizations. Furthermore, by allowing the external resource providers a minority representation, they are capable of raising the alarm if things go wrong, yet not dominate the deliberations at the expense of local representatives.

Persons nominated and elected to the boards of these funds would be individuals who are not involved in activities that easily make them partisan in decisions about allocation of resources. For example, if government selects representatives it should do so from outside the range of individuals who in their ministerial or public service capacity have a conflict of interest with the pursuits of these boards. The same would apply to civil society. Its representatives should not be chosen from among organizations that are seeking support from the funds. The main purpose of creating these boards should be to develop a culture in which citizens can trust public authority. Ideally, therefore, individuals considered for the boards should be persons with a reputation of moral integrity and respect for the value of a civic public realm. The funds must be built as alternatives to political patronage systems of resource allocations. In this sense they are meant to enhance transparency and accountability in ways that the current system of paying directly to governments or NGOs does not.

If boards of autonomous development funds become the judges of what is happening to the use of money allocated to government or non-governmental institutions, chances of obtaining greater discipline in the utilization of such money will be enhanced for a variety of reasons. The first is that professional rather than political criteria will be applied to evaluation of performance. It will prove more difficult to explain away self-inflicted shortcomings as the case has been in reports sent in to donors in the past. A second reason is that the evaluators of performance will be based in the recipient country. Being closer to action, persons appointed by the funds to make these evaluations will be better placed to carry out these exercises than foreigners who in the past often have been hired because they come from the same countries as those supporting a given activity. The third reason is that the funds will provide a competitive system for resource allocation which will enable governmental and non-governmental organizations to compete with each other on a level playing field. In other words, neither government nor NGOs can take for granted that one is favored over the other. Each organization has to prove that it is more capable than its competitors in terms of producing feasible and implementable project proposals. Renewal of support would be tied to criteria of performance that are standard in other countries.

This fund proposal responds to the particular challenges that the redefinition of the development concept has brought about in the 1990s. It focuses on sustainability by encouraging local organizations to take the initiative to develop specific proposals. It sets "bottom-up" approaches above "top-down" ones. It encourages capacity-building not by sending people to courses but by engaging in common learning within their organizations. As such it is related to the needs of the organization rather than an abstract set of skills that may benefit the individual but which the latter fails to convert into benefits also for his or her organization. At this point in Africa when the absence of technical skills is less of a shortcoming than the absence of a morality that supports collective action, this approach makes particular sense. Furthermore, it contributes to building a new political culture in which better forms of governance can flourish.

The greatest attraction of this formula to African government leaders is that it has the potential of enabling them to attract more foreign funds. They are aware that their governments at present carry little respect in donor circles and that they must do something radical to reverse this image. To be sure, the money coming through these funds would not go direct to governments but the resources are accessible to government departments on a competitive basis and would help support their development/investment budget. Recurrent costs should come from domestic revenue allocated to these ministries. By distinguishing development from recurrent costs, these government agencies would be trimmed to a level where their

administrative overhead costs would be more directly related to development and investment costs. In other words, if the ministries fail to attract outside financial support from these funds, there is no reason to give them new lines to hire staff. If, on the other hand, they do attract such funds, they have a good reason for getting more staff lines. This formula would help bring about public service reforms that make sense in relation to the fulfillment of specific performance criteria.

Donors would also have a vested interest in this formula for a variety of reasons. First of all, it would enable them to get out of the financial mess in which they currently find themselves as a result of feeding money into organizations which do not perform satisfactorily. It is a way of reducing the aid dependency that so many donor governments currently find embarrassing. On a more positive note, they can also look forward to greater prospects for productive results from their investments. Instead of going to organizations that do not care or to an elite cluster that is more interested in using these funds for personal political ambitions, aid funds would for the first time be able to help build viable governance systems and that way also produce results at the level of individual projects. The greatest challenge to the donors would be to transcend the narrow parochialism that has become institutionalized over the years. The notion that a donor "owns" a project or cannot coordinate with others to achieve results must be abandoned in favor of more collaborative efforts. By providing finances for the development funds, they make investments where their own particular profile will be less apparent than has been the case in the system of direct project funding that has prevailed to date, but where the prospect of positive outcome is much higher.

There is much more that could be said about the operational details of these funds, but most of these will have to be worked out in each specific instance. Suffices it to mention here that the funds, in order to be influential at the level of public governance, must be national in scope but sectoral in focus. For example, funds set up at sub-national levels would easily be captured for more parochial purposes. Furthermore, its benefits would accrue to a particular region or ethnic group. Similarly, funds whose lending focus is not sufficiently circumscribed could easily lose its ability to be productive. For example, funds with such more specific foci as "food security", "women in development", or "public health" would be preferable to one huge "rural development fund".

6. CONCLUSIONS

In looking twenty years into the future, there are many unknowns that cannot be fully anticipated. Yet, any discussion of what might happen cannot be confined to statistical trajectories alone. These rarely prove to be accurate because they fail to incorporate variables that cause alternative scenarios to evolve. In this paper, I have tried to make a subjective probability assessment that draws on factors that are discernible in the present, yet not developed to such an extent that it is possible to say with any degree of certainty that they will definitely determine trends of events in the next twenty years.

At the global level, our general assumption today is that the world economy will continue to grow and that current liberalizing trends will continue. There is nothing inevitable, however, about this trend and it is important that the rich as well as the poor countries mentally prepare themselves for alternative paradigms. Given that the economic logic is increasingly at odds with political considerations at the level of individual nations, there are good reasons to assume that the current trend in the global economy will be broken. If it is, the implications would be such that much of what we consider conventional wisdom in development thinking would have to be cast aside. Even without such a scenario, however, it is clear that the development concept is in a crisis. It has lost its distinctiveness and does no longer provide the same strong rationale for foreign aid as it used to. That is why foreign aid can no longer continue as if it were "business as usual".

The benefit of the 2015 Project is that it has given every one a chance to look beyond their immediate concerns. It has allowed exploration of alternative scenarios and actions that otherwise would not have been considered. This chapter has drawn attention to one specific formula that may be worth considering as particularly useful as a means of enhancing the rationale why rich countries should continue to be involved in the development of their poorer counterparts. As this paper has tried to demonstrate, the story of development at the international level has been one of ongoing battles for hegemony between specific formulas or paradigms. The autonomous development funds presented here builds on the specific factors in the present that call for a paradigm shift which would be relevant for development financing in the beginning of the next century.

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THE CHANGING MULTILATERAL FRAMEWORK FOR DEVELOPMENT COOPERATION

*a preliminary study of the key issues involved
prepared for SIDA*

by

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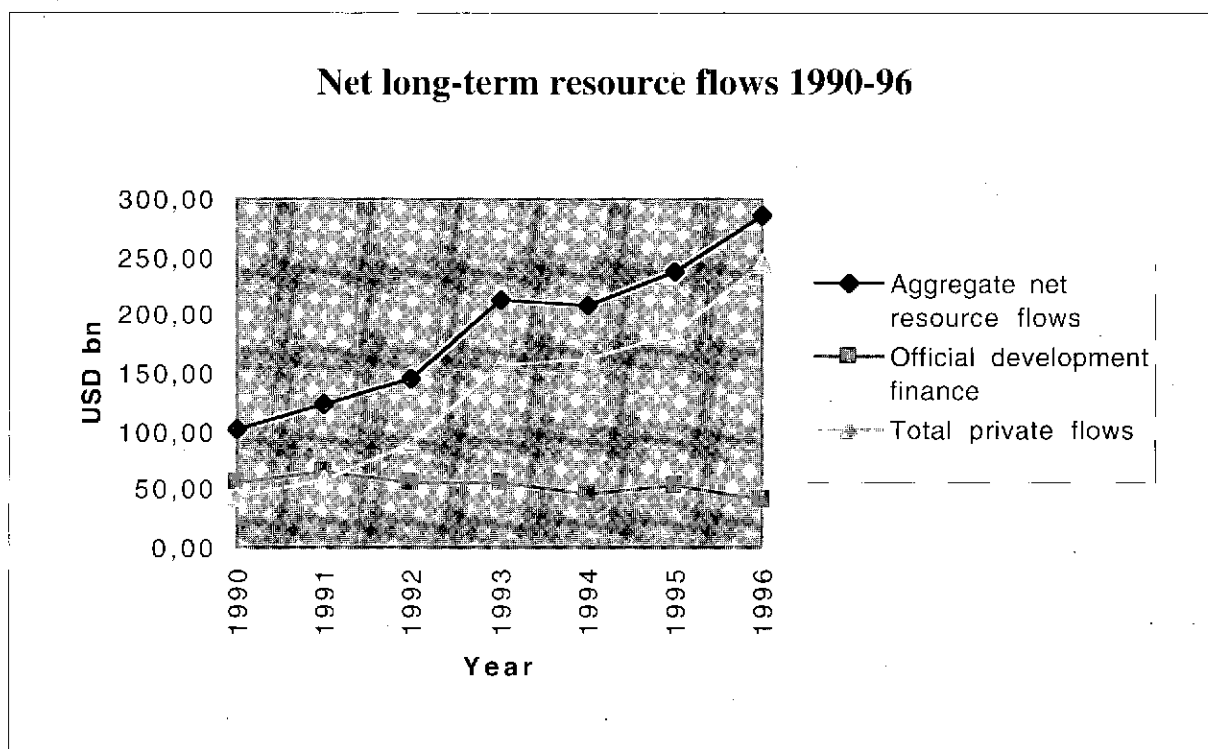
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EXECUTIVE SUMMARY

This study is a preliminary inquiry into the major changes taking place within multilateral international development cooperation and humanitarian aid. It is an exploratory study, looking for the key hypotheses to be further explored rather than trying to verify/falsify well defined and established ones. The logic of the investigation and its findings are as follows.

- 1. International development financing has reached an unprecedented high level and it is likely to continue increasing.**

The total flow of resources to developing countries reached USD 285 billion in 1996 and indications are that it has continued to rise since then. Trade with developing countries has risen dramatically during the 1990s.



The increase in the flow of resources has been in the form of foreign direct and portfolio investments. It has mainly gone to high performing countries who have pursued open, market-oriented policies, combined with fiscal and monetary stability and high growth. These countries have benefitted from the availability of corporate investments, but also from portfolio investment funds, looking for investment opportunities in emerging markets. The incentive structure has rewarded the high performing countries, who have entered on a positive, rising spiral. Even so, despite the high economic growth, it has often been accompanied by increasing poverty and deprivation for vulnerable and marginal groups, by environmental, social and human rights problems also in the successful countries.

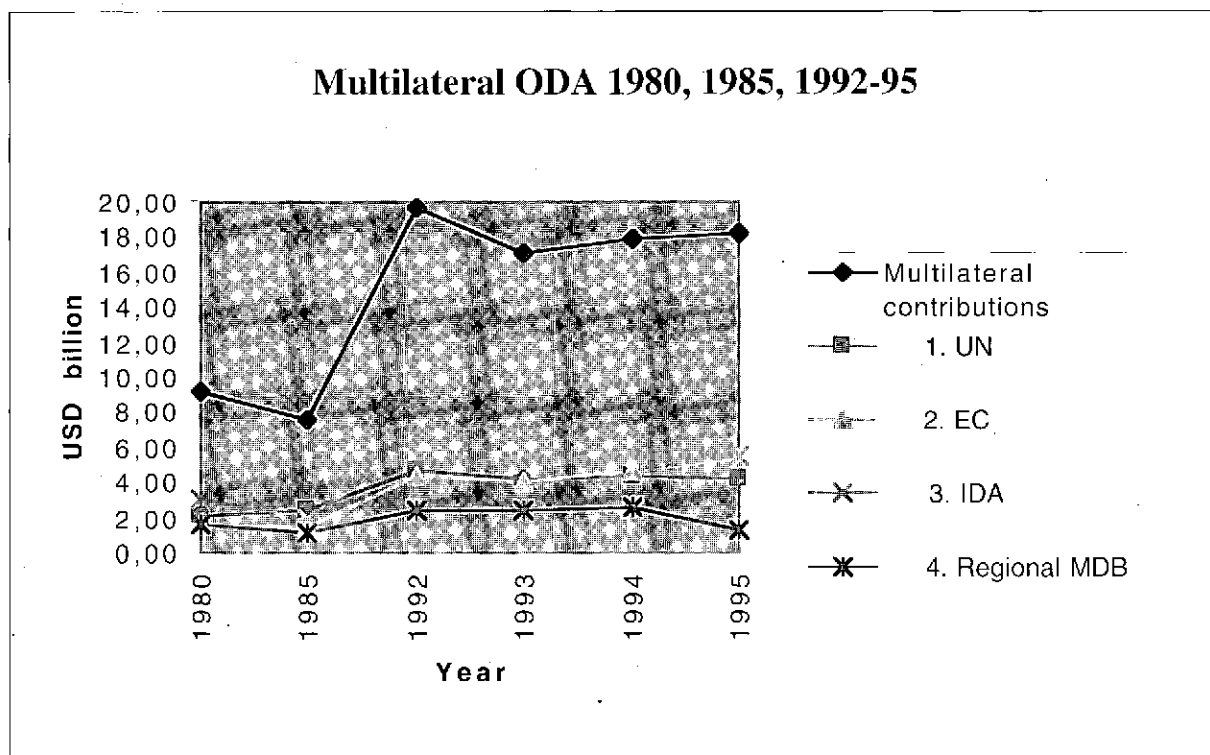
Furthermore, the benefits of the increased flow of resources have largely bypassed the LLDCs, whose capacity to embrace and implement the new policies is already strained by political, ethnic, managerial or other circumstances.

2. Official development assistance, ODA, has stagnated at a level around 50-60 billion US dollars annually and may decline even further.

The ending of the Cold War between East and West took away much of the strategic rationale for development aid. This is being reflected in cuts in foreign aid budgets, especially at times of general budgetary stringencies, loan-funded budget deficits and high unemployment in donor countries themselves. With 75 per cent of total ODA coming from only six donors, the ODA system is highly vulnerable. The UN ODA target of 0.7 per cent of GNP, has effectively been a target for only a small group of countries. Developing countries seem to prefer trade preferences and investments to development aid.

3. There has been a long-term trend of a declining share of ODA going to an increasing number of multilateral organizations.

The European Community is commanding an increasing share of multilateral ODA. Multilateral agencies who depend heavily on ODA are therefore likely to face a bleak future, with those involved in humanitarian and emergency assistance faring better than those involved in long-term development.



4. The centerpiece of the multilateral economic development system, the Multilateral Development Banks, look like they are going to be a victim of their own successes.

Private sector investment funding to development countries – something promoted by the World Bank – have lessened the demand for the financial services from regular MDB funds. The net flow of financial resources from MDB regular funds to developing countries is now negative.

As the World Bank has increasingly turned its development focus to the lower-income countries and their problems, the Bank's IDA program, which depends on ODA funds, has run into funding problems. The multi-year, negotiated replenishment process, which was the envy of other voluntarily funded agencies, has become a strait-jacket when some donors reduce their contributions while maintaining their shares. Reduced concessional lending activities for the Bank may have repercussions on the Bank's ability to perform its key advisory and coordinating functions.

5. Among the United Nations funds and programs, those who are involved in humanitarian assistance are likely to fare better than those involved in general longer-term development.

Issues/sector based organizations are also likely to do better than those in general development funding, provided that they can show themselves as efficient service delivery organizations and therefore access multibillion funds.

6. The European Community is emerging as the major institution in multilateral development cooperation and humanitarian assistance.

The European Community is less constrained than other multilateral agencies as it can take a comprehensive view of development cooperation, including trade, investments, political and cultural aspects in its development cooperation dialogue with its partner developing countries. It is, however, still not governed, organized, staffed or managed in such a way that it can perform this role. It needs to get its act together and establish a strategic cooperation with the World Bank and the UN funds and programs.

7. Coordination of development cooperation both at the overall policy and at the country level has been and remains a major concern to both donors and developing countries.

At the policy level of development cooperation a coordination role is claimed by the UN (GA, ECOSOC), by the World Bank (the Development Committee), by OECD (DAC), by the European Community and, in a way, by G 7. The International Development Strategies, painstakingly worked out and taken by the UN General Assembly, have never had any significant impact on international development cooperation. At the moment there seems to be too many coordinators and too little effective coordination.

Coordination at the country level is not a major problem in the high performing countries where the Government itself takes care of the coordination. However, in the poorer countries the fragile Government machinery and lacking ability to implement coherent policies is often ripped to shreds by donor agencies striking in different directions. A coordination role, originally meant for UNDP with its close relationship to the government, is likely to be taken over by the European Community delegation. The role of the World Bank consultative group mechanism is questioned.

8. The key consequences for Swedish development cooperation of these developments are to be found both at the central policy level and at the country level.

It seems quite clear that the European Community, based on the Maastricht Treaty, will become an increasingly more important forum for Swedish development cooperation and humanitarian aid which will be drawn into more coordinated approaches. Sweden, being a major ODA country, will need to prepare itself to play a pro-active part.

A second element is the possible decline in the involvement of the World Bank in the poorer countries, especially in Africa and in its ability to take the lead in economic reform programs and structural adjustment.

A third concern is the declining role of UNDP in the low-income countries. It is an organization in a unique position to assist the governments in their capacity building for managing their own development.

9. The issues regarding the future role and functioning of the multilateral development cooperation is vitally important and need to be further explored, preferably together with other like-minded Member States.

INTRODUCTION

This study has been commissioned by SIDA's Bureau for Policy. It is an exploratory, preliminary overview of what a selection of senior professionals in international development cooperation and humanitarian aid perceive, from their vantage point, to be the likely evolution of the multilateral development cooperation systems and how that might impact on Swedish future development cooperation. The purpose is limited: to identify the key areas which need to be further and more in depth explored.

While ideas and thoughts have been freely coopted from literature and interviewees, the interpretations are those of the author only and do not represent any official views. The study therefore does not list those interviewed nor any references. The author is most grateful to those very busy senior officials who have freely and generously participated in the discussions.

1. THE DEVELOPMENT CO-OPERATION PARADOX

Development cooperation, measured as long-term financial flows to developing countries, is currently running at an all-time high level, reaching USD 285 billion in 1996 and probably even higher in 1997. At the same time, many of the multilateral institutions for international development cooperation associated with the United Nations – including the Bretton-Woods ones – are facing a serious crisis as voluntary contributions from governments have stagnated and replenishment of their soft windows and grant funds are limping along on makeshift annual arrangements. The following table illustrates the two trends through the evolution and composition of the long-term financial flows to developing countries 1990-96.

Long-term financial flows to developing countries 1990-96
(billions of US dollars)

Item	1990	1991	1992	1993	1994	1995	1996 ^a
Long-term aggregate net resource flows	100.6	122.5	146.0	212.0	207.0	237.2	284.6
Official development finance	56.3	65.6	55.4	55.0	45.7	53.0	40.8
Net debt flows	16.6	16.2	35.9	44.9	44.9	56.6	88.6
Foreign direct investment	24.5	33.5	43.6	67.2	83.7	95.5	109.5
Portfolio equity flows	3.2	7.2	11.0	45.0	32.7	32.1	45.7

a) Preliminary

Source: *The World Bank, Global Development Finance 1997, Table 1*

This paradoxical situation of increasing total financial flows to developing countries and a stagnating ODA is the result of the unprecedented increase in net private loans, foreign direct investments and portfolio equity investments in developing countries while ODA budgets have been curtailed in several major donor countries. At the same time, ideological and efficiency questions pertaining to the activities and management of the multilateral institutions have caused a credibility crisis, reducing the grant contributions to many multilateral organizations. Even replenishment negotiations for IFAD, IDA and ADF have been seriously imperiled while voluntary contributions to UN programs and funds have been reduced or delayed.

One area of multilateral development cooperation is, however, growing spectacularly. Development cooperation through the European Community is set on a steady expansion path, firmly based on the first

pillar of the European Union's Maastricht Treaty. This expansion will cover both scope and substantive policy coordination with Member States and the aid volume through its various programs. ODA from/through EC reached USD 5.4 billion in 1995, over 90 per cent in grant form.

The crisis of the multilateral institutions is causing concern among many bilateral development cooperation agencies. The fear is of repercussions on their own programs from a reduced research, training, coordinating and back-stopping presence by the multilateral institutions in many countries. This would especially affect those low-income, low-capacity countries in Africa and other places which are not likely to benefit in the near future from the increases in private foreign direct investments and trade.

This funding crisis for the multilateral system for development cooperation, however, also represents an opportunity to mobilize sufficient political momentum to take a fresh, overall look at the system and where it is heading. This preliminary study tries to identify the most important and urgent issues facing the multilateral development cooperation system(s) and suggest which issues should be explored more in depth.

2. THE CHANGING CHARACTER OF DEVELOPMENT CO-OPERATION

A scenario for global development cooperation and assistance is currently unfolding. It has, in a highly abbreviated form, been described by one of the EC Commissioners as follows.

Much of the increasing interest in developing countries and development cooperation during the 1950s through the 1980s was fueled by the Cold War global struggle between East and West. Countries with a strategic location or with strategic natural resources became major targets for aid from both East and West, much of it provided as military assistance. A very significant part of ODA was thus provided for these strategic reasons in an attempt to win the hearts and minds of the elite in power in developing countries for the own side.

With the collapse of the Eastern bloc and Communism as a political and economic model, there is now significantly less strategic interest in government funded development cooperation, both by the new states of the former Soviet bloc and by the Western powers. Ideologically, markets will now automatically reward performing countries through increased investments, credits and trade. Performance will also, to provide the right incentive structure, be a criterion for the allocation of ODA grants and credits for development. These countries are also to be the ones capable of participating on an equal footing in the international policy dialogue as partners in global development cooperation and in the new globalized financial and economic system.

Increasingly, ODA funds will therefore be used to tackle the new global problems occurring, to deal with conflicts, political, ecological and other emergencies and disasters. ODA and other concessional credits have become important instruments to help settle political conflicts, often in the "Near Abroad" areas of major donor constellations. Post-conflict rehabilitation, reconstruction and economic transformation will require large amounts of credits and ODA.

The 60-70 low-performance countries, the LLDCs, are main losers. They will mostly be viewed as recipients of humanitarian aid, provided directly to targeted groups through international and local NGOs. Development aid will be focused on capacity building, but subject to an array of conditionalities and donor influences.

These countries may lag even further behind unless concerted efforts can be mounted to mobilize their domestic resources and capabilities and bring them into the mainstream of development. Coherent, well coordinated, long-term donor development support for these countries is therefore imperative lest they be totally torn apart by well-meaning ad hoc donor advice and projects.

3. THE OFFICIAL DEVELOPMENT ASSISTANCE, ODA, SYSTEM

International development cooperation as we know it today emerged during the 1950s and was institutionalized through the adoption¹ of the period 1961-1970 as the first *United Nations Development Decade*. It called for a coherent set of measures on the part of both developed and developing countries to accelerate progress towards self-sustaining growth and social advancement. Such measures were to include trade preferences, increased flow of development resources to developing countries and measures to stimulate trade, industrialization and the flow of private investments in developing countries. The 1964 UN Conference on Trade and Development, the creation of the International Development Association in 1960 and the UN Development Programme in 1965 were all expressions of the development optimism of the 1950s and -60s. The creation of a standing Development Assistance Committee in 1960 within OECD reflected a perception that development assistance was there to stay and to become increasingly important. The spectacular rise in ODA during the period 1955 to 1980 from nothing to today's level of around USD 60 billion per annum (at today's prices) funded the spectacular growth of the multilateral institutions and – later – the build up of bilateral aid and development agencies.

While newly independent and other developing countries sought trade preferences and stabilization of commodity prices as the key tools for development cooperation, donor countries clearly preferred a more narrow definition of development aid. From a donor perspective the emphasis came to be on disbursed aid. Recently, however, the focus has shifted. The approach by the European Community of seeing development cooperation in an integrated political, security, scientific, cultural and economic perspective has laid the foundation for a much broader development dialogue.

In a national context there has never been an institutional equivalent to such an integrated, coherent approach to development cooperation in a broader definition. Governments separate aid and trade, and investments are generally the result of private sector decisions. In a budgetary context, only development aid figures as a budgetary appropriation. Donor governments therefore do not have a ministry, agency or department which could claim "ownership" of a development cooperation policy, even if they carry such a name. Many governments, however, have departments or agencies which have a strong sense of ownership of various segments of the aid budget. Sweden, for one, has never had a comprehensive development cooperation policy, only an aid policy.

Increasingly the case for a more coherent approach to development cooperation is emerging. Several donor governments are integrating their development cooperation into their ministries of foreign affairs, where geographical desks deal with all aspects of relations with that country. The European Union, whose ACP program has always contained the broad policy dialogue as the basis for its development cooperation, has codified this approach in the Maastricht Treaty. The World Bank and IMF have broadened their policy dialogue to include good governance, social and environmental aspects. In the United Nations the preparation of Country Development Frameworks is to provide more coherence to the multitude of projects which has characterized much of UN system development cooperation. Similarly, the Development Assistance Committee of OECD has endorsed the concept of development partnerships with a focus on a more coherent and coordinated approach whereby other policies must be reviewed in the light of the need not to undercut development objectives.

¹ GA resolutions 1710 (XVI) and 1715, 19 December 1961.

At the policy level, therefore, it would seem that there is a strong movement towards a more coordinated and coherent approach to development cooperation. As shown below, there are doubts as to whether there is any corresponding movement at the country level. 'Projectitis', as once defined by the Nordic UN Project, seems too often to be the name of the game, now as much as before. Coherent movement towards sustained and sustainable growth and development only takes place where the national governments have developed their own capacity to manage the development process with or without external assistance. The multilateral institutions – especially the universal ones: the UN and the World Bank – have a crucial role to play in providing the platforms and back-stopping for these development partnerships.

3.1 The narrow focus on resources

The *International Development Strategy for the Second United Nations Development Decade*² went considerably further than the program of the first Decade. It pledged governments to "pursue policies designed to create a more just and rational world economic and social order...". It also urged each economically advanced country to reach a transfer of financial resources of a minimum net amount of 1 per cent of GNP in actual disbursements by 1972. This concept translated into the Official Development Assistance, ODA, definition and target of 0.7 percent of GNP established by the Development Assistance Committee, DAC, of the OECD in 1969. Subsequent IDSs for the third and fourth Development Decades have repeated these targets and been quite laborious exercises, involving hundreds of officials and representatives in discussions, drafting and negotiations.

A very large part of the international development cooperation discussion during the 1980s and 90s has been focused on the magnitude of transfer of ODA resources. It is significant that one of the key reports on development cooperation, the DAC Chairman's annual report on development cooperation is to a large extent focused on the analysis of the level and use of the ODA resources provided by its members. A central section of that report is concentrated on an analysis of the "ODA performance" of the various DAC members, measuring a country's total ODA against its GNP in relation to the UN target of 0.7 per cent. Similarly, the discussions and negotiations surrounding both the program planning for the UN Development Program and the replenishments of the soft windows of the MDBs, have been primarily concerned with the magnitude of resources and their distribution. Only in the 90s have substantive aspects entered the discussions, notably after the Earth Summit in 1992 and its focus on environmental issues.

It is important to note that 75 per cent of total ODA (1995) came from only six countries: Japan, France, Germany, United States, the Netherlands and United Kingdom. Only four countries (Denmark, Netherlands, Norway and Sweden) out of the seventeen DAC members, have consistently lived up to the ODA target. The average for all DAC countries has hovered around 0.3 per cent. It is therefore time to give recognition to the fact that, with the exception of these four countries, there is no commitment to the UN target. Instead, most countries seem to treat their ODA not as a budget decision variable, but as a residual, to be identified *ex post*, often from items found under various appropriations of the national budget. ODA funded activities and organizations are therefore very vulnerable to any changes/reductions in the ODA budgets of a very small number of countries.

The table below illustrates the variations in ODA size performance among DAC members. Burden-sharing at this level has rarely been seriously discussed. The partnership among donors is increasingly being perceived as inequitable and flawed with a few countries carrying a disproportionate share of the financing, while influence over the use of the funds is mostly shared equally or is in the hands of a few very large countries. The ODA "system" as it functions today is not sustainable. The fact that it relies on annual budgetary decisions also makes it fragile and vulnerable to budget pressures.

² GA Resolution 2626 (XXV), 24 October 1970.

ODA performance of DAC countries
(percent of GNP)

	<i>1995 ODA</i> <i>USD million</i>	<i>1979/83</i> <i>Average</i>	<i>1984/88</i> <i>Average</i>	<i>1995</i>
<i>I. Countries having reached or exceeded 0.7 percent UN target</i>				
<i>Denmark</i>	1623	0.73	0.87	0.96
<i>Norway</i>	1244	0.96	1.09	0.87
<i>Netherlands</i>	3226	0.99	0.98	0.81
<i>Sweden</i>	1704	0.87	0.85	0.77
<i>II. Countries having reached or exceeded 0.35 percent in 1995</i>				
<i>France</i>	8443	0.50	0.59	0.55
<i>Canada</i>	2067	0.44	0.49	0.38
<i>Belgium</i>	1034	0.56	0.48	0.38
<i>Luxembourg</i>	65	0.22	0.18	0.36
<i>Australia</i>	1194	0.49	0.44	0.36
<i>III. Countries below 0.35 percent in 1995</i>				
<i>Switzerland</i>	1084	0.25	0.31	0.34
<i>Austria</i>	767	0.27	0.24	0.33
<i>Finland</i>	388	0.26	0.49	0.32
<i>Germany</i>	7524	0.46	0.42	0.31
<i>Ireland</i>	153	0.19	0.22	0.28
<i>United Kingdom</i>	3157	0.40	0.31	0.28
<i>Japan</i>	14489	0.30	0.31	0.27
<i>Portugal</i>	271	0.03	0.11	0.27
<i>Spain</i>	1348	0.10	0.08	0.24
<i>New Zealand</i>	123	0.30	0.27	0.23
<i>Italy</i>	1623	0.16	0.35	0.15
<i>United States</i>	7367	0.23	0.22	0.15
<i>Total DAC countries</i>	58894	0.34	0.34	0.27

Source: OECD/DAC Development Cooperation 1994 and 1996

As the table above shows, there seems, with the exception of the four front-runners, to have been little serious attempt by the other DAC countries over the 25 years, to really reach the agreed target. Instead, indications are that ODA continues to decline – overall and individually. It is a flawed and vulnerable system for funding long term development support.

The UN development cooperation discussions have, in the past, focused on the volume of ODA resources channeled through the UN and the distribution thereof, while substantive development issues have been reserved as the prerogative of recipient countries themselves. The main forum for substantive economic development analysis and discussion therefore has come to be in the World Bank and the IMF, where the effects of different macroeconomic development policies have been researched and discussed to form the base for country policy frameworks and strategies. Substantive policy discussions on related areas, such as education, health and agricultural development and, later, environment and social sector issues, which would normally have been discussed in the respective UN programs and funds and in its specialized agencies, have therefore increasingly migrated to World Bank fora. The policy analysis, economic and sector work of the World Bank and the regional development banks have increasingly become the base for the development dialogue.

While the World Bank in this way, and due to its guaranteed financial structure, has become the world's leading development lending institution, its future role is by no means secure. Its regular lending program, always to a large extent focused on a relatively small number of countries, is increasingly taken over by a range of public and private financial institutions. These can arrange financing on often equal or better terms and without the policy conditionalities of the Bank. Its regular lending may therefore in the future have to seek projects in less credit worthy countries or improve its services in order to maintain its lending volume and, consequently, its earnings. A similar situation faces the other MDBs.

The MDBs have therefore increasingly become more dependent on their soft lending and advisory role in the transition and low income countries. The bulk of MDB net transfers are today coming from their soft windows and a very large part of their budgets – and staff – is devoted to supporting and servicing the lending to these countries.

IDA, the World Bank's soft window which depends on ODA contributions, however, is facing problems. Budgetary pressures and a reluctant US Congress is threatening the central and key role of the United States in the Bank and thus jeopardizes the replenishment of IDA (IDA-11) for 1997-99. With the help of uncommitted balances from IDA-10, and with a makeshift emergency funding from other donors, it has been possible to maintain a reasonable level of IDA programming on a year-to-year basis. The outlook for an IDA-12 is not encouraging and IDA may have to rely largely on return flows from earlier IDA lending. The overall outlook may therefore point towards a World Bank of a significantly reduced size, with difficulties in justifying its current level of capacity for research, training and support.

Many UN agencies, programs and funds have increasingly made themselves less dependent on the general contributions from donor countries and have instead come to rely on their abilities to sell their capacity to implement projects to the development banks, to bilateral development agencies and, not least, to developing countries themselves. This development is viewed with some ambiguity by policy-makers in donor countries as it reduces the ability to target the aid flow to internationally agreed priority areas. Others argue that direct control of project funding instead allows donors to exercise an even stronger control over where and for what purposes the UN agencies operate their programs.

The longer term outlook for UN funds and programs is not encouraging. Budgetary pressures, a stagnating or declining ODA and the voluntary, annualized nature of their income makes it unlikely that UN agencies will be able to retain their current activity levels. Instead, it would seem likely that they would have to focus sharply on those countries and areas where bilateral agencies would like them to operate, using bilateral and EC funds. The policy role of UN political bodies will depend on the commitment of member states, donors and recipients, to reform their functioning. While those agencies who are involved in the humanitarian aid operations will have their part to play for a long time to come, the outlook for the longer-term development oriented programs is less certain.

In the 1980s and even more in the 1990s, the European Community has emerged as the largest actor in multilateral development cooperation and emergency aid in an increasing number of developing and transition countries. With the Maastricht agreement entering into full effect in the 1990, the European Union has become a formidable force in development cooperation. Not only does it control significant amounts of ODA and other concessional resources, but the Maastricht agreement's call for consultation and coordination among the member countries' regarding their development policies will make it the major institution in international development in the future.

4. MULTILATERAL VS. BILATERAL DEVELOPMENT COOPERATION

From the very beginning of separate budgetary allocations for assistance to developing countries a distinction was made between funds channeled through multilateral development institutions, i.e. the United Nations funds and programs and the multilateral development banks, and those through domestic development agencies. Philosophically they are different. Multilateral organizations represent universal cooperation between industrialized and developing countries as guided by policies established by the governing bodies of these organizations. Bilateral programs, on the other hand, reflect priorities set by government/ parliament of the donor country with regards to the selection of country(-ies) and sectors/ purposes for which the funds could be used. While multilateral aid is untied, the bilateral was often tied to procurement from the country providing the funds. Multilateral aid was therefore seen as inherently preferable with regards to potential effectiveness and efficiency for development.

4.1 The change in direct multilateral funding

Aid budgets of major donor countries were initially largely channelled through the multilateral system, pending the build up of national development cooperation agencies with sufficient capacity to engage in bilateral development cooperation. Over time this share has declined from the 1960s and settled around 30 per cent. Multilateral disbursements were for the DAC group as a whole 31 percent in 1995 of their total aid disbursements.

As shown by the table below, the share of ODA through multilateral institutions has been remarkably steady over the period 1980 to 1995. If also so-called multi-bi³ activities are taken into account, it is not unlikely that multilateral institutions have held their share, even if it now is distributed over a larger number of organizations and programs. A key feature of this, however, is that within the multilateral share there has been a significant and growing share going to the European Community programs. A further decline in the share of non-EC programs must therefore be anticipated following a further declining overall ODA as budgetary pressures continue to affect most DAC countries.

DAC Member States Contributions to multilateral development agencies and funds, selected countries
(percent of total DAC ODA)

	1980/81 average	1985/86 average	1987/88 average	1995
Norway	42.4	41.2	41.4	27.0
Denmark	39.1	41.3	40.9	44.8
Sweden	30.0	29.7	32.9	30.2
Netherlands	16.9	24.3	23.3	30.4
Total DAC	25.3	22.5	24.6	31.0

Source: OECD/DAC Development Cooperation in the 1990, table 3-12; Development Cooperation 1996 Report

With an anticipated decline in resources available to the multilateral institutions, there have been increasing demands for streamlining and rationalization of the operations and programs of the multilateral agencies, especially the UN programs and funds. More has to be done with less money available. This has led to demands for restructuring and reforms from the members of the Organization in the way these

³ I.e. Bilaterally funded activities executed by multilateral organizations.

organizations are set up, governed and managed. Currently, a restructuring of UN funds and programs has been announced by the Secretary-General, with improved coordination and a consolidation of UN programs and administration at the country level. It remains to be seen whether these reforms will be sufficient to restore that cohesiveness to the system which was originally envisioned, or if it will add another makeshift management arrangement. Efforts by member states in the General Assembly for strengthening the UN and at reforming the unwieldy and ineffective intergovernmental machinery, however, have met with only limited success so far.

A major effort has been launched by the World Bank management to revamp the way it does its business, including decentralization of staff and functions to country offices. Over a period of three years it is going to significantly alter its mode of operation and become more efficient in servicing its clients and partners.

Donors have introduced a concept of "active multilateralism", increasingly using their contributions as an instrument to reward organizations which improve their performance. This is expected to lead to further changes in the multilateral system. The migration of development functions to the MDBs seems likely to continue.

4.2 Tendencies in bilateral programs

With national development agencies coming of age, a series of challenges have emerged which have demanded specific responses, e.g. poverty alleviation, environmental concerns, child survival, population growth, AIDS, women in development etc. This has made aid management increasingly complex, with new demands for improved coordination. Increasingly they have come to rely on the coordination work done by multilateral agencies, such as the World Bank sponsored Consultative Group arrangements and UN Country Strategy Notes/Development Framework and UNDP-sponsored Round Table Meetings.

There are several tendencies affecting the bilateral programs in the 1990. An overriding one is the increasing focus on partnerships and dialogue with developing countries. It is also a new dedication to reach measurable goals for economic, social and environmental improvements. Performance, both by development institutions -bilateral and multilateral – and by partner countries, is increasingly the yardstick by which allocations of aid and other resources are determined. An increased use of evaluations and reviews at all levels is to provide the feedback for future allocations.

Another factor of the 1990s is the increasing demands being posed by the needs of humanitarian and emergency aid in the face of a series of complex disasters, ranging from Cambodia in the 80s to Somalia, Angola, Mozambique, former Yugoslavia and Rwanda and Burundi in the 90s. The sheer size of these operations has demanded significant re-allocation of resources. The demand for humanitarian assistance would seem to have peaked, however, in 1994. Nevertheless, the potential for future refugee crises remains and demand for funds for rehabilitation and reconstruction will be significant.

4.3 Return flows, multibi, cost sharing and management services

In spite of the stagnation and, sometimes, decreases in contributions many of the multilateral organizations have shown a remarkable ability to survive and make up for these losses by approaching other sources of income and funding.

The most obvious of these sources is where an organization has based its operations – or part thereof – on lending rather than on making outright grants. The advantage of this approach has been that countries, whose situation over time has improved, will begin to pay back some of the funds it received, allowing these funds to be recycled to those who are still among the poorest. The return flows thus generated will allow, e.g., IFAD to continue its operations for an additional number of years, in spite of possible gridlock

in its replenishment process. Similarly, with the IDA-11 replenishment discussions jammed by the American decision to reduce its aid undertakings, IDA may still be in a position to continue lending for many years to come, albeit at a reduced level. Had some of the UN funds and programs adopted a similar policy of lending instead of providing grants to the less poor of its recipients, they might today have been in a position to operate a core program of a significant magnitude.

Bilateral agencies have always made use of the UN system's agencies capacity to implement projects, what has been called multibi projects. These are projects funded from bilateral allocations, but executed by UN specialized/sector agencies. It is still being disputed whether these are UN agency identified projects who have received funding from a – or several – bilateral sources, or if these are bilaterally identified projects who have been contracted to the UN agency for execution. What is quite clear, however, is that these multibi projects have been vital to many UN agencies to enable them to maintain their programs in many developing countries, especially during the funding crisis of later years.

Among donors there are differing views as to the desirability of using the UN specialized agencies for these purposes. While bilateral development agencies are generally quite happy to have access to the services of the UN agencies (which have the competitive advantage of already having cooperation agreements with developing country governments and access to tax- and tariff free experts and equipment) the ministries in charge of cooperation with international organizations are generally less enamored by the disruptive effects these operational activities have on the normative, standard setting work of these agencies. While some agencies, like ILO, have decided to forego such operational activities, others, like FAO, have actively pursued the role as a service bureau in the fields of agriculture, forestry and fisheries, combined with a global watch function in these areas (e.g. on food security).

A similar source of funding is cost-sharing, a concept used by UNDP and generally denoting funds contributed by the recipient country itself in order to maintain a specific priority project or program at a certain level. It can also be so called third party cost sharing, whereby a third party – a donor – makes a funding contribution from bilateral or general multilateral sources to a specific project or program. In several countries, especially in Latin America, cost sharing by far exceeds the grant funds provided by UNDP. Out of a total UNDP program of USD 6.3 billion as at the end of 1994, USD 2.1 billion came from cost-sharing.

UNDP also undertakes management services on behalf of other development organizations, e.g. technical assistance projects for the World Bank or bilaterals. These services are undertaken on a self-financing basis. The new role of UNDP's Office of Project Services, UNOPS, has created an entity specifically designed to undertake such project management services, mainly to assist recipient governments in their national execution of projects, but also as a contractual service to other funds and institutions, e.g. the Global Environment Facility, GEF.

5. THE FUTURE EVOLUTION OF THE MULTILATERAL INSTITUTIONS

The multilateral institutions occupy a central position in international development cooperation. Without them it would be a chaotic melee of bilateral programs and projects, each one pursuing its own agenda. They are necessary to provide the forums and support for overall as well as sectoral and issue policy coordination. Equally, in those developing countries where the government is not fully capable of ensuring a coherent, consistent and coordinated approach to development, the assistance from multilateral organizations can play a key role to help these governments make the transition to democracy and open, market-oriented economies, and to make effective and efficient use of external resources.

The existence and efficiency of multilateral institutions for development cooperation is therefore a precondition for effective and coordinated international development cooperation¹. These institutions' **policy roles** differ, i.a. according to what countries are included in their membership:

- the United Nations and the World Bank are **universal institutions**, comprising both developed (donor) and developing countries. The partnership applies to all governments;
- G 77 is a policy forum for **developing countries**;
- the OECD/DAC is a policy forum for the **donor countries**;
- the European Union is a **regional institution**, including donors providing over half of the world's ODA;
- the G7^{1/2} is an **informal group of the World's most powerful states** and whose deliberations have far-reaching policy consequences; and
- the group of **like-minded countries** is an informal group which consists, broadly, of those who are committed to the UN ODA target.

While significant efforts have been made to improve the effectiveness of the various UN conferences and assemblies in policy making, the results have been discouraging. Instead, it would seem, development cooperation policy is increasingly formulated in various donor fora, with consultations sometimes undertaken with selected developing countries. Similarly, in the MDBs, much of the policy discussion is conducted by donor deputies in the context of soft window replenishments.

However, the most visible part of the multilateral institutions is in their operational activities, i.e. in their funding and support for implementation of development projects and programs. This is where most criticism has been levelled at the fragmentation of programs and organizations, especially at the country level. Demands for reform have focused on elimination of duplication of functions and consolidation of organizational arrangements. Similarly, with the MDBs the demand has been for decentralization of operations to the regional and country levels to improve the understanding of local economic, social and political conditions. The emphasis has been on improving effectiveness, not on reducing operations. However, with the spectacular increase of private sector foreign direct investments, the role of and need for operational multilateral institutions is being questioned. Only in the low-income countries would there seem to be an uncontested field for multilateral institutions.

The exception, however, is the European Communities, where development cooperation increasingly forms a part of a more consistent, comprehensive spectrum of measures to promote economic, social,

¹ See the 1989 DAC report, Development Cooperation in the 1990, Ch. IX on the need for a strong multilateral system, pp. 141-143

cultural and security foreign relations. The discussions being initiated in preparation for post-Lomé arrangements, seem to be focussing on the role of development cooperation as an element of a much broader common foreign and security policy.

5.1 The UN organizations

The United Nations has two important functions in international development cooperation. The first one is that the UN has played a key role as **a forum** for the discussion on international development cooperation. Its conferences on Trade and Development, the International Development Decades, the International Development Strategies, the Declaration on the Establishment of a New International Economic Order, the Charter of Economic Rights and Duties of States, the Conference on Environment and Development, etc. have all had a major impact on the international development discussion at the time. Even the Maastricht Treaty, in its Article 130u 3, recognizes the importance of the international agreements arrived at within the UN framework.

As **action programs**, though, the UN programs have not been very successful. Few of the health, food, education or environmental targets proclaimed by international conferences and summits have a realistic chance of being achieved. Instead they have taken on a reputation of being political awareness-raising events, not agreed programs to be implemented. The discrepancies between such proclaimed schemes and the resources and political commitment provided to implement them, have had a serious effect on the reputation of the UN and its agencies in this respect.

Nevertheless, it must be recognized that the UN with its Security Council, General Assembly and Economic and Social Council, is **the only truly universal forum** to deal with global development issues in all their aspects: peace, security, political, economic, environmental and social. It has the potential of reforming its mode of working into something that could more effectively deal with the serious global development issues at hand. Efforts to rationalize and streamline the workings of the UN have been undertaken in 1996-97 by the General Assembly's high-level Working Group on Strengthening the UN system of the General Assembly. Its proposals will be presented to the 52nd session of the Assembly. One of the key achievements of the Group was the confirmation of the urgent need for reform and of development as a central task of the Organization. However, although consensus was achieved on a fairly comprehensive package of reforms, no agreement was reached on the larger issues brought forward by different commissions and studies. The results have therefore so far not been encouraging.

If these reform efforts do not produce sufficient results, it is likely that the role of ECOSOC in defining the agenda for international development cooperation might have to be re-evaluated. Sweden might in such a case prefer to seek other, more effective, fora for the global development dialogue, e.g. the boards and committees of the World Bank, the Development Assistance Committee or within the European Community.

The second function of the UN system, mainly through its programs and funds, in international development cooperation (and humanitarian aid) has been its role in the execution of operational activities in the developing countries. These have traditionally been funded outside the regular budget of the UN through voluntary contributions from donor countries. The reductions in ODA do therefore strike hard at these programs.

The operational funds and programs, however, have shown remarkable resilience and ability to mobilize other funds. Several of these, notably UNICEF, UNHCR and WFP, have become major executing channels for humanitarian aid flowing to former Yugoslavia, Western Africa and the Rwanda and Burundi crises. Cost-sharing and multibilateral projects are maintaining UNDP and UNFPA activities. The specialized

agencies of the UN, who depend on assessed budgets where the US contribution is 25 percent, are facing serious problems. Even more important is the possibility of a US withdrawal from these organizations, which would put into question their effectiveness as norm giving and standard setting institutions.

5.1.1 The UN funds and programs

The key UN funds and programs of importance to Swedish development cooperation and humanitarian aid are the ones included in the so-called Joint Consultative Group on Programming, JCGP, i.e. UNICEF, UNDP, WFP, UNFPA and IFAD, and the refugee organization UNHCR. These are important to Sida for several reasons, the first one being the role of UNDP and the Resident Coordinator in aid management and coordination at the field level. UNICEF is significant for its role in implementation of programs in the health sector and in humanitarian aid. Similarly WFP and UNHCR are vitally important as channels for delivering humanitarian aid. A very significant portion of Swedish emergency and disaster aid is channeled through UNICEF, WFP and UNHCR. Almost 25 percent of ECHO (EU) humanitarian aid is channeled through UN organizations.

UNICEF is likely to be less affected by reductions in voluntary contributions than other UN organizations. With its high public visibility and the strong financial support from its national committees it is less vulnerable to reductions in multilateral ODA. If it can continue to be seen as an efficient service delivery organization in the mother and child health area, its prospects for continuing to attract significant volumes of multibillion development and humanitarian aid projects should remain good. Its close relationship with many international and local NGOs should make it a strong partner for strengthening civil society in developing countries.

UNDP is likely to be more vulnerable to a further decline in multilateral ODA, which would affect its ability to play a creditable coordinating role at the country level. Given its minimalist approach to aid coordination – essentially confined to collection and dissemination of information on aid-financed projects and Round Table Meetings – it has not managed to establish any strong reputation for being effective in that role. UNDP has neither been able to establish a strong reputation for being an efficient service delivery organization, even though this would seem to be contradicted by the strong increase in cost-sharing which has taken place in recent years. The lack of a clear identity has made it difficult for UNDP to establish a supporting constituency for itself. While the organization may survive for many years to come on cost-sharing and special-purpose funds, a long-term decline in multilateral ODA is likely to deprive it of its *raison-d'être* and a central role in international development cooperation. As a funding institution for capacity-building through technical cooperation it might seek a closer cooperation with the World Bank and IMF in a concerted effort to assist the LLDCs.

It is worth noting that IFAD, thanks to its lending program, has enough liquidity to continue operating for at least an additional 5 to 7 years. When the painstakingly put together fourth replenishment becomes effective, IFAD should be able to continue to operate for another ten to fifteen years. With its good reputation for effective and efficient service delivery it would probably also be able to attract significant multibillion funding.

5.1.2 The specialized agencies

The specialized agencies of the UN are less vulnerable to reductions in multilateral ODA as they have core funding for their normative and standard setting activities in the form of assessed contributions from their member states. The current scale of assessments, which generally coincides with that of the UN, leaves them vulnerable, though, to non-payments or withdrawals by major member states. The United States has at times, withdrawn from ILO and, together with the United Kingdom and Singapore, from UNESCO. US seems likely to withdraw, again, from ILO and also from UNIDO. Operational activities are, in principle,

self-financing. Several organizations, especially FAO and UNESCO, are significantly involved in multi-bi activities.

5.2 The World Bank

With 180 member states/shareholders the World Bank is today a universal organization, including developing as well as more developed countries. It can be viewed as the international association for those government departments dealing with economic and financial issues, i.e. ministries of finance. However, with the creation of the International Development Association, IDA and its integration into the World Bank, it has increasingly become focused on the problems of the developing countries. Today it describes its mission as its

“... overarching goal continues to be the reduction of poverty; increasingly, its task is that of a partner helping countries design and implement policies that expand markets and strengthen their economies to improve the quality of life for people everywhere.”

With an annual lending and credit commitments above USD 20 billion it is the world's largest institution for development financing. Its 50-year experience, its governance structure and its huge staff and research capacity makes it a unique and vital resource for managing the rapid changes in the new global economy.

The Meetings of the World Bank/IMF Development Committee is a leading forum for economic development issues. The communiques of the Development Committee contain many agreed policies on issues of aid and development cooperation. The annual meeting of the Bretton Woods institutions enables the Bank and the IMF to discuss economic and financial issues with officials from ministries of finance, central and private bankers from all over the world.

Through its Consultative Group arrangements and through its economic and sector work (ESW) the World Bank plays a key role in assisting developing countries in the coordination of external development resources. This is particularly the case where countries are undertaking economic reform programs or structural adjustment programs.

5.2.1 The Future Role of the World Bank

In connection with its 50th anniversary in 1994 the World Bank Group presented its new policy document, *Learning from the Past, Embracing the Future*. It confirms the Bank's fundamental objective: helping borrowers reduce poverty and improve living standards through sustainable growth and investment in people. It emphasizes the two roles of the bank: **financial** – mobilizing and investing substantial resources for development, and **advisory** – distilling and disseminating cross-country experience. The principles and policies enumerated in the report have gradually been incorporated in the organization and workings of the Bank.

A Task Force on the Role of the Multilateral Development Banks was appointed by the Development Committee in 1995 to take account of changing world circumstances and their impact on the MDBs. Its report, presented to the Committee in April 1996, outlined five priorities that the MDBs must support in order to achieve sustainable development: poverty reduction, effective government, environmental sustainability, investment in infrastructure and utilities, and encouragement of private sector development. It also emphasized the need for strengthening of the executive boards of the MDBs.

In line with the Task Force findings, the World Bank has proposed a major revamping – a Strategic Compact between the Bank secretariat and its shareholders – of the operations, management and organization of the Bank in order to better implement the priorities outlined by the Task Force. It involves

a significant shift of resources to frontline operations, of decentralization to the country level and to strengthen the focus on knowledge management and other key areas of development. Over a three-year period the Bank will be effectively transformed. The role of the Bank as the leading international development agency will be further reinforced. At issue may be whether this will make the Bank even more dependent on access to diminishing ODA funds, or it will be able to interject itself as a worthwhile intermediary in the increasing flow of private investments in the developing world.

This will have a major longer-term impact on the Bank and its future role. The unprecedented increase in private financial flows to developing countries, which has taken place in recent years as more and more countries embrace an open market oriented approach to development, has already had a major impact on economic growth in several countries. However, such private flows are unlikely to care much about important longer term development priorities, such as poverty reduction, effective government and environmental concerns. This provides the MDBs with an opportunity to offer their assistance to developing and transition countries in safe-guarding the longer term aspects of development by offering advise and financing. The Global Environment Facility, GEF, provides an example of a financing mechanism which could be adapted to secure environmentally safe technology in private investments in third world countries.

However, such a role will require access to grant and concessional ODA funds. These funds are declining.

While official development assistance in 1987-88 constituted over 60 percent of total long-term financial flows to developing countries, the figure for 1995-96 was less than 25 percent. There are reason to believe that it has declined even further since then.

This is likely to mean that the demand for borrowing from the Bank's regular resources from those countries who have access to private financing will be reduced. This will be further accentuated by the concentration on a relatively limited number of the Bank's lending (China, India, Indonesia, Pakistan, Mexico, Argentina, Brazil), all countries with access to private financing. The Bank will have to look for other borrowers for its regular lending, without jeopardizing the quality of its portfolio. It is therefore not unlikely that the regular lending, which has already stagnated, will decline over the years to come.

IBRD Regular Lending 1991-1996
(*millions of US dollars*)

Item	1991	1992	1993	1994	1995	1996
Commitments	16,392	15,156	16,945	14,244	16,853	14,656
Disbursements	11,431	11,666	12,942	10,447	12,672	13,372
Net disbursements	2,109	1,833	2,331	-731	897	1,213

Source: World Bank Annual Report 1995 and 1996

As can be seen from the above table, the net transfer of resources to developing countries under the Bank's regular lending turned negative in 1994, reflecting increasing return flows, prepayments and stagnating lending. A substantial lending program is normally the precondition for an active coordination role for the Bank and for the economic and sector research work that goes with it. A declining lending role could therefore mean less high quality data and analysis becoming available.

Another element of importance in the evolution of the Bank is the increasing importance attached to the performance of borrowing countries. In an effort to correct a distorted incentive structure – the worse performance, the more money – the Board of Directors has directed the Bank to instead increase lending

to countries with better macroeconomic performance. This will risk leaving some of the poorest countries in a vicious spiral of poor performance and less and less money to do something about it. Besides, the key problem is often the lack of capacity of the LLDC government to actually implement its policies.

More worrying, however, is the possibility of a much reduced US role in the Bank. While the Bank largely owes its existence to the early post-war support from the US Government, it is even more important today when the US is the only remaining economic superpower and has a very large influence on international economic development. A reduced US interest in multilateralism through the Bretton Woods institutions in favor of a more extensive use of bilateral arrangements, would substantially reduce the opportunity for other countries to participate in the effective decision making on development financing.

The reduced US interest (Congress) is reflected in the drastic reductions in US offers of funding IDA-11. What was previously the strength of IDA, the negotiated replenishment system, has now become a strait-jacket where contributions by others are linked to the size of the US contribution. This is particularly worrisome at a time when IDA is becoming more important to a Bank which is increasingly becoming involved with the softer aspects of development, so critically important to development in the LLDCs. A likely scenario is illustrated in the table below. It includes an Interim Trust Fund of 3 billion established for 1997, similar to the Special Fund established in 1982, to accommodate contributions withheld in 1997 from IDA-11 by the US reduced contribution. It also assumes a carry-over of uncommitted US funds from IDA-10 and advanced use of repayments from earlier credits.

IDA operations fy 1994-99
(millions of US dollars)

Item	1994	1995	1996	1997	1998	1999
Commitments	6,592	5,669	6,864	7,300	7,300	7,300
Disbursements	5,532	5,703	5,884			
Net disbursements	5,110	5,205	5,322			
Funding:						
Repayment of credits	420	498	563	1,000	1,000	1,000
ITF/IDA-11				3,000 +	4,000 +	4,000 +
Draw-downs	3,960	5,191	5,087			
IBRD transfers	452	1,427	250	500	500	500

Source: Annual Report 1996, World Bank; estimates

The above estimates for 1998-99 may be on the optimistic side. The new US Congress has yet to decide on reinstatement of US contributions to IDA-11.

It is now also time to take a look at the situation after the IDA-11 period. According to several observers, there are doubts that there will be an IDA-12, at least not in its current form. Return flows, transfers from IBRD and interest on investments may, however, yield sufficient funds to maintain a basic IDA lending program at a level of, perhaps, around USD 2 billion annually. It may be important, however, to note that, although IDA has an outstanding loan portfolio worth almost USD 100 billion, a significant portion of this portfolio lies with LLDCs whose credit ratings are low and therefore carries a substantial risk of delays and defaults. To avoid such defaults bilateral donors have, in the past, provided substantial amounts of

grant ODA as interest and repayment support. Return flows in the future may therefore, to some extent, depend on continued such support from donor countries.

The analysis above indicates the possibility of a reduced lending role for the World Bank in the future, especially as it would be competing with regional development banks (AsDB, IDB and EBRD) with better access to concessional funds than the Bank itself. The future evolution of the World Bank would then, under the above scenario, seem to lie with the transition countries for the Bank's regular lending program and in Africa for its concessional activities. The current strength of the World Bank in its advisory and coordinating capacity might, however, suffer if the Bank were to have to scale down its activities. Budgetary pressures would likely hit the research and support activities first.

These support activities include, i.e., the Bank's technical assistance activities, which have continued to expand amounting to 2.6 billion of freestanding and loan-incorporated technical assistance. In addition the Institutional Development Fund provides grant-based technical assistance. The Project Preparation Facility's commitment level has been raised to USD 250 million. Donor governments have expressed their appreciation of these support activities by bolstering WB economic and sector works and other program support activities by providing trust funds for external consultancies.

It is of vital importance to developing countries and to the donor community that the World Bank's capacity to function as advisor to borrower governments is not eroded and that its capacity-building activities are maintained especially concerning the poorest countries.

5.3 The European Community

The European Community was in 1995 the second largest multilateral donor after IDA with net ODA disbursements of USD 5.4 billion. In addition Central and Eastern European and CIS countries received significant amounts of non-ODA assistance. With the agreement on the increased EDF-8, increased volumes of aid to the Mediterranean countries, the possibility of continued high levels of humanitarian aid and unchanged or increased amounts for Asian and Latin American countries it is likely to continue its growth. By the year 2000 it will be the largest and dominating multilateral donor. Its influence on development cooperation policy will reflect not only its size but also the fact that it includes all the front-runner donor countries.

The following table shows the ODA flows from the Community and its members as a percentage of total ODA.

ODA from the European Community and its member states
(as percent of total ODA)

	1970	1980	1990	1994
<i>Community</i>	2.9	3.1	4.1	8.3
<i>EU Members</i>	29.0	25.3	32.2	38.1
<i>Community + Members</i>	31.9	28.4	36.3	46.4

Source : *Aid Review 1995, OECD, DCD/DAC/AR(95)2/EC/ADD.2*

Note: members do not include Sweden, Austria and Finland

The various programs of Community for development cooperation include: the Lomé Convention (ACP); assistance to Asian and Latin American countries (ALA); assistance to Mediterranean countries (MED);

the PHARE program for assistance to Central and Eastern European countries; the TACIS program for technical assistance to CIS countries and ECHO for humanitarian aid.

One of the most important features of EU development cooperation is the implications of Article 130x of the Maastricht Treaty which states that

- “1. The Community and the Member States shall co-ordinate their policies on development co-operation and shall consult each other on their aid programs, including in international organizations and during international conferences. They may undertake joint action. Member States shall contribute if necessary to the implementation of Community aid programs.
2. The Commission may take any useful initiative to promote the co-ordination referred to in paragraph 1.”

If and when the Community would appear with a coordinated policy it would do so representing well above half of the world's total ODA. Its voice would carry significant weight in whatever development forum it would appear.

While development cooperation is subject to the principle of subsidiarity, i.e. is complementary to the development cooperation activities of the Member States, the coordination of Member States development cooperation policies is considered as automatically applicable to the Member States. It can be noted that the issues of the Community's development cooperation policies are not included on the agenda of the 1996 EU Inter-Governmental Conference. Instead, the Commission has begun the preparation of an initial assessment of the Community's long-term strategy for development cooperation. A Reflection Group has been created within the Commission for this purpose. It has produced a discussion paper in November 1996, “Green Paper on relations between the European Union and the ACP countries on the eve of the 21st century. Challenges and options for a new partnership”, for discussion.

It outlines a number of strategic issues for the future direction of EC cooperation with developing countries. These include, i a

- a stronger political relationship between EU and the ACP countries;
- a new framework to help ACP countries open up to international trade;
- reviewing the geographical scope of the future partnership;
- increased coordination and consistency in EU relations with ACP countries;
- new priorities: i) economy, society and the environment; ii) institutions; and iii) trade and investment;
- protection of foreign private investments; and
- a review of procedures for implementing financial and technical cooperation.

These issues are currently under discussion.

One of the key features regarding the development cooperation of the Community is its ability to include the whole range of economic, political, social, scientific, cultural and educational aspects in its

development dialogue and cooperation agreement with a country. In practical terms this means that the Community could include into the dialogue issues regarding democracy, human rights, legal systems, economic and social policies and back them up with large-scale, long-term undertakings by the Community and coordinate it with its Member States' aid programs for that country. It has at its disposal a whole range of instruments (projects, sector support, balance of payment support, structural adjustment, Stabex, Sysmin, emergency aid, aid to refugees, interest rate subsidies, risk capital and trade preferences). No other multilateral institution could enter into this kind of broad discussion.

In reality, however, political and diplomatic considerations make it unlikely that this kind of comprehensive review and discussion would be undertaken. It is worth noting, though, that the increasing use of a 'desk' type of organization in donor governments, often mean that aid, trade and foreign policy is dealt with in one context. The Community concept regarding development cooperation is an extension of the 'desk' one.

An important aspect of Community development cooperation is that, while its conceptual construction is comprehensive, its management organization is compartmentalized. There are at least five Commissioners who have an influence on various aspects of development cooperation and humanitarian aid. In addition, various committees are to have an influence on cooperation discussions.

The 1995 DAC Aid Review of the development policies and program of the European Community has pointed out that, while significant constructive changes in its aid management has taken place, there is still scope for streamlining and consolidation of the organization structure. Similarly, there is also a need for strengthening the capabilities of the staff, possibly by drawing upon the pool of qualified development cooperation professionals in Member States. There is also a need to ensure a more independent position with regards to evaluations and to improve the role of country strategies as coordination tools. In general it would seem that, in spite of its considerable length of experience in the field of development cooperation through the Yaoundé and Lomé Conventions, the machinery of the Community still needs to be looked at with regards to organization, staffing, coherence and coordination in programming and evaluation and feed-back. These aspects take on added significance in the light of the anticipated growth in both volume and scope of EU development cooperation.

It is also worth noting that EU humanitarian and emergency aid has grown extremely fast in recent years, reaching disbursements of almost ECU 700 million in 1994. With an abating emergency situation in ex-Yugoslavia, the level of emergency aid can be expected to stabilize in future years. The Community's organization for humanitarian aid, ECHO, aims to play an important coordinating role for the humanitarian aid from the Community and the Member States and has regular meetings with the authorities responsible for humanitarian aid in Member States.

5.3.1 The Lomé Convention

The Lomé Convention is an advanced example of cooperation between developed and 70 developing countries in a multi-year arrangement combining a range of instruments in aid, trade, cooperation in various socio-economic sectors and a permanent development dialogue at various levels. The current Lomé IV agreement covers the period 1991-2000. It is financed through negotiated five-year contributions to the European Development Fund from Member States.

Two questions are currently being looked into. The first one is whether there will be a Lomé V and which countries should then be included, e.g. should there be a more uniform, universal system of agreements covering also ALA-MED countries. This issue is likely to be included in the work of the Commission's Reflection Group ("Partnership 2000", see above). The other, related issue is the question of budgetizing

EDF, i.e. financing the EDF from the Community budget. This would have implications both for the distribution of the burden of funding between Member States and for the voting shares. The current voting is linked to the size of the EDF contribution.

The two issues are clearly linked. A common perception is that budgetizing would be met with considerable resistance from Member States whose contributions would increase and that several donor countries ("like-minded") feel that the current system offers a greater influence. If this is the case one might contemplate the other option, i.e. that ALA-MED and humanitarian assistance could be brought out from the budget and under EDF voluntary financing. Such an arrangement might be feasible if, for various reasons, other multilateral demands were to decrease.

5.3.2 The ALA-MED cooperation

The ALA-MED programs cover the assistance to developing countries in Asia, Latin America and around the Mediterranean. It is based on individual agreements with the participating countries and is financed annually from the EU budget.

These programs have so far been funded annually on a country-by country basis. The Commission has proposed a five-year framework with an estimated figure for ALA 1996-2000 of ECU 4.7 billion (compared with 2.3 billion for 1991-95). New guidelines have been approved for Latin America cooperation and a new strategy has been formulated Asia. As can be seen from the amounts, cooperation with Asian and Latin American countries is expected to increase considerably.

The cooperation with the Mediterranean countries is also set to change and to increase significantly, from ECU 1.6 billion during 1991-94 to 4.7 billion for 1995-99.

5.3.3 The PHARE and TACIS

The PHARE program provides grant finance to support Eastern and Central European countries through the process of economic transformation and strengthening of democracy to the stage where they are ready to assume the obligations of membership of the European Union. During its first five years 1990-96 it has provided ECU 5.3 billion to 11 countries. An extension for 1995-99 has been agreed. It is funded from the EU budget.

The PHARE program is, strictly speaking, not included in ODA development cooperation. It is, at least in theory, a temporary program, pending the accession of these states to membership in the Community. It is generally assumed that it will by then be converted into a Structural Development Fund.

TACIS provides technical assistance to the thirteen CIS countries. During 1991-96 it has committed ECU 2.8 billion to more than 2,250 projects. It is seen as a temporary program. Almost half of its funds have been spent in the Russian Federation. It is expected to continue for a considerable length of time, especially funding priority programs in environment and nuclear safety.

5.3.4 ECHO

ECHO is the Community's organization for humanitarian aid. It provided in 1995 a total of ECU 692 million, comprising of

- 1) humanitarian aid to ACP countries: ECU 46.5 million (financed from EDF);
- 2) disaster aid for developing countries: ECU 238 million (Community budget);
- 3) Emergency food aid: ECU 33.7 million (Community budget);

- 4) Humanitarian aid to Central and Eastern Europe: ECU 236.7 million (Community budget);
- 5) Humanitarian aid to the former Soviet Union: ECU 93.4 million (Community budget);
- 6) Operational support: prevention of disasters: ECU 5 million; and
- 7) Refugees and displaced persons in developing countries: ECU 38.5 million.

5.4 The Coordination of development cooperation

Few issues have been so thoroughly and lengthily discussed as the question of coordination of development cooperation, both at the policy and at the country level. The starting point is that USD 60 billion of grant or concessional ODA annually, spent wisely and in a well coordinated fashion, should make a significant difference on the development situation of the developing countries. The fallacy of this view is, of course, that this is not an amount held together in one budget with priorities determined in advance, but rather an *ex post* summation of a large number of separate decisions by a large number of actors. Nevertheless, there is clearly room for more coordinated approaches, especially in a situation of stagnating or shrinking overall ODA.

The shift in the multilateral system which is likely to take place towards a more major coordinating role for the European Community calls for a review of differing coordination roles between the multilateral institutions.

5.4.1 Policy coordination

Overall policy coordination at the global level takes place within the UN framework. Apart from the International Development Strategies (Development Decades) prepared for each decennium from 1960 and onwards, it is the system of global UN conferences (narcotic drugs, environment, social issues, gender issues, trade etc.) which has taken over global development policy making in the form of action programs, protocols and conventions. The role of the General Assembly has been seriously reduced.

However, effective but informal global policy discussions on development issues take place at the annual G 7 meetings, when heads of the most important states meet at summit meetings.

Coordination at a more operational level takes place in several fora. Within the UN such policy reviews take place within ECOSOC at its high-level segment and within its various Commissions and Committees. Within the World Bank/IMF the Development Committee discusses development policy issues and issues communiques. It is the foremost meeting for bringing together Ministers and Under-Secretaries for development and finance. Within OECD the Development Assistance Committee works on policies and criteria for effective and efficient aid. Within the European Union the European (Development) Council works on coordination of Community and Member States development policies.

Luckily many of the staff doing the preparatory work for the various coordinating bodies are the same, but it is still difficult not to get the impression that there are too many bodies involved. In many respects the twice annual meetings of the World Bank/IMF Development Committee represents the most important forum for coordination of development coordination.

5.4.1.1 Universal coordinating bodies

A key requirement for effective global coordination would seem to be that all the stakeholders: donors, developed and developing countries should be represented and have influence on what policies are agreed on. There is also a strong desire to include representatives from civil society: NGOs and action groups. For

this kind of awareness-raising policy making/coordination there would seem to be no alternative to UN-sponsored global conferences, unless the General Assembly agenda were to be transformed into a form of annual global thematic meetings.

5.4.1.2 Operational coordination

For more operational coordination, however, a requirement would seem to be that the body should include development professionals from both developing and developed countries. The World Bank Development Committee would seem to be the most appropriate forum.

For coordination among donors, DAC would seem to be the most appropriate place, including both EU members, USA and Japan.

For EU coordination the European (Development) Council provides a forum for the Development Cooperation Ministers to meet. However, within the EU circle, there would seem to be room for the informal grouping of "like-minded" to have its own caucus, given their proportionately large contributions to ODA.

5.4.2 Coordination at the country level

Coordination of development assistance at the country level is always ultimately the responsibility of the Government. In the more advanced developing countries this is not normally a major problem, although many such countries are struggling with reforming their national administrative machinery.

In the LLDCs, however, the fragility of the national administration places a heavy responsibility on the international development community to coordinate its efforts in such a way as to avoid causing major disruption and fragmentation of efforts. Many organizations are called upon to undertake this coordination. The UN, with its Resident Coordinator and the Country Strategy Note process and the UNDP, have a direct mandate to coordinate UN efforts and an indirect one to assist the Government in coordinating all external inputs. The World Bank, where it sponsors Consultative Group arrangements and/or the Special Program on Africa, plays a significant role in coordinating the donor community for economic reform and stabilization programs and in providing the analytical support work. The European Community delegate often performs certain coordination on the part of EU Member States (this role is expected to increase).

The issue of coordination at the country level is still not adequately addressed and is a major impediment to making effective use of development resources.

5.5 Funding of multilateral development cooperation

In spite of the impressive overall totals of ODA, the funding of development cooperation is still largely a question of annual budgetary allocations. In the case of the multilateral development banks, however, multi-year replenishment agreements provide a more firm base for longer-term programming. Similarly, the EU programs are increasingly being funded on a multi-year basis. Bilateral agencies and the UN funds and programs remain essentially funded on annual voluntary contributions and a pay-as-you-go system. This creates a considerable uncertainty with regards to longer-term undertakings.

5.5.1 Funding grant aid

The underlying reason for exposing the UN programs in a pay-as-you-go system was the urge to speed up delivery in the early 1970s when expectations were for a rapidly expanding ODA. In today's environment,

however, it must be seriously questioned whether this is still commensurate with sound funding principles. (It should be noted that multibi and cost-sharing is undertaken on a fully funded basis.)

The lending organizations, including IFAD, have over the years built up a considerable portfolio of loans and credits, which are now beginning to yield return flows. A similar situation applies to IDA, where return flows are expected to provide a cushion to maintain a sizable program even with a reduced replenishment level.

A combination of outright grant aid and lending could provide the UN organizations with a safer long-term financial base. Similarly would it seem prudent to look into the possibility of a higher degree of fully funding of projects and programs.

5.5.2 Funding MDB concessional credits

The current system of replenishment negotiations based on fixed relative shares have made the concessional funds hostage to reductions in contributions from individual donors. A new model may be needed which combines predictability with flexibility. This would need to include the question of governance arrangements. One possibility which might be worthwhile to explore is combining the replenishment mechanism with more permanent purpose Trust Funds open to contributions without fixed quotas.

5.5.3 Providing services: fees and commissions

As more and more organizations will be basing their activities on providing service delivery for other aid agencies, the question of more standardized fee and commission structures may need to be addressed. The MDBs have a potential to provide many investment-related services to investors and governments. Equally, the UN programs and funds have significant capacity to undertake implementation of technical assistance.

5.5.4 Autonomous income

Organizations who operate on a fully funded basis or through loans and credits tend to manage considerable amounts of invested funds who can provide significant investment income. The World Bank financial services provide enough investment income to cover the organizations entire administrative budget and for funding reserves and certain programs. Such income provides a certain stability to the operations of the organization.

5.5.5 Charities and donations

Some organizations, like UNICEF, are increasingly funding themselves on direct donations and contributions from the general public. It is estimated that one third of UNICEF resources are provided by or through the national committees of UNICEF. Sizable private donations have been made.

6. HUMANITARIAN AID AND DEVELOPMENT COOPERATION

Humanitarian aid and longer term development cooperation compete for the same ODA resources. The increasing number of complex emergencies with often immense human suffering make very strong cases for humanitarian aid and reduce the amount available for the longer term, less spectacular development cooperation. Increasingly there appear also a demand for funds for rehabilitation and reconstruction following the emergency. It can be expected that such extraordinary demands will require significant ODA funds over the next decade. The requirements for rehabilitation of former Yugoslavia (Bosnia), the first phase, are estimated at USD 5.9 billion.

7. ISSUES

Many fundamental issues regarding development cooperation are being brought to the surface by the decreases in the stream of concessional ODA funds and the globalization of economic relations and systems. The powerful economic development effects of globalization of business relations – trade, investments and capital flows – and market-driven economic policies need to be recognized as well as the fact that these will not automatically solve difficult social and environmental issues. Neither will they by themselves solve the problems of low-income, low credit rating countries.

However, the resources generated by sustained economic growth do provide these high performer countries with the means to effectively address social and environmental issues as well as giving them bargaining power to prevent or modify potentially harmful production. The international community can assist these countries with advice and incentives as well as establishing international standards. Several developing and transition countries have now qualified to join OECD, where their economic and related policies are subject to regular peer reviews and advice.

The main issue here, however, is how to best make use of shrinking international development cooperation resources for the remaining 100 plus LLDCs, LICs and LMICs to assist them in their efforts to join this new globalized world and ensure that they have the capacity to manage their own development. Obviously, this is a task which requires long term, well coordinated and sustained support.

The short-termness and compartmentalization of the current framework can no longer be afforded when increasingly scarce ODA demand that we achieve more with less by using the resources more efficiently and effectively. The three clusters in multilateral development cooperation need to be brought closer together and roles and functions rationalized and streamlined.

The effects of the emerging major role of the European Community with its new, broader approach to development cooperation needs to be assessed. Similarly, the changes and reforms in the UN system need to be looked at in a broader perspective. The longer term role of the World Bank, squeezed between an increasing private flow of resources to developing countries and a declining ODA, gives cause for concern. The development world – both donors and developing countries – needs a core around which coherent economic, political and social development strategies can be built.

It is therefore high time to take a fresh look at the overall roles, arrangements, activities and functions of the three clusters (UN, MDB, EC) in multilateral development cooperation. Their relations to bilateral development cooperation need to be reviewed. Major donor countries have a large stake in this – their money is at issue – may want to take the initiative for such a review.

7.1 Broadening the concept of development cooperation

The broader concept of development cooperation brought forward by both the globalization of foreign direct investments and by the European Community with its potential to conduct a full policy dialogue on a confederation to state basis and spanning a very broad range of political, economic, scientific and cultural issues, represents an opportunity for a new perception of cooperation partnerships. With the huge resources involved, it could become a very powerful instrument for development. Today, though, the European Community/Commission does not have the organization nor the capacity to undertake this task. In cooperation with the UN, WTO, the World Bank and IMF, it could develop into a very powerful instrument for both global development and development in transition and poorer countries.

7.2 The market countries, the transition countries, the low-performers. The "Near abroad"

The vast changes that have taken place in the developing world during the 1990s has created a new map and new categories of developing countries. A number of countries have emerged with broad-based economic growth in East and South-East Asia and in Central and Latin America and attracting significant amounts of foreign direct investments and other resource flows. This development has, however, created tremendous strain on population groups left behind and on social and educational services which have been curtailed. New environmental problems have also emerged. Needs for international support therefore remains.

Other countries, particularly in Central and Eastern Europe, the transition countries, have emerged with a great need for support during the decade(s) during which they transform their social and economic systems. These countries, together with countries south of the Mediterranean, those affected by the Middle East peace process and the states of the former Yugoslavia have come to constitute what one might label "the Near Abroad" of the European Community. They will increasingly demand the attention of the European Community and much of its development cooperation and humanitarian aid is likely to go to these areas.

These trends are likely to leave the LLDCs more exposed and with less access to external resources than before. Increasingly they will become the focus of the activities of UN organizations and of the World Bank and the regional development banks. However, with a declining ODA it will be most important that the resources available to them are used with utmost effectiveness and efficiency. Well targeted and sustained programs will be required.

7.3 The emerging role of the European Community

As already outlined above, the European Community is emerging as a major actor in development cooperation and humanitarian aid. With its broad concept approach to development cooperation it has the potential of becoming a powerful force for development. But it has to get its act together first. The impressions have so far been of a compartmentalized organization without the body of experience and knowledge to embark on its new role. Its role and organization in conflict countries, in humanitarian assistance, in transition countries and in development cooperation is currently being discussed as part of the post-Lomé discussions. Its relations to the UN and the MDBs need to be included in that discussion.

7.4 The looming crisis of the World Bank

The World Bank is increasingly being squeezed in its traditional role as financial intermediary for projects which are increasingly financed directly by the private sector. Its net flow of resources to developing countries – lending and interest – has turned negative. At the same time its role as development agency being jeopardized by shrinking levels of ODA. IDA 11 replenishment is working on makeshift annual arrangements and the discussions of the broader framework for IDA 12 has hardly begun. It is urgent to review the role of the World Bank and its relationship with the regional development banks and the UN in a broader perspective before a crisis occurs.

7.5 The reforming of the UN

The President of the General Assembly has now presented the results of the GA Working Group on strengthening the UN. The Secretary-General has also presented actions and recommendations for reforms of the Secretariat and its funds and programs and parts of the intergovernmental machinery. These proposals will form the basis for an intensified discussion during the 52nd session of the General

Assembly of the role and organization of the United Nations in the economic and social area. This will provide an opportunity for member states to express their views on a more rational distribution of functions between the UN and other organizations in humanitarian assistance and development cooperation.

7.6 The need for a broader review

It is important that the funds for multilateral development assistance should be used with optimum effectiveness for the benefit of developing countries. Donor countries may want to take an overall look at what is happening to international development cooperation. In particular they may want to review the multilateral system for development cooperation and seek agreement on the best allocation of their funds and a more rational distribution of functions in the system.

KNOWLEDGE AND RESEARCH IN A RADICALLY CHANGED WORLD

by

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The owl of Minerva begins to fly only when dusk is falling'

HEGEL

1. INTRODUCTION

In the early Nineties three distinct shifts crystallized in the donor community's perception of development cooperation assistance. With the end of the cold war, issues of democracy and the transformation of political, economic and social systems became far more important for the donors than the creation of wealth in the developing world. The second shift has its roots in the changed conditions for world trade brought on by the rapid industrialization of parts of Asia and Latin America. The 'old' established industrialized countries began to experience the newcomers as serious rivals, with significant implications for their markets, employment and welfare. Trade and aid relations began to be linked to the question of how the conditions of production in the newly industrializing countries affected working

conditions, human rights and the physical and human environment. Notwithstanding the adoration of 'free trade', a variety of trade barriers were set up.

The third shift relates to 'human security' at both the national and international levels. The huge movements of people within Africa and Asia caused by natural catastrophes, civil wars, 'ethnic' conflicts, genocide and environmental destruction rendered the question of security ever more urgent. Within the circle of donors, the concept of 'national security' increasingly began to make way for concern about 'human security', which besides physical security encompasses the satisfaction of basic needs such as food, water, shelter, energy, health care and education.

In the industrialized world, these three shifts in perception have been clubbed together into the portmanteau concept of 'global security' which is progressively replacing the concept of 'development' among the donors. In engaging with the concept of 'global security', one ought to clearly distinguish between two different kinds of questions: the one concerns conflicts involving nation-states and groupings of nation-states, while the other deals with issues relating to the damage inflicted on the physical environment of the globe.

As a result of these shifts in thinking, one can detect palpable tension between the perceptions of the industrialized and the developing countries. For the governments of the latter group, national security and development are still of prime importance, taking precedence over 'global security'.

1.1 Impressive progress on the development front

To quote the UNDP's Human Development Report of 1997 'In the past 50 years poverty has fallen more than in the previous 500. — — — The key indicators of human development have advanced strongly in the past few decades.' Child mortality rates in developing countries are today about half of what they were in the Sixties. Over the same period, rates of malnutrition have been brought down by about a third, primary school enrolment is up from 50 to 75 per cent, and the proportion of rural families with access to safe water has risen from one-tenth to three-quarter. Since the Seventies, in 10 developing countries accounting for about a billion people, the numbers living below the respective 'national income poverty lines' has dropped by about a quarter, and in 15 others accounting for another 1.6 billion, by about a half. Besides the rise in income, all these 25 countries have witnessed substantial rise in life expectancy and access to basic social services.

Notwithstanding these impressive advances, massive challenges remain to be overcome in reducing poverty and increasing people's basic well-being, especially in the least developed countries of Sub-Saharan Africa and South Asia. In the words of the above-mentioned UNDP report 'just when the possibilities for advance should be greater than ever, new global pressures are creating or threatening further increases in poverty'.

1.2 The post-Bretton Woods age

The principal objective of the Bretton Woods system (the IMF, the World Bank, GATT) was to promote economic development in an orderly fashion in both the industrialized and developing parts of the world by regulating capital flows, and exchange and interest rates. It reigned more or less unchallenged until the mid Seventies. But since then, its central tenets have been almost completely eroded by the radical deregulation of capital flows, liberalization of world trade, and the removal of barriers to the translocation of industries from one part of the globe to another, these moves accelerating in the Eighties.

In the post-Bretton Woods era that we now inhabit, it is no longer possible to demarcate clearly between national, international and global interests and forces. These three spheres are becoming ever more

intermeshed. Mutual dependence between the OECD countries and the industrializing countries of Asia and Latin America (the strong South) has increased significantly. In striking contrast to this trend, sub-Saharan Africa (excluding South Africa), which exemplifies the weak South, has been marginalized even more, not least because of the loss of its strategic relevance in the wake of the end of the Cold War.

In this radically altered perspective, what issues are likely to prove crucial to the development of knowledge and research geared to the benefit of developing countries? What ought to guide the future course of research cooperation assistance? The questions that arise can be grouped under four broad themes, which overlap considerably: global dependence, human security, gender equality and sustainable development. Brief analyses of these four themes are presented below, followed by an examination of their implications for, and the new conditions that confront, the future of research development and cooperation.

2. INCREASING GLOBAL DEPENDENCE

As presently used, the concept of 'globalization' refers most often to the contemporary processes of liberalization of international trade and capital movements. But it is important to underline that there is much more to 'globalization' than just the economic and the financial. Environmental problems of continental and global magnitudes require transnational solutions. The borderless and instantaneous spread of information, dis-information, advertising and a lot more besides by electronic media affect social and cultural behaviour even in the most remote parts of the world. So does mass tourism. We examine below, in very condensed fashion, what 'globalization' signifies for, and how it affects, economics and trade, technology and productivity, culture, health, biodiversity and climate change.

2.1 Economic globalization

The leading features of economic globalization are unimpeded movements of financial capital across national boundaries and the increasing degree of transnational integration of production and marketing. One striking result is that world trade has increased at a faster rate than world production, and both have been outstripped by the growth in foreign direct investment. Another outcome is the dramatic increase in the incomes and the material standards of life of some sections of society in both the industrialized and the developing countries.

Economic integration of countries is leading to deep changes in the structures and patterns of production, income and consumption. The dismantling of barriers to trade and investment has brought forth re-allocations of production at the world level to exploit economies of scale, as well as differentials in wages, material and infrastructural costs and productivity. The tendency is towards larger and fewer production plants to cater to regional and global markets, to ensure competitive advantage.

Further, increasing economic integration is also resulting in uniformization of production methods among transnational corporations and of consumption patterns among privileged sections of society. However, these processes have not benefitted a great number of countries, and different regions and sections of the population within countries, which are seen by transnational enterprises as being still unattractive in terms of competition, markets and profits. As a consequence, many developing countries, as well as many regions within industrialized countries, are being economically marginalized, resulting in rising unemployment, falling income levels and increasing migration.

Another outcome is the weakening of the nation state. Unimpeded flows of financial and industrial capital, in conjunction with instantaneous global transfer of information and knowledge made possible by contemporary technology, have severely curtailed the ability of states to enforce economic policies of their own. The 'rationality' of the global market compels and controls far going changes in the functioning of labour markets, choice of technologies, political and social organization, and systems of education. By its very nature, a nation state cannot by itself find and influence solutions to problems brought on by economic globalization. On the other hand, there are still great lacunae in the development of supranational institutions with the mandate and capability to coordinate, and the power to enforce, global economic and social policies for the benefit of the vast majority of the world's population.

The rapid processes of economic globalization pose a pressing challenge to come up with answers to a battery of questions: What will lead to investments in physical capital and human skills that will ensure economic growth? What are the likely environmental consequences of such growth? What forms of regional integration can bring about growth that is commensurate with more rational use of natural resources? How can one ensure that the benefits of growth also reach weak sections of society? How are the traditional institutions affected by the economic and social changes caused by globalization and what institutional changes are essential for ensuring sustainable increases in the standards and quality of life? How can one preserve the distinctive features of nations in a globalizing world?

2.2 The globalization of new technology

Since the Sixties, the industrialized part of the world is in what may be called the third era of modern technology, which is characterized by several simultaneous technological revolutions. Instead of abating with time, these revolutions are gaining added strength by drawing a growing number of developing countries into their orbits. This latest technological transformation is being led by three groups of new generic technologies: information and communication technology, biotechnology and new materials technology. They have brought about deep changes in the production, distribution and consumption of goods and services, right across the economy and society, with more unforeseeable structural changes in the offing. They are radically altering the living and working conditions of people in the North and will do so in the South in the none too distant future. Only about a fifth of the world's population has benefitted so far from the spread of these new technologies. As for the rest, most of whom live in the developing world, daily life is still scarred by widening gaps in income and entitlements, poverty and deprivation.

Just as the advance of the first industrial revolution two hundred years ago proved unstoppable, pace the Luddites, the new technology is here to stay, its global march seemingly inexorable. But with the exception of a few rapidly industrializing developing countries, the rest of the developing world has still neither acquired the capacity, nor prepared itself sufficiently well, for reaping the benefits of the new technology, instead of falling prey to it. This is particularly true of 'the weak South', as exemplified by Africa south of the Sahara, which finds itself still outside the charmed circle of technologically advancing nations.

A range of vital questions is confronting the developing world concerning the impact of the new technologies on small scale enterprise in agriculture and industry, the production and export of traditional raw materials, employment, the environment, health, biosafety and bioethics. To be able to meet these challenges, the developing countries, in particular 'the excluded South', need to strengthen and improve their own capacity, competence and quality in many spheres of knowledge. Equally indispensable are institutional reforms and innovations, accompanied by the mobilization of indigenous stakeholders for commonly agreed action.

2.3 Implications for cultural diversity

There are signs that as globalization spreads, it could detrimentally affect the social and cultural particularities that define the myriad communities, peoples and nations that make up the world. The dynamic of globalizing forces tends to promote the 'homogenisation' and 'uniformization' of social and cultural diversities which find their expression in various identities, values and traditions. Transnationally controlled 'entertainment', 'news reportage' and 'documentaries', which are beamed around the globe through the electronic media, play central roles in this process. But the globalizing forces are meeting stiffer resistance in the social and cultural spheres than in others. While this opposition emanates from contemporary consciousness of, and pride in, that which is locally unique, it draws its sustenance and strength through its roots that lie deep in local cultural history.

The persistence of cultural specificity raises doubts about the relevance and viability of the transfer of models of knowledge-acquisition and -absorption, and thus, by implication, transfer of models of development, from one part of the globe to another, unless the models are altered in response to local conditions.

2.4 Globalization of infectious diseases

As indicated in an earlier section, the health situation in many developing countries has improved markedly over the last few decades. Nevertheless, the figures for mortality and morbidity remain unacceptably high in the least developed countries. Widening income gaps between and within countries has brought with it increasing inequity in the distribution of and access to health resources.

At a global level, the knowledge and technology for dealing with many large health problems do exist. But they are of little use to the poorer developing countries which lack the necessary economic and other resources to be able to apply the available technical solutions. For instance, on the one hand, the negative environmental impact of expanding agriculture, logging and irrigation has resulted in an increase in the risk of malarial infection. On the other, malarial parasites are becoming resistant to the existing anti-malarial drugs. These two trends reinforcing each other presage very severe problems, the beginnings of which are already evident in parts of southeast Asia, south Asia and sub-Saharan Africa.

The widespread and uncontrolled use of antibiotics in many countries, with far too short periods of treatment, has led to the emergence of resistant bacteria, which can seriously endanger effective treatment of several infectious diseases.

These unfolding scenarios, caused in no small measure by the iniquitous distribution of resources, present serious threats to the industrialized parts of the world as well. Fast and expanding mass travel, between and within continents, has dramatically increased the risks of the rapid spread of infections, both old and new, over the globe. The latest such is the movement of sexually transmitted diseases from Eastern Europe and the Former Soviet Union to Western Europe and North America.

2.5 Climate change and global security

The use of fossil fuels leads to the emission of so-called 'Green House Gases (GHG)', a concept which comprises carbon dioxide, nitrous oxides, sulphur oxides, etc. In recent years, a good deal of research has provided enough material to put forward the claim that a big increase in the concentration of carbon dioxide in the atmosphere would lead to a rise in the average global temperature, with negative consequences for the global climate. This claim has been confirmed by the United Nations Intergovernmental Panel on Climate Change (IPCC) in its second scientific assessment published in 1996.

Global warming can have catastrophic impact on human and global security: island nations and low lying coastal regions would be permanently drowned by the rise in the level of the oceans brought on by the melting of polar ice; drought would become widespread; and desertification would expand and accelerate. Persistent famines, mass migrations and large-scale conflict would be the result. Agriculture, food and water security, and international trade would come under severe strain.

Until recently, industrialized countries have accounted for most of the emission of the GHG, in particular carbon dioxide, because their economic development has been very strongly based on the use of fossil fuels. However, the same dynamic has also led to a situation where the newly industrializing countries of Asia and Latin America (the strong South) are today contributing significantly to the emission of carbon dioxide. This tendency will spread to and encompass an increasing number of developing countries unless both the industrialized and the developing countries jointly agree on implementing measures to halt and then reverse the global trend towards a rapid rise in the emission of carbon dioxide. That is the central purpose of the IPCC, which has succeeded in obtaining commitments from most of the industrialized countries to reduce their emissions of carbon dioxide.

The fossil fuel generated climate problem is very complex, with strong vested interests and special alliances. There is still considerable scepticism in the developing world about the need for measures to counter global warming, in particular in the strong South, which in no way wants to jeopardize its own rapid economic development. It is therefore imperative to find innovative solutions, both technical and institutional, to the climate problem, which are acceptable to both the North and the South.

2.6 Global conventions

The increasing pace and scope of globalization has revealed the urgent need for international systems of regulation for, on the one hand, mitigating globalization's negative impacts, and on the other, reaping its benefits. Examples of regulatory systems already in place are the global conventions on biological diversity, ocean resources, climate change, ozone depletion, desertification and trade-related intellectual property rights.

The enforcement of a variety of rights, such as those covering patents, copyrights, plant genetics and plant-species' origins, have altered the foundations of and the ground rules for research in many fields of knowledge. Entry rights that regulate the search for knowledge can confront both the developing and the industrialized countries with new conditions. Examples of this are the differential impacts on different parts of the world of the regimes of intellectual property rights, and the biosafety and bioethical regulations that govern the cross-border movement of genetically modified organisms.

In order to deal adequately with the new conditions arising out of the global conventions and to meet their obligations under the conventions, developing countries need to create and strengthen, both at the national and regional levels, not only scientific and technological (S&T) research capacities, but also the capacity to conduct policy analysis and policy research across a range of areas. By the very nature of its ambit, policy research will have to transcend the conventional boundaries that still demarcate knowledge-disciplines, and engage itself in multi- and trans-disciplinary research of a system-analytical kind.

3. HUMAN SECURITY

In addition to physical security, human security means ensuring that people's basic needs are met, which at bottom is about access to secure and adequate livelihoods and income. Seen in this perspective, the vast majority of the people in Africa south of the Sahara, south Asia, the Caribbean and Latin America are still far from attaining human security.

3.1 Physical security: Regional migrations and 'ethnic' conflicts in Africa.

Migrations of different kinds have always occurred in Africa, but their frequency and magnitude have increased dramatically in recent years. This has led to great economic, social and political problems in several African countries, triggering mass expulsions of migrants by African governments. Tribal identities and ethnic feelings have become intensified, adding fuel to simmering old conflicts, the root causes of which lie in the competition for scarce natural resources, economic entitlements and political influence.

This climate of crises has sharply weakened the legitimacy and authority of the state in Africa. The role of the state is being usurped by other formations based on ethnic and clan loyalties. Through past and current research, some progress has been made in understanding these and other causes and consequences of migration, but a lot more remains to be done, in particular in field-based empirical studies which uncover the local realities.

3.2 Conflicts about water

Large parts of the world, in particular Africa and Asia, are suffering from acute shortage of water, caused by a number of factors, both natural and man-made. Among the latter are population growth, and competition between different end-uses: town vs countryside, industry vs agriculture, etc.

In recent decades, certain parts of the world have witnessed growing conflict over fresh water, for instance around the great river systems of the Nile, Euphrates, Tigris, Jordan, Indus and Ganges. Although political conflicts in these areas have a variety of causes, the struggle for secure and adequate supplies of drinking and irrigation water is among the most important. Up to date knowledge on macro-hydrology and efficient technologies of water use, in combination with sound policy and effective management, can make critical contributions to the containing and defusing of conflicts.

3.3 The human price of forcing 'The Wealth Curtain'

A majority of the world's population does not have access to the educational and economic resources required to make use of the body of knowledge that is on offer globally. At the same time, through films and the electronic media that depict the wealthier parts of the world, and by hearsay, the 'have not' are being made aware of their own lack of material wellbeing. In the absence of the appropriate education and knowledge required to properly interpret what they see on the media, many in the developing world build up high expectations of what they can partake of in the rich countries, if only they can find a way of slipping past the 'wealth curtain' that separates the rich from the poor. There is an increasing number of reports of young people with some school education to their credit, trying to cross the 'wealth curtain' illegally by extremely hazardous means and in the process either losing their lives or ending up as slave labour in Western and East Asian cities.

Population growth, in conjunction with the absence of any realistic prospects of making a decent living where they are, is building up great pressure on the more dynamic and daring of the young in poor countries to try and emigrate at all cost to the industrialized parts of the world.

There is an urgent need to explore and explain the underlying intra-national and international causes that fuel illegal emigration. Such investigation must be holistic and be based on the concrete realities of local culture, society and economy that impinge on the lives of the poor. Such effort calls for other ways of conceptualizing and analysing reality than are currently on offer by entrenched theories and methods of knowledge in the social sciences and humanities. This non-academic 'alternative epistemology' needs all the encouragement and support it can get.

3.4 Urbanization and human security

Only a small fraction of the population in industrialized countries lives in the countryside, the rest is all urbanized. The same historical process is underway in the developing countries. At present, more than half the population of Latin America is in towns and cities. A couple of decades from now, Africa and Asia will follow suit. The rapid rate of urbanization has its origins in the steadily declining resources and opportunities in the countryside for livelihoods and incomes, for the improvement and development of the young, and for provision of public and private services in education, health care, markets, transport, culture and entertainment. The countryside is seen as an eternal 'poverty trap'. For all these reasons, it is impossible to stem the accelerating rate of urbanization.

Less well known is the striking fact that the growth rate of urban births is now substantially higher than rural births in many parts of the developing world. That singular trend will by itself ensure that the urban population will soon outstrip the rural one.

Urban growth has not yet brought about a decrease in poverty. But it has clearly exposed the causes and consequences of poverty, in a way that the countryside could never do. This awareness, however unwelcome, has forced itself on to the daily experience of the more well-off urban dwellers and the various powers that be.

Among the positive consequences of urbanization are real possibilities for achieving comparatively rapid economic growth, higher productivity, more employment and better social services. These expectations are increasingly being borne out in the cities of Asia and Latin America, whose combined contributions to the total GDP is now much higher than that by the countryside.

Another aspect of urban growth is that the urban poor will increasingly organize themselves to agitate for better conditions of life, which involves, among other things, opportunities for decent livelihoods and the satisfaction of basic needs. Such agitation is likely to escalate in magnitude and strength in the face of the continued indifference to the problems of the poor and the resistance to their demands by the powerful owners and controllers of large-scale resources (whether domestic, foreign or global).

Up to date knowledge is required on the conditions that prevail in urban areas, on how to build on the basis of the existing positive outcomes of urbanization, and on locally relevant methods, strategies and institutional innovations for local resource mobilization which closely involve the urban poor themselves. This should go hand in hand with technical work to develop low cost and sustainable solutions for the provision of clean water, sanitation, shelter, energy, paved streets and public lighting in the areas where the urban poor live.

3.5 Diseases of poverty and wealth

To the already existing burden of infectious diseases caused by poverty, which most developing countries are hardly coping with, a new one has been added in the shape of degenerative diseases such as cancer, cardiac and circulatory conditions, and certain types of diabetes, which are attendant on increasing

relative wealth and longevity of some sections of the population. The resulting 'double burden' of health care is set to become increasingly onerous, because of the unflagging dynamic of the current 'dual' economic and social systems, and the attendant demographic and epidemiological trends. However, for the foreseeable future, the health situation in the developing world will continue to be dominated by the well-known panorama of poverty-engendered infectious diseases: malaria, tuberculosis, respiratory infections, diarrhoea, measles, AIDS, sexually transmitted diseases, etc.

A number of factors, which are beyond the control of the health sector, greatly affect the overall health situation in developing countries: general levels of nutrition, private and public hygiene, sanitation, environmental pollution, accidents and so-called 'high risk life styles'. The increasing privatisation of health care, which is partly a result of the structural adjustment reforms to which almost all developing countries are now beholden, has widened the 'health gap' between the poor and the well-to-do.

The emerging panorama of 'longevity and welfare related diseases' in the developing world is no longer confined to small elites, but is spreading to broader sections of the middle-income groups. This further compounds the cost-burden of health care, in the sense, that the expensive treatment must now be made available to larger numbers, necessitating investment by the state in corresponding health infrastructure. Notwithstanding this, and in light of the great scarcity of resources facing most developing countries, much higher priority ought to be given in allocating resources to tackling the health problems of the great majority, i.e. poverty-engendered infectious diseases.

R&D that contributes to cost-effective preventive and curative measures, and to the innovation of inexpensive vaccines and medicines, that would be within the purchasing power of the poorest countries, needs to be funded, both at national and international levels. The poorest of the developing countries require support to map out the details of their most pressing health problems. There is a great need for assistance in these countries for creating and strengthening national capacity for conducting health research.

3.6 The democratic transition

During the late Eighties and the early Nineties, there grew demands, both inside and outside many developing countries, for democratisation of states run hitherto on one-party, authoritarian and dictatorial lines. The general elections that followed shortly thereafter for electing national parliaments and local assemblies signalled the start of the democratic process in many countries. It became possible for new political parties to be set up, for older parties to emerge from the sidelines, and to exercise the rights, however rudimentary, to freedom of speech, assembly and expression.

Social scientists have studied these democratisation processes with keen interest. Broadly speaking, one can detect two main approaches in democracy research, which sometimes overlap considerably. The one originates in the studies of the democratic movements and social organizations that emerged, for instance, in parts of Asia and Latin America; the other in the analyses of the collapse of the totalitarian regimes in Eastern Europe and the Soviet Union. The former approach is based on the conviction that for democracy to take root and flourish, one needs to mobilize forces from oppressed sections of society in the service of democracy, in order to oppose the power exercised by small elites under the protection of dictatorships. The latter is based on studies of the struggle between 'civil society' and the state nomenclatura.

In some countries of East and Southeast Asia, and in the southern cone of Latin America, strong economic growth and the associated rise of the middle class have preceded the transition to democracy. This has prompted the thesis that, under certain contexts, rapid economic development under authoritarian regimes can result in the rise of a strong middle class which sees its future prosperity as being contingent on a

democratic rather than a dictatorial order, and which therefore actively agitates for a democratic transition (a striking example of the law of unintended consequence!).

The concept of 'formal democracy' has by now been fairly comprehensively studied and described. Its workings have been analysed and understood. However, there is still much to be done on situation-specific 'real democracy': the forces that initiate and propel its advent, the forms it takes in practice, the way it works, and the impact it has on polity and society. An important objective of the research effort now being expended on real democracy is to arrive at ways of decentralising the decision-making processes and institutions, and in making them effective.

3.7 Causes and consequences of human insecurity

As sketched in the foregoing sections, the majority in the developing world are living in very insecure conditions. Their insecurity relates to the issues of food, water, energy, shelter, health care, private and collective property, repression, civil war and environmental destruction. Widely differing descriptions, opinions and explanations are on offer as to the causes and consequences of human insecurity. Similarly with proffered solutions.

Some maintain that the debt burden, globalization, free trade and the 'new world order' espoused by the G-7 group of industrialized countries has worsened rather than mitigated global human insecurity by making the rich richer and more powerful, the poor poorer and more impotent. Others lay the blame on overpopulation, unsustainable use of natural resources, low productivity in agriculture and industry, endemic corruption in high places and unaccountability of governments. And so forth.

These debates deserve serious notice. To steer a proper course towards a better future, the developing world has to arrive at a comprehensive and valid understanding of why and how large-scale human suffering arises, and to find commonly agreed ways to overcome it. To generate the required knowledge, one needs to promote pluralistic research, unhampered by special interests.

4. GENDER RELATIONS AND GENDER EQUALITY

As the global movement to achieve greater economic and social development has gathered pace, it has become increasingly clear that the status and role of women, and the relations between women and men, are among the central issues that will determine the outcome. Until recent decades, women, because of their being women, have suffered massive discrimination and exploitation in almost every sphere of life, over and above the injustices that have been the historical lot of the majority of the populations in the developing world.

The situation has begun to change for the better, albeit very slowly. Women in the developing world have today considerably more access to economic opportunities, education, health care and other social services, legal rights and public office, than they had a couple of decades ago. But the picture is very uneven, as a global survey by UNDP reveals. UNDP employs three indices to measure the advances being made: The Human Development Index (HDI), the Gender-Related Development Index (GDI) and the Gender Empowerment Measure (GEM). While the HDI relates to basic human well-being (health, longevity, education and standard of living), the GDI measures the inequality in HDI levels between women and men, and the GEM the gender-related access to participation in economic and political life and decision-making. The survey (The Human Development Report, UNDP, 1995) shows that the developing world is well behind the industrialized world on all three counts, the values of the indices being, on average, about one-third lower. And there are striking differences within the developing world: Latin

America is ahead of Asia and the Middle East (about one-sixth on all indices), while Sub-Saharan Africa has still a considerable distance to cover (about one-half to one-third lower than Latin America).

The global struggle to achieve gender equality and to eliminate inequities in gender relations, has gained momentum thanks largely to women activists campaigning through community-based and non-governmental organizations linked through national, international and global networks. They have received a variety of support by many governments and state institutions, in both the developing and industrialized worlds. But formidable challenges remain.

As before, striving for equality in access, entitlement and empowerment will be the three key approaches to future progress. Again, as before, the primary issues to tackle will be the following:

- proper valuation and recognition of household work, upbringing of children and family care; equitable sharing of these responsibilities between both parents.
- changing the social, cultural and ideological values and attitudes that are at the root of violence against women, both inside and outside the household.
- sustainable livelihoods (including paid employment and self-employment); abolition of wage discrimination by gender; financial credit and technical advice for micro-enterprise.
- education, health care (including reproductive health care) and social day care for children.
- property and inheritance rights, divorce rights and divorce settlements.
- abolition of legal discrimination, access to legal systems and provision of legal literacy to women community leaders.

On all these issues, there continues to be a great need for in-depth knowledge, of both locally-specific and more generally valid nature. Such knowledge is indispensable not only for crafting and implementing appropriate policies and strategies, but even more so for empowering activists who are the primary agents of change.

5. SUSTAINABLE DEVELOPMENT

The world population of about 6 billion is currently growing at the rate of about 90 million per year and is estimated to rise to 8 billion by the year 2020. Most of this increase is expected to occur in the developing world. But the natural resource base to sustain the global population is finite and is rapidly shrinking on a per capita basis. Further, the present widespread practice, in both the industrialized and developing parts of the world, of environmentally destructive use of natural resources is further eroding that base. Historically, and even at present, the industrialized world is by far the greatest polluter and destroyer of the environment, but the developing world is emulating its example. To avoid irreversible global catastrophes, it ought to be in the evident self-interest of both the industrialized and the developing worlds to jointly embark on the road to sustainable development. This implies finding and practising ways of sustainably using natural resources, innovating new environmentally least-destructive technologies that will deliver rapid but sustainable increases in productivity, and not least, replacing the now dominant paradigm of 'consumerism' by one of 'essential consumption'.

5.1 Sustainable use of natural resources

The so called 'Green Revolution' of the Seventies and the Eighties led to dramatic increases in the productivity of cereal agriculture. It was based on the breeding of high yielding varieties of maize, wheat

and rice, which were then cultivated under intensive use of irrigation and chemical fertilizers and pesticides. That 'revolution' has reached its limits. Agricultural growth rates have been declining for some years now and the negative effects of industrialized agriculture are becoming evident: toxic contamination of soils and water bodies, water logging and salination of soils, and the erosion of genetic diversity in food crops.

Water shortages have reached crisis proportions in many parts of the developing world, in particular the Middle East, Southern Africa, the Sahel Belt that stretches from West to East Africa, and parts of South Asia. These arid and semi-arid areas must retain their ability to produce enough food to feed their current and future populations. The problem is compounded by the fact that expanding agriculture and transnational timber trade accelerate the processes of deforestation, soil erosion, spreading of existing deserts and creation of new ones.

The large-scale clearing of tropical rain forests by national and transnational timber companies is particularly alarming, given the absolutely vital role they play in sustaining the world's priceless genetic diversity in flora and fauna. This genetic diversity is indispensable for future increases in agricultural productivity and for pharmaceutical innovations to combat present and future diseases.

The industrialization and urbanization of coastal zones, as well as large-scale commercial aquaculture of sea food destined for the high-price markets of the industrialized world, are causing immense and irreversible damage to the ecology and natural regenerative productivity of coastal belts, on which the livelihoods of the coastal fishing communities depend.

As in the industrialized world today, within the next few decades the majority of the population in the developing world will be living in urban areas. Further, all the indications are that urban growth will continue to accelerate. In the severe competition for food, water, energy and other entitlements, the rural population will increasingly lose ground to the urban one.

Humanity is faced with a double challenge, that of survival and development. On the 'survival front', the questions one is faced with are about adequate supplies of food, water, shelter, energy, etc, in an environmentally sustainable way, to a world population that will have grown by a couple of billions in the next few decades. On the 'developmental front', the pressure will continue to build up, firstly, about maintaining the current momentum in increasing the quality of life (in both material and social terms), and secondly, about widening the arc of the 'sustainable good life' to include more and more of the global population. This dual challenge is setting the global agenda for new revolutions in production, productivity, social relations and social equity.

5.2 Agricultural productivity in Africa

Over the last four decades, Asia and Latin America have engineered dramatic rises in agricultural productivity. In vivid contrast, sub-Saharan Africa (excluding South Africa) has experienced a long-term trend decline in agricultural productivity. Africa's inability to launch itself on a rising productivity trajectory has a number of causes. Besides soil, water, pest and climatic conditions which in parts of the continent are severely non-conducive to higher productivity, and the persistence of traditional technologies in small-scale farming, one can adduce dysfunctional pricing policies by governments, traditional land-human relations (use, tenure and ownership), labour migration to mining areas and towns, etc. Given these highly continent-specific natural, economic and social causes, there is justified scepticism about whether the knowledge, experience and models that have led to higher productivity in Asia and Africa (let alone Europe and North America) would work in the African context. In fact, the attempts made so far in transferring such models seem not have yielded the expected returns.

There is a need to accumulate more fundamental knowledge on Africa's soil biology and complex conditions for cultivation. And the same applies to 'new-old' systems of farming such as agro-forestry, which needs to be balanced against other commercially attractive and legitimate cash crop production by small holders. Similarly, one needs to know more about locally-specific land-human relations, and economic and social dis-incentives, that would militate against increased productivity.

5.3 Technology for sustainable development

Sustainable development is predicated on the premise of least possible damage to the environment in the production, distribution and consumption of goods and services. But most modern technology in use today, in both the industrialized and developing worlds, is still very far from approaching this ideal. It is therefore contingent upon international development cooperation to strive for the universal introduction and strengthening of the paradigm of sustainable technology.

The new paradigm comprises the principles of recycling of raw materials and energy, and high degrees of efficiency in their use, as well as the bio-degradability of waste and the rehabilitation of degraded environment. A systematic application of these principles could lead to a range of new technologies of fundamental importance to sustainability scenarios, energy technologies being part of the vanguard. In proportional terms, very little of the global R&D in industry and infrastructure is at present geared to such objectives. And almost nothing is in evidence in the developing world. All of which adds up to a powerful argument for devoting development assistance resources to promoting research on and the transfer of sustainable technologies.

Innovation and transfer of technologies are not enough on their own. Their proper use is the key to sustainability, which is where technology policy and technology management come into play.

6. CHANGED CONDITIONS FOR RESEARCH DEVELOPMENT AND RESEARCH COOPERATION

6.1 The widening knowledge-gap between developing countries

In talking about the 'knowledge-gap between countries' one ought to differentiate between 'traditional' and 'modern' knowledge. Roughly speaking, the latter concept stands for the knowledge that is generated by methods which have their historical origin in Western Europe and were spread around the globe over the last two centuries. As such, 'modern' knowledge has acquired a non-location-specific and 'universal' character. In contrast, 'traditional' knowledge has retained its distinctive location and cultural specificities, and developed within well-defined geographical boundaries. Thus it is scarcely meaningful to compare different bodies of traditional knowledge and speak about gaps between them. The concept of the 'knowledge-gap between countries' makes sense only in the context of modern knowledge.

It is of course no longer news that the distance between the industrialized and the developing countries in the arena of modern knowledge has greatly increased during the 19th and 20th centuries, and the rate at which the gap is widening has accelerated drastically over the last five decades. What is new and striking however is the fact that the knowledge gap between developing countries too is growing at an accelerating pace. One statistic is enough to drive home the point: nearly all of the mere five percent of the global R&D which takes place in the developing world as a whole today is concentrated in about half a dozen developing countries in Asia and Latin America. The reason is that, in this strong South of newly industrializing countries, the state has invested substantial resources at all levels of education and in R&D. The rewards have been handsome: a diversified and skilled workforce of substantial proportion, a firm

base of knowledge and skills for backing up rapid industrial and economic development, and a S&T infrastructure for facilitating the absorption of the know-how and the know-why of imported technology. This drive to acquire and create knowledge has been in high gear since the 1970s.

Even in the 'weak South' there has been striking growth in higher education. For instance, at the end of the colonial period, sub-Saharan Africa (excluding South Africa) had only 6 universities, now there over 150. Further, research has become an integral aspect of universities, however modest the investment and the output. Autonomous research institutions have proliferated. There is a substantial stock of university graduates in a wide range of disciplines.

Notwithstanding its creditable performance so far, in comparative terms the 'weak South' is way behind the 'strong South' in investment in education and training. Again in comparative terms, R&D allocations have been marginal and ad hoc. The principal cause behind this poor record, in particular in sub-Saharan Africa (excluding South Africa), is the onset of continental-wide economic crisis in the early Seventies, which worsened with every passing year and still persists in most African countries. With African governments reeling under the impact of over two decades of economic crises, public investment in education and research was relegated to the bottom of the list of priorities. Little wonder then that the 'weak South' still find itself largely isolated from the bulk of global knowledge.

Other serious consequences for higher education and research will flow from the widening knowledge-gap between the developing countries. The largest proportion of donor contribution to research is at present earmarked for arriving at research results of potential benefit to the developing world. All the signs are that that policy will continue to apply in the foreseeable future. This strategy puts a premium on speed, cost-effectiveness and risk minimization in achieving results. This, in combination with the persisting cuts in the development aid budgets of most donors, is likely to reinforce the trend of channelling a greater share of the research funding towards the 'strong South' with its potential to deliver results.

In recent years, transnational corporations (TNCs) have begun to move a part of their R&D activities to the strong South, for instance in the areas of cash crop agriculture, food processing, pharmaceuticals, capital goods, electronics and telecommunication. Although this movement is still very small in terms of the total R&D of the TNCs, that it has started at all is significant. Besides the S&T infrastructure, what attracts the TNCs are the comparatively much lower costs involved in hiring local R&D personnel, who can match up to the same standards of competence as their counterparts in the West. Given the state-of-the-art information and communication technologies, the actual geographical location of R&D personnel is becoming less and less of a constraint. Much more important to the TNCs are the criteria of cost-effectiveness, quality and reliability.

R&D investment from the North to the South is following the same pattern and taking on the same strategic role as Foreign Direct Investment (FDI) in firms: the total annual flow of FDI from the North to the South is today substantially higher than the total annual flow of development aid; and most of it goes to half a dozen industrializing countries in Asia and Latin America. Very little finds its way to the excluded South, in particular sub-Saharan Africa (excluding South Africa).

In the present climate of diminishing aid flows, the likely cumulative effect of the above trends will be the temptation to invest increasingly less in the creation and strengthening of research capacity and competence, *per se*, in the weak South. *The big question is whether the donor community wants to and is able to halt and reverse this trend? Another question is whether it would be possible to convince the strong South to dip into its by now abundant coffers and start providing substantial financial, technical and knowledge resources to the weak South, for the local development of knowledge and research?*

6.2 Differentiation within the 'excluded South'

The concept of the weak or excluded South itself needs to be further qualified. It is anything but a homogenous and undifferentiated group. Since de-colonisation began in earnest about forty years ago, some infrastructure and capacity has actually been created in higher education and research in many developing countries that are still far from industrializing. The magnitude, strength and performance of this professional and technical infrastructure varies considerably across the spectrum of countries that constitute the weak South.

This deeper differentiation needs to be seriously taken into account by the donor community. In practice, this would imply that a donor's approach to research assistance ought to be shaped by in-depth knowledge of the recipient countries' current capacity and competence, reinforced by active dialogue, in order to arrive at assistance policies that are adapted to countries' current positions along a 'development scale'. Such an approach soon reveals that in many countries of the weak South it is perfectly possible to integrate the objective of result production with that of capacity and competence building. Indeed, with the exception of extremely weak countries, such an integrated approach ought to be the rule.

6.3 Impact of globalization on research cooperation

Globalization will affect not only the research agendas worldwide, but also the way research is conducted in many fields. Being 'country-blind', it will try and impose the same 'uniform' processes and norms everywhere. Although the response of countries individually to this onslaught will be shaped by their own specificity, they can avoid duplication of much effort, and thus conserve resources, by exchanging their experiences of how they have tackled this challenge.

This sheds a new light on and brings a new urgency to the old and vexed question of transfer of knowledge between developing countries. In principle, many have espoused this cause. But little has actually been achieved in practice. The dominant paradigm is still the North-South transfer. If it is true that countries can effectively learn from each other and absorb each other's experience on how they have responded to the process of globalization, it ought to be, by the same token, also valid that non-country-specific output of knowledge should be transferrable and 'universally' usable. For instance, natural sciences, technology and medicine, which are prime candidates for globalized and globalizing research, ought, by the nature of their 'universal' character, be amenable to South-South transfer. Knowledge in the social sciences and humanities tend to be less so, given their origins in the specificities of societies, economies and politics.

The fact of the matter is that research practitioners tend to exchange their knowledge on the global scene, in so far as it has no potential commercial value extractable within the framework of intellectual property regimes. There is, however, a good case for urging the donor community to play an active role in facilitating South-South transfer of publicly-funded research output. So far, such an objective has not been at the forefront of the donor community's agenda.

6.4 Changing scenarios in financing higher education and research

In relation to the situation obtaining at the start of the decolonization process in the late Forties and early Fifties, higher education and research have expanded greatly in the South. In terms of sheer volume, the expansion has been the greatest in Asia, followed by Latin America and then by Africa. However, in per capita terms and

in relation to the actual need, and most importantly in terms of quality of output, the performance by the South is still very modest and falls far short of the intellectual capacity and competence built up in the North.

The accelerated growth in higher education and research in the South has been financed almost exclusively by the public sector, mostly by the national governments of the developing countries, with some modest support by the international donor community. There is no gainsaying that the achievement to date would have been impossible without the state shouldering most of the burden. This is as true of the strong South as of the weak. This reflects precisely the role of the state in Europe, as it built up its higher educational and research infrastructure over several centuries.

While everything still points to the vital role that the state has to and will continue to play, recent years have nevertheless witnessed cutbacks in the public financing of higher education and research, in a number of industrialized and developing countries. Further, in several leading OECD-economies, the hitherto prevailing custom of public funding of the core budgets of a wide range of R&D activities is being replaced by targeted funding of a limited number of 'leading sectors'. At the same time, some sectors of university-based research have attracted significant amounts of private funding. In some 'front-line' areas of science and technology, private financing has become the dominant source. This shift is linked, among other things, to certain changes in the system of intellectual property rights (IPR), which further strengthen the rights of individual practitioners of university-based R&D. Private universities are on the increase in some countries of the strong South.

The changing balance between public and private financing, in conjunction with the new global IPR regime, is altering the conditions for research, research cooperation and the dissemination of research results. In view of this, research donors have to rethink their current stance. They will be obliged to craft new policies and strategies, more appropriate to the changing circumstances.

6.5 The role of the European Union as a research donor

The European Union (EU) provides support to research of relevance to developing countries through a special programme, albeit as a small fraction of a very much larger framework of support to European regional R&D programmes. Most of the support is earmarked for projects in which researchers from EU-countries collaborate with their counterparts in developing countries.

The EU has the potential to become a very major provider of research funds to the developing world. That potential remains unrealized so far. What is lacking is a policy decision by the powers that be to convert that potential into actuality.

Efforts are currently underway in the Commission to launch an initiative to provide research issues a clearer role within the general development assistance. A central feature of the initiative will be that in future negotiations with recipient countries the Commission will stress that support for promoting indigenous research capacity is one of EU's priorities.

6.6 Research cooperation and partnership

Until recent years, with a few exceptions, research cooperation has been characterized by research by industrialized countries 'for' rather than 'with' developing countries. From the early Nineties, however, there seems to be a growing trend towards greater 'partnership'. Large international research programmes now invite decision makers from developing countries to participate in the formulation and implementation of research agenda which address the interests of the South. International and regional fora have been, and are being, created to this end. One talks more often now of partnership in, and dialogue for, identifying research problems which take account of local conditions in the developing world. The 'partnership' approach implies that the 'recipe' is not pre-determined but grows out of an interactive process.

6.7 Information technology and global research environment

Information technology (IT) has become a self-evident and common tool that researchers in the industrialized world now routinely deploy in their work. To them, the computerized processing and transfer of information and knowledge is a daily affair. Computerized modelling has become an indispensable technique in many theoretical and experimental sciences, in particular in areas that deal with large and complex systems. Increasingly, research groups in the North are linking themselves into the growing number of 'virtual' universities being created in cyberspace in many specialist areas of knowledge.

IT presents both a great opportunity for, and a worrying threat to, the future of higher education and research in developing countries. The opportunity arises through the technological possibilities that IT offers for very rapidly ending the developing countries' isolation from the 'global mainstream' of knowledge production, and for dramatically increasing their access to global stocks of knowledge at (in the longer term) very low costs. The threat consists in their present incapacity, in terms of essential threshold investment and technical skills, to join the IT-revolution in time and being sidelined in perpetuity from the 'global mainstream'.

To the degree that IT is available to them, the best researchers in the South are being sought after as members of globalized research environments and virtual universities. There is a danger that the best minds in the South may largely concentrate their energies on collaborative work with their global peers that IT makes possible, and feel less motivated to contribute to the upgrading of local research capacity and competence that they would otherwise have felt as being the essential base for their own work. In order to avoid the resulting fragmentation and weakening of local and national research bases, national authorities in the South and international research donors need to provide IT facilities to research milieux in the developing world.

In today's world, a pre-condition for turning out high quality research is access to reliable, continuous and rapid communication between researchers spread over the globe. If timely and sufficient investment in IT is not made, not only will the research conducted in the South decline rapidly in quality, but also its very relevance will be at stake.

Over the last two decades, several donor agencies have contributed substantially to the creation and strengthening of regional research networks in the South. This has enabled both the previously existing and newly created research capacities at local and national levels in the South to be mobilized and brought into dynamic research programmes, which would otherwise have not been possible. It stands to reason that these networks be strengthened through the provision of IT-facilities, making it possible for them to dramatically increase the speed and efficiency of intra-network communication, which is bound to translate into higher levels of performance.

7. CONCLUDING REMARKS

It is increasingly being recognized that knowledge is as crucial a determinant of development as investible capital, skilled labour and appropriate and accountable institutions. A growing number of developing countries (among them the continental states of China and India, which between them account for more than a third of the global population) have built up, and are continuing to build up, intellectual capacity and competence that can fuel their own further development. But in the least developed countries, in particular in sub-Saharan Africa, which constitute the 'weak South', there is still a long way to go. Therefore, as we

have argued above, one of the principal goals of donor-funded research cooperation with countries of the 'weak South' ought to be the expansion and strengthening of research capacity and research competence.

Another theme that looms large in this review is the question of human security. Poverty is at the root of human insecurity. The causes and consequences of poverty are only partly national. They are just as much regional, international and global. Solutions to the interlinked problems of poverty, human insecurity, the destruction of the environment, consumerism and unsustainable global systems of production and trade require collaborative intellectual effort across the 'development divide'. Research donors can facilitate and catalyse the search for new knowledge to tackle these globalized problems by backing up research programmes which are regional, international and global in character.

BETWEEN GOD AND TOOTHPASTE

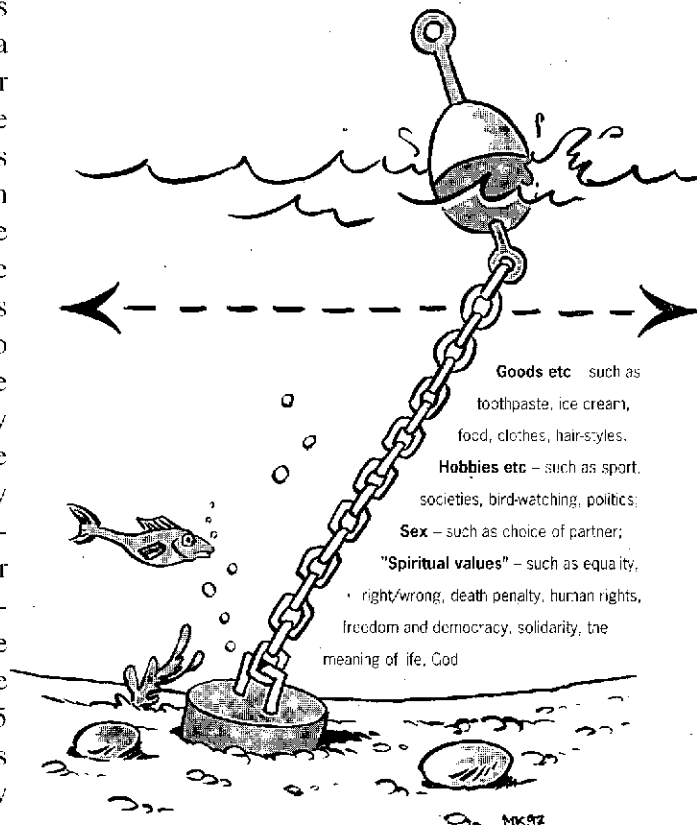
*Values, attitudes and opinions on Swedish development
cooperation in a long-term perspective*

by

Bengt Liljenroth

Former Head of Sidas information department,
1996

We live in a time of great changes and will continue to do so as long as we live. But not everything changes a great deal or even rapidly. Even in times of great and rapid changes our deep patterns of values remain fairly constant in every one of us. This situation can be likened to an anchor holding a buoy in position. The anchor is lying more or less immobile, deep down in the water, while the buoy which is fastened to the anchor is continually changing its position, moving in one direction or the other, depending on the turns of the winds and currents: If we believe in a God when we are around twenty years old, it is also more likely than not that we also do so when we are fifty or seventy. On the other hand it is less likely that we stick rigidly to the same soap or toothpaste during the same period. Our deep-lying values remain fairly unchanged, while our opinions and standpoints, which lie closer to the surface of our personalities, change continuously throughout our lives. This means that, despite the pace of change in most things which concern us, we can assume that the values held by the 20-25 year-olds of today in deep-lying questions will remain fairly stable during the next few



decades. This is of importance when we think about how attitudes in respect of Swedish development cooperation can be expected to change during the same period. The question is where development cooperation is on the scale - how exposed is development cooperation to different currents of the tide?

1. THE READINESS IN SWEDEN TO GIVE SUPPORT FOR DEVELOPMENT

In Sweden the readiness to give support is strong. This claim can be made without one shaking in one's shoes. Sida¹ has commissioned public opinion surveys each year for over 25 years. Over the years the surveys have shown variations in support in respect of the amount of development assistance Sweden should allocate in relation to GNP/GNI. These shifts closely follow swings in the economic cycle. But in one respect the changes are small, namely if a comparison is made between the group which wants Sweden to participate in development cooperation under all circumstances with the group that wants to abolish it completely. Not even in the deepest economic recessions has the latter group exceeded 10 per cent of the population. So while the group that wants to increase Swedish cooperation or to maintain it at unchanged levels has varied between 52% at its lowest and 88% at its highest, the group who want to give development support under any circumstances has varied between at lowest 90% and at most 94% during the 25 years or more that surveys have been carried out. The really strong opponents of development cooperation have thus only comprised between 6 and 10% of the Swedish population.

The extent of the changes *in the group* that wants to provide support for development in one form or another is in strong contrast to the lack of change *between the groups* who want and do not want to give support. This would indicate that the issue of whether Sweden should give development cooperation or not is in an area which is more deeply anchored in people's hierarchy of values ("the buoy anchor issue") than the issue of the volume and efficiency of the support. The issues of the amount and type of support which should be given are, for most people, issues of a "toothpaste character". Here it is easier to change one's opinion depending on the situation in society and state of the economy.

This assumption is confirmed by the in-depth interviews started by Sida in the summer of 1992². From these interviews it is evident that the most important reason why Sweden should give support is a moral reason. "Most of those interviewed feel that the third world is of need of support for purely humanitarian reasons."³ This reason was given as the most important by both company directors and by young people, by teachers in general studies and by members of Parliament.

In this paper I shall discuss different future trends which can be foreseen by looking at the age in which we live, in Sweden and in comparable countries in Europe and North America. The discussion is based to a great extent on existing studies in respect of the future, some analyses of opinion on development cooperation in the western world, and the qualitative surveys of several different groups in Swedish society which Sida has had performed during the last four years.

¹ When I speak of Sida in this paper I refer to both SIDA (1965-1995) and Sida (from 1 July 1995). SIDA, spelt in capital letters, is used in quotations where it appears in the original text.

² Hitherto Sida has commissioned two surveys with the general public, two with decision-makers in Swedish trade and industry, one with young people 16-25 years old, one with participants in programmes of development cooperation (aid workers, volunteers, consultants etc), one with members of Parliament and one with teachers in general studies.

³ Augur Market Analysis (Augur Marknadsanalys AB): "Views on government aid and Sida. An analysis and summary of opinions and attitudes from four surveys", Stockholm 1993, p. 4.

The importance of opinion and the political debate for Swedish development cooperation Public opinion and the Swedish political debate on development cooperation are closely connected with each other. Never has development cooperation been so strongly debated and questioned as during the last Swedish government – a government which made considerable political efforts to criticise Sida.

After the change in government in 1994 the new government demonstrated its confidence in its development cooperation administration. The organisation of Swedish development cooperation was restructured. The government also managed to maintain the volume of development cooperation at unchanged (but frozen) levels while much other government expenditure was cut. The criticism of development cooperation was almost completely silenced.

After the change of prime-minister in March 1996, the situation has changed once again, at least temporarily. Expenditure on development cooperation, as most other government expenditure, has been reduced. Development cooperation has (in the words of the minister for development cooperation, Pierre Schori) reached “the border of disgrace”, i.e. 0.7% of GNI. The new prime-minister, Göran Persson, has drawn attention to the issue by making statements negative to development cooperation on several occasions. In a television news programme on 10 April 1996 the prime minister stated: “Everything does not need to be development cooperation. That is a rigid and short-sighted way of looking at it.” Or reported on in the Swedish daily “Svenska Dagbladet” on 2 May 1996: “Now, according to Göran Persson, it is no longer a question of development cooperation, that phase is over.” Or in the TV news in TV 4 on 10 June 1996: “I am very, very sceptical to traditional development cooperation work. We soon need to be past that phase.”

All these references have concerned development cooperation with Central and Eastern Europe, but, in combination with the budget reductions, the statements have been understood as sufficiently clear political signals for opening up for new expressions of opinion critical to development cooperation. Thus, during the spring of 1996 three critics writing in various large Swedish newspapers demanded in rapid succession and without very serious arguments that Sida should be wound up.

The political climate in respect of development cooperation in the spring also led to customary support for development cooperation and demands for the restoration, in practical terms, of the 1% goal. This support comes from the traditional promoters of Swedish development cooperation – the Liberal Party, the Christian Social Democrats, the Christian Democrats, a number of non-governmental organisations active in the development cooperation field and the independent journalist Lasse Berg. But, despite these manifestations, criticism against the reductions was so mild that on 1 July 1996, “Tendens” (Trend), a radio programme, spent an hour discussing why the protests are so weak today compared with the manifestations of opinion in favour of development cooperation during the 1970s.

2. WHAT DO THOSE IN FAVOUR OF DEVELOPMENT COOPERATION WANT?

That stated above contains a contradiction. On the one side it is maintained that opinion in favour of development cooperation is strong and stable, and on the other that opinion flits to and fro according to the political signals given, i.e. that development cooperation can be found both near the anchor and the dissolute buoy. Here a clarification is necessary.

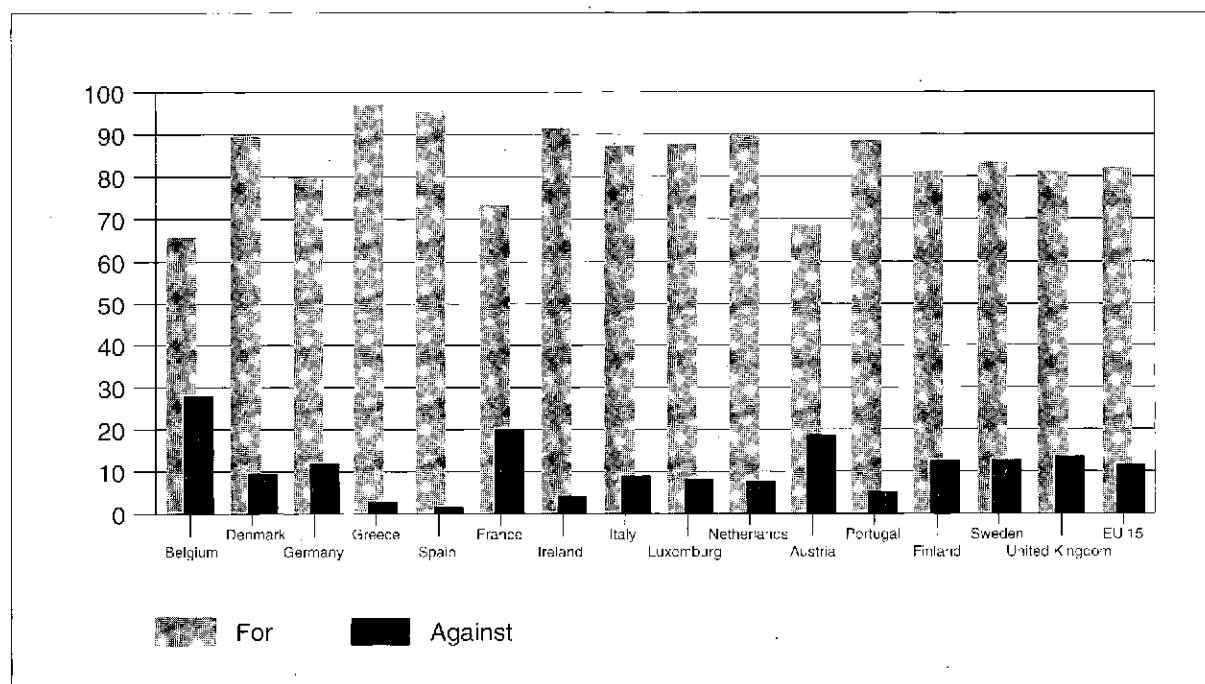
Where the anchor perspective is concerned, both Swedish and international surveys clearly indicate that there is genuine support for the idea of development cooperation. This can be seen very clearly in the

opinion survey of development cooperation in all EU countries which the European Commission carried out last year (see table below).⁴

As can be seen from the table, support for development cooperation in the EU is, on average, 80% while opposition is slightly over 10% which means that in this respect the situation is very good. It is interesting to note the strong support in the Mediterranean countries which are themselves interested parties of a programme of support (the Mediterranean programme) benefitting from being suppliers of goods and services in programmes of development cooperation in that region. Where public opinion is concerned there is undoubtedly good reason to continue to work on the plans which exist in the EU of trying to establish a special Baltic Sea programme of a similar type as the Mediterranean programme.

In a recently published report on an OECD seminar (the seminar took place in Paris on 24-25 October 1994) the positive picture of opinion in Europe is summarised in the following way: "... the level of support for development assistance *in the abstract* has not changed significantly in recent years. Almost everywhere a majority of citizens continue to favour development aid" (my italics).⁵

Table 1: Are you personally for or against giving support to developing countries?



The diagram shows the answers by country. The answers "Very much for" and "For" are combined in the grey columns and "Very much against" and "Against" in the black columns.

⁴ Eurobarometer 44.1 "The Way Europeans Perceive Developing Countries in 1995. The Survey in Brief", published by the European Commission, DG VIII, April 1996, p. 6 (I have taken away the breakdown into former East Germany and West Germany).

⁵ Andrew E Rice "Summary Report of the Consultation on Public Knowledge and Attitudes Towards International Development" from Colm Foy and Henny Helmich (ed), "Public Support for International Development", OECD 1996, p. 11.

But, in the same section of the report it is pointed out:

“... the evidence is quite clear that support for aid is often based on little knowledge of the actual situation in developing countries and of the nature of development aid programmes. There is also evidence of scepticism as to the effectiveness of aid in actually improving the quality of life for poor people in developing countries, and indeed, of scepticism as to the ability of government programmes to provide effective aid at all.”

These lines reflect several important characteristics of opinion on development cooperation in Sweden and other DAC countries: The readiness to give development assistance is, in principle, strong (the anchor). At the same time most people are distrustful of the effectiveness of development assistance (the buoy) – in their eyes government programmes of development cooperation are nothing to write home about. Voluntary development assistance channelled through non-governmental organisations has considerably greater support, as well as support provided through the UN system, especially among younger people.

These opinions are based throughout on very weak grounds where actual knowledge is concerned, both on the situation in developing countries in general and, to a much greater extent, on what development cooperation really is or is based on, regardless of who carries it out. Unfortunately it is also the case that interest in development issues in the DAC countries is weak. Therefore the incentive to acquire more knowledge is also weak. The knowledge people possess is based more on what they acquire by following news media in general – not with the express aim of acquiring knowledge about development cooperation. In a survey made in 1991, 86% of the Europeans stated that their knowledge of developing countries and the problems there originated from the media, chiefly TV.⁶ That their knowledge is thereby superficial and partly distorted is hardly surprising.

On the other hand deeper values are not affected to a appreciable degree by the media. These values have had their foundations laid earlier, to a large extent by parents and friends and in school. One question which arises is how long it is possible for public opinion to maintain an attitude which, in principle, is positive to development cooperation and, at the same time, to have a growing scepticism against the programmes of development cooperation which are carried out in practice. The more the gap grows between the readiness to give support on the one side, and distrust in respect of what the support is leading to on the other, the greater the risk grows that, in the long term, the very foundation on which the principle is based will crack up. Or that completely new forms and ways are sought to achieve the values which those positive to development cooperation demand.

In order to try to follow these trends and developments into the next century which are possible to discern from the material, I have divided the discussion into short sections with catchword headings. It is intended that, with the aid of the headings, it shall be easier for the reader to obtain an overall picture.

2.1 From small scale special interests to large-scale social production – and back?

After all is said and done, development cooperation is a relatively young sector. Prior to the 1950s only a handful of idealists were “in the field”. In the main development cooperation consisted of religious groups of different types who did missionary work. This is said without any disparaging subsidiary motives, since much of the missionary work consisted of health care and education on a much larger scale than preaching and conversion work. But these operations were nevertheless small-scale in nature and were founded on a strong commitment, often in combination with personal sacrifices and hardships, both in terms of finance and comfort.

⁶ *ibid* p. 12.

After the second world war the modern development cooperation sector picked up speed. Large-scale production under the auspices of the UN and national governments took over operations to a great extent. The missionaries were given a governmental and non-religious counterpart in order that the considerable individual commitment which existed at the time could also be channelled to the third world in other ways than through religious movements – the peace corps, later the volunteers, had been born. But the main channel consisted to an ever increasing extent of massive inputs in the spirit of the Marshall plan – now Development was to be reality. In the overoptimistic spirit of the time, the 1970s were declared by the UN as the decade of development. The World Bank took over leadership. A global structural adjustment with the aid of globally marketable recipes. Development cooperation assumed status – at the same time as it became an extremely important component in the armoury of the cold war. The grass roots level in the donor countries was left to an ever growing extent to their fate.

Today all trends indicate that this emphasis has come to nought in the eyes of opinion. It is true that advocates of development can point out great advances in a number of areas: a great reduction in child and maternal mortality, a reduction in illiteracy, greater access to clean water, longer life expectancy, greater growth. But the examples which can be produced by opponents of development assistance are just as strong: greater corruption, stagnation – even recession during long periods in particular in Africa; undemocratic regimes which have been able to cling firmly to power longer than necessary with the help of aid billions (this was also the intention in many cases during the cold war era); high military expenditure in poor countries receiving a great deal of aid (also a relic of the cold war), high transaction costs for the recipients, and useless coordination among the donors, to mention a few of the most common points of attack.

An important explanation of the scepticism which exists, both in Sweden and in other donor countries, is that public opinion no longer has faith in large-scale or governmental solutions to the problems of society. In the study on future development cooperation which the Information Department and the Policy Department jointly had performed within the framework of the 2015 programme, the authors point out that “the trends in our time which are presented (in the study) ... naturally have effects in the field of development cooperation. ... the diminishing confidence in politicians and the traditional power centres /contributes/ ... to the doubts about governmental development cooperation.”⁷

In the above-mentioned OECD report Ian Smillie gives seven factors which he says can have contributed to the “aid-agency fatigue” of the western countries. Two of these are:

- *a decreasing level of direct control and involvement because of increasing recourse to consulting firms, commercial executing agencies and NGOs;*
- *a public belief, strongly expressed in most opinion polls in Europe and North America, that national governments are not the most useful or effective means of channelling development assistance.”⁸*

These tendencies have already led to greater demands for a small-scale approach to development cooperation. Development cooperation has become too anonymous and too difficult to comprehend. Structural transformation is not visible to the financiers of development cooperation, the tax payers.

⁷ Rikta Communication, “Study of Sida’s Working Environment”, Stockholm 1996.

⁸ Ian Smillie. “Mixed Messages: Public Opinion and Development Assistance in the 1960s” from Colm Foy and Henney Hemrich (ed) p. 31. (Note that Smillie also includes NGOs among those parties that are bringing about a reduction in the direct interest of people in general for aid issues – a tendency which is not yet as obvious in Sweden as it is in other Western countries, where NGOs are increasingly regarded as consultants in charity work).

Neither is budgetary support or sector support or support for new company laws. Organisations such as "Médécins sans frontières" or "Woman to Woman" are good examples of new, small-scale organisations which are visible – as are twinning projects and sponsored children activities, tree-planting and suchlike. There is a lack of the tangibility and closeness of missionary work. Commitment requires closeness – otherwise development cooperation becomes too abstract and the commitment loses its vitality.

Unfortunately a humble attitude towards this reality is often lacking in aid organisations in the western world. Aid administrators have often been recruited initially from among committed people interested in development cooperation. But many have worked, or studied for a long time and in depth, on developing problems and their knowledge has gradually taken over all the more. They tend to see the pressure of public opinion from the "street" as naive and the proposals as a return to inferior forms of support. Better to turn a deaf ear, to close the door to the world and concentrate on providing as good support as possible.

In this way the gap in knowledge between those who are inside and those who are outside the walls of the aid agencies continues to grow. And even the gap in other senses. The aid agencies are regarded as an anonymous and introvert bureaucratic apparatus in which confidence is slowly diminishing. (Even this tendency is a general feature in all the groups in Swedish society which Sida has had interviewed during recent years, unfortunately not least among parties involved in aid, representatives of trade and industry and members of Parliament! The tendency can also be seen in Sida's quantitative surveys in which a growing proportion of those who are positive to Swedish aid – i.e. those who respond that the volume of aid is correct or should be increased – at the same time are less and less confident that aid has effects or reaches the poor groups in the recipient countries.)

The tendency to shut out the outside world is dangerous in times of reappraisal and saving. Then it can be forgotten that there is an important difference between aid and the aid agency. The demands expressed by public opinion in respect of aid come from commitment (the anchor perspective), and not from knowledge of the conditions, experience and working methods of the aid agencies. And commitment is based least of all on the existence or non-existence of the agency itself. This is an issue which lies very close to the surface (the buoy). Organisational change can, on the contrary, constitute a method of ensuring that the deep aid commitment is preserved – and it has been used for this purpose on a number of occasions.

Prior to the year 2015 it will be necessary to have more visible, down-to earth programmes of support in order that the aid organisation and the emphasis of its activities can, for the most part, be preserved. Important groups in the aid environment must be able to obtain an overall picture of aid and feel its urgency. To achieve this without losing effectiveness will be one of the major tasks of aid during forthcoming years.

2.2 From being a monopoly to being exposed to competition

After aid became a special sector in the expansion period of the 1960s, 1970s, and 1980s, a monopoly situation has more or less existed. The government took over leadership at the national level and the UN/World Bank looked after international aid. During this phase aid grew so rapidly that all other aid than inter-governmental and international aid by and large became a marginal phenomenon.

To guarantee support from the public opinion base of development cooperation, the period also meant that non-governmental organisations were "bought" by ever increasing government grants. As much as 80-100% of the costs incurred by NGOs for aid purposes were subsidised by Sida support⁹ and the

⁹ All organisations do not fully use the subsidies but try to retain a measure of independence by financing a large part of their operations, up to 50%, themselves, but these are the exceptions and only the very largest organisations.

information work of NGOs in respect of aid and international work was more or less totally financed by Sida.

During the last ten, fifteen years a new attitude towards free enterprise has become accepted even in Swedish society. All forms of monopolistic activities are starting to be questioned as are all activities which survive with the aid of government subsidies. Government activities have, as is evident from the above, been regarded with particular suspicion. This trend has naturally been consolidated and has accelerated during the economic crisis of recent years in Sweden.

At the same time few political groups, with the exception of the Young Conservatives and New Democracy, have hitherto seriously proposed that aid should be completely privatised. (In this context I have disregarded New Democracy's proposal that aid should be halved or abolished.) Development cooperation has never been a complete monopoly such as the post office or the railways, since aid provided by popular movements and others has existed the whole time in addition to government aid.¹⁰

On the other hand the demand that aid should be diversified and increasingly exposed to competition will probably grow in the future. Present demands that NGO aid should increase all the more at the expense of government aid is one part of this. The concept that all competition is good is the foundation of this argument. "Sida must pull its socks up more if other channels are opened up for Swedish aid" – is an impression which has emerged during the interviews on Sida's environment. This is combined with the argument above that Sida is too big and bureaucratic – which means the same as inefficient. More parties, by all means NGOs with their close contacts with recipients at grass-roots level, or the UN which coordinates all international aid, are regarded as attractive. The danger that popular movements are in the process of growing into mini-Sida organisations has not yet been observed by the general public in Sweden. Nor has the fact that the UN is, in all likelihood, even bigger and more bureaucratic than Sida.

In this connection the view of aid as somewhat old-fashioned returns – compare Göran Persson's words above on his scepticism against traditional aid: "we will soon need to have passed through that phase." According to the taped transcription he continues: "Now it is a case of establishing trade and commercial terms and finding ways to transfer knowledge. I believe this the most essential."¹¹

The fact that Persson proposes measures, which in many respects are already main ingredients in modern Swedish aid programmes, is extremely interesting in itself. But the most important thing here is that Persson wants to reduce what he calls aid for another type of activity. The development sector shall be restructured. Substitute products for what is called aid shall be introduced. New development organisations shall make an entrance. Greater flexibility, greater competition. Let the market decide the

¹⁰ Knowledge of the extent to which operations are really subsidised is, and was, rather limited outside the groups which are affected by, and live off, the system. Interest in spreading this knowledge has throughout the period been limited. Initially no one saw the point of it – it was natural financing in the corporate spirit. And as governmental aid became all the more suspect in the eyes of the general public, the organisations became all the less interested in advertising their dependence. They gained since the government increased their share of governmental aid with the aim of satisfying important groups of voters. And from the point of view of collections and subscriptions it has naturally always been a drawback to need to say that the main part of the work of the organisation was in fact paid for by governmental aid. It is only during the aid crisis of recent years, which has resulted in small reductions in the organisations' government subsidies, that they have started to understand that they and Sida are in the same boat, and that reductions in governmental aid will have a serious effect on them sooner or later.

¹¹ from TV news in TV 4, 10 June 1996 (according to a transcript).

vitality of the products. Does aid really give the yield the investors (the government, the tax-payers) are entitled to expect? Can the funds be used more optimally?¹²

At the same time the market concept has led to greater demands being made in respect of results reports and controls – which is good. The idea is that if the aid sector cannot give a better return, it can at least cost less and/or be more efficient. The aid sector is in this respect an unusual sector, that the buyers of its products are not its users. It is a sort of permanent Christmas Day situation in which the buyers continuously give away presents to more or less grateful recipients. If this becomes a routine it can easily be the case that the very giving legitimises the existence of the activity without consideration being given to the benefits or the results. Through the greater competition concept it is quite natural to attach more importance to results and effects. Controls must increase and in the background there is constantly the threat that the entire activity could be done in a different and better way. Why for example can't the private, commercial sector with its intrinsic efficiency concept take over aid-completely? Is the detour via a government institution really an advantage for the activity? And if so what is the advantage? It wouldn't hurt with a few more forms of aid to choose between!?

This line of argument is quite close to the above-mentioned Young Conservative proposal of allowing the popular movements take over all aid activities. Even if this proposal must be probably regarded in the first place as purely political, there are other, more or less financially sound reasons for a conceivable change in this direction. Provided that an ever increasing proportion of society's consumption will be transferred to the households in the future, which is not improbable – probable rather than anything else, public awareness of the costs of government undertakings will increase.

“Probably requests will be made for better reports on results in social terms as well as yield requirements”, Rikta writes in its study on Sida's environment,¹³ and continues. *“In addition developments can lead to an increase in other types of aid work in different organisational forms which can replace a part of Sida's operations.”* This is, in all probability, an issue which will come into question during the next ten, fifteen years.

One of the most important tasks of aid during the period up to the year 2015 will be to try and explain in a credible way the advantages of preserving a strong, governmental aid administration, and how the interaction between Sida, trade and industry, the institutions and the popular movements can increase efficiency and returns in aid. And that competition can actually increase through Sida's existence and role. This, I believe, is one of the most difficult and at the same time most important and most pressing tasks.

2.3 From a bad conscience to mutual interest or From solidarity to – what?

Why is support for the aid idea so strong in Sweden and in the rest of the western world? Why is the readiness to give aid an “anchor” issue. The most common and reasonable ideas are that our commitment to aid is based on moral grounds, a bad conscience or even guilt. One should help those who have problems. We who are so well off should help those who are not so well off. Or: we who are so well off, *since they are not so well off*, should start paying back a little.

The guilt motive is often advanced by those who are against aid, since it is fairly easy to show, for example, that example Sweden's “guilt” for the misery in Africa is limited. In order words, say cynics such as

¹² Persson's Baltic Sea Secretariat and the new Baltic Sea billion show what it is all about in practical terms. The new funds are intended to create employment in Sweden *through* projects in the Baltic Sea region. That is to say not development in the Baltic States through projects which can lead to employment in Sweden. The hierarchy of goals has been overturned.

¹³ Rikta Communication, 1996.

Anders Isaksson in *Modern Times* of December 1991, "it is time to unload the aid burden" at the side of the road, "the white man's burden". Their misery is, in the first place, self-inflicted – so let them deal with it themselves! This is perhaps the best way to help them, they often add, and wrap their cynicism in efficiency arguments which are in line with the times.

"Shall I... work my backside off so that the middle class in developing countries can eat French paté and the upper class pack their Swiss bank accounts full with money," Isaksson asks rhetorically, and then replies himself for safety's sake: *"The answer is no."*

But the Christian moral, which is nevertheless the strong foundation of aid, does not just build on guilt, but on the fact that it is good human behaviour to help those who have difficulties. The author Lars Gustafsson had these final words in an article in the Swedish morning paper "Svenska Dagbladet" at the beginning of the 1990s:

"The Jewish-Christian heritage lies nevertheless deep inside us, the idea that we can help all people. If it should become apparent that we must literally give up this premiss a spiritual crisis would occur which would be comparable only with the idea of the end of the world of antiquity."

Compassion, or solidarity, or support in the name of humanity or whatever we choose to call it, has, as shown above, been the overriding motive for the strong readiness in Sweden to give aid. It is seldom mentioned explicitly in Sida's latest interview survey, but it exists as an important undertone in many responses. However the bad conscience reason is also often found in the responses.

The fact that Sweden gives money to poor countries is a way to buy itself free from guilt..... It makes me feel a little better and I can go home with a good conscience and make a superb dinner," is a representative answer from a 48 year-old woman in the latest interview survey made in the spring of 1996.¹⁴

It is however perfectly clear that more and more of those interviewed in the latest survey think, at the same time, that aid shall be to the advantage of both the recipients and ourselves in Sweden. Today this impression is in a clear majority – a sudden change that it certainly linked to the hard times we live in, with demands for economy in public expenditure and therewith greater demands for efficiency and more competition:

"The feeling of solidarity was probably greater when aid was first given," says a 38 year-old male teacher. *"Today I rather believe that if we do something it shall be to the advantage of our industry. Society today is not so idealistic as it sometimes tries to give an appearance of being."*

In short it can be said that the "what's in it for me?" attitude has become predominant even in the large majority group in aid opinion. The attitude has still essentially a moral dimension but it is not clear what developments in this respect will be during the next few decades. In its comments on the entire survey, Augur writes:

"The time is ... not such that it is enough to have a general feeling of solidarity to create commitment. Interest is aroused, for example, not by suffering people with swollen stomachs, but

¹⁴ Augur Market Analysis: "An evaluation of the opinions of the general public on present and future aid. Summary of results from eight group discussions", Stockholm 1996, p. 7. (The eight groups, two in Norrköping and six in Stockholm have consisted of three groups of young people 17-25 years, two groups of lowly-educated men 20-35 years, and three groups of highly educated men and women, two 20-35 years and one 36-50 years).

when their problems are our problems, i e they have consequences for the industrial world, for you and me, if we do not do something.”¹⁵

(In the following sections on one issue commitment, individualism and internationalism, issues relating to this subject will be taken up.)

In general I believe that there is a danger in developments in which solidarity as a motive for aid is replaced by self-interest. There is considerably less of an "anchor" perspective in this motive than in the moral motive which means that sudden changes in opinion would be sharper and more rapid with a pure "egotistical" motive.

An important task prior to 2015 would be to seek – and show – the connection between the ethical and self-interest motives for aid. In this connection it is not least important to make clear that it is not merely in the area close to Sweden where there are profits to be found for Sweden and the Swedes – a healthy, educated and economically independent African is beneficial both for us and for Africa.

2.4 From collectivism to individualism and From ideology to one-issue commitment

In almost all studies relating to the future it has been established that there is a firm trend towards greater individualism. The trend has been evident for quite a long time and there is nothing to indicate an immediate change in this respect. What is interesting is that the link between individualism/egoism has been weakened since the beginning of the trend, since ethics and internationalism are parallel trends which have grown stronger.

Rikta introduces its study mentioned above with the claim that *"the foundations of today's society are beginning to change."* They summarise the change in two words – internationalism and individualism. Where the latter is concerned they write that this *"means that people aspire more than before to realise their individual life projects instead of allowing themselves to be fitted into in a collective."* Among other things this implies a change in political behaviour. The interest in traditional political commitment is declining – both in working forms and in emphasis.

Membership in traditional political and other organisations is declining among young people.

"The interest of young people in societies is lower than /among/ the population in general," writes the consulting firm JKL.¹⁶ They state that *"the membership of young people in political organisations is just as (un)common as their membership in voluntary defence organisations and organisations for humanitarian assistance."*

There are two main reasons for this, according to Rikta:

"Firstly the time perspective is regarded as too long, and secondly traditional political commitment implies great demands to conform, which does not suit the individual of the future. Instead they choose to interest themselves in a more unorganised way, without any links to a special ideological vision."¹⁷

¹⁵ *ibid* p. 33.

¹⁶ JKL's publication "Agenda" No 2/1996, p. 9. Their source is SCB's "Association Life in Sweden", 1994. (The word "among" has been added to the quotation.)

¹⁷ Rikta Communication, 1996.

Parties are regarded as old-fashioned, politicians have little credibility *“since they are felt to give false promises.”* The earlier clear-cut division into right/left is being erased and individual issues are gaining in importance. Around these issues ideas can split in different patterns which, to an old person born in the 1940s, appears confusing, to say the least. The young people of today will *“probably not remain faithful to a certain ideology throughout their lives. Instead they choose to make up their minds on each individual issue. They pick and choose from the ideological smörgåsbord and do not stop short for combinations which previously would have been impossible.”*¹⁸

According to this view ideology and politics rise upwards towards the surface in young people compared to older people, i.e. farther from the anchor and closer to the buoy's disloyal bobbing to and fro on the waves. However, this trend does not necessarily mean that young people's interest in society is declining or becoming transitory, and this is not the case in practice either. The time of the great protests is over but political commitment does not disappear, it changes character.

And the effects of the “new” commitment do not, for that matter, need to be less than before: *“... it is enough to look at all the environment-friendly products which fill the shelves of the shops today. Food shops compete in having the most environment-friendly profile to please consumers, to a great extent, it is true, only from the fear of losing customers to competitors.”*¹⁹

This is *not* a question of a movement of the political dimension from the deeper spheres of values closer to the surface of personality. It is rather a separation of the core of politics – ethics – from the means of expression and organisational forms of politics. It is these external attributes which, in the eyes of the young, have become far too compromising and which have led to the result that they seek new forms for their commitment.

In UngdomsBarometern (the Youth Barometer) of 1993²⁰ this tendency is clearly shown through the way young people grade just over thirty institutions. Here the political parties come at the very bottom of the list and the political youth associations next to last. On the other hand one-issue organisations such as Amnesty International and Greenpeace receive very high figures. Only the fire brigade, in top position among the institutions, gets a higher value.

Thus, ethical issues are coming up on the agenda to an ever greater extent, which *“in all likelihood (should) also result in a greater interest in helping people who are in a worse position and thus provide direct support for Sida's work. Sida should therefore develop its ethical approach not least in respect of adopting a standpoint on the types of aid projects the agency chooses to support/not to support”* (the bold italics are mine).²¹

Sida's work during the autumn of 1995 and the spring of 1996 of producing a policy for energy and the environment, in close consultation with the interested parties concerned in both industry and environmental movements, is a task completely in line with the argument presented here. The policy document is intended to attain a position which is ethically defensible and to ensure that the organisation is not paralysed in the area of energy and the environment. It has been produced in close cooperation between the parties concerned. These parties have not merely been passive listeners to Sida's more or less final proposals but have been active participants, and donors to the final text.

¹⁸ Rikta Communication, 1996.

¹⁹ Rikta Communication, 1996.

²⁰ The Youth Barometer is an annual study of the attitudes of just over 8 000 upper secondary school students. The information here is taken from the periodical “School World”, no 21/93, p. 14.

²¹ Rikta Communication, 1996.

RIKTA believes that this approach is essential for conceivable future support for aid and Sida:

“many of the young people of today...will have a positive attitude to aid and other types of support for important purposes. One condition however is that it is possible to exert an influence over the destination of the money; young people are more interested in giving priority themselves to certain special destined projects than in contributing funds via general taxes. Possibly a greater voluntary approach where this is concerned could lead to a situation in which more and more people become interested in these types of questions.”²²

What are these important purposes which can attract the interest of the one-issue generation, the burning issues of our time? Because it is here, in the solution of these questions, that it will be possible to obtain the support of public opinion. Those who participated in Sida's latest interview survey agree on

“the following five areas as the major areas:

- *Environmental pollution (ozone, nuclear power)*
- *Overpopulation*
- *The limitations of natural resources (water, energy, food, forests etc)*
- *War (peace, nuclear weapons)*
- *Poverty (starvation, food supply)*

In addition to the above burning issues, the following are also mentioned:

- *Exclusion of people from society, working life*
- *The distribution of resources, gaps between the North and the South*
- *Aids”²³*

Of these issues, environmental questions are considered the most urgent and the environment is also the area which offers the greatest opportunities to influence developments for the better.

In its comments on the results of the interviews, Augur writes:

“Aid has a natural role in limiting the spread of the main problems, in the opinion of most of the participants. What motivates the participants most are aid projects which are oriented on help for self-help and where the aim is to combat pollution. ‘Here there are the best prospects of achieving results’.”²⁴

It is interesting to note that, where the knowledge of those interviewed is concerned, it is precisely in these issues, which are the natural working areas of aid, that it is low. (More on knowledge of aid in public opinion polls in the section on this below.) However that this is so is considered positive.

Up to the year 2015 it is important to consider how it will be possible to have a dialogue with important groups in society on the burning issues in such a way that it will not just be an isolated discussion between elite groups in society. It is important that the major groups in the population,

²² Rikta Communication, 1996.

²³ Augur Market Analysis, 1996, p. 27.

²⁴ ibid, p. 29.

not least young people, regard the aid agency as an organisation which does not waste government funds but actively contributes to solving the vital issues – that aid is an efficient and powerful instrument in this work. Intensive networking and listening without prestige is the natural way. A high profile without pride.

2.5 From provincialism/isolation to internationalisation?

The other definite trend in the surveys of the future made by Rikta and others is the increase in internationalisation. But is this really a new trend? Sweden has not been isolated, has it? *Sweden, the conscience of the world*, has rather been a recurrent theme, both for those who have been in favour of such an approach and those who have been against it. And isn't it the case that Swedish aid with its good international reputation is one of many clear demonstration of our open face to the world?

Yes, of course. The heading is far too direct and forceful. But there is nevertheless every reason to see increasing internationalisation as an important trend in society in the future – as well perhaps as seeing our early internationalism as a fairly superficial phenomenon with limited popular acceptance. It can be enough to say, as in several of the sections above and below, that many people do not know what Sida is or that the great majority of people in our country do not have the slightest idea of what international aid really is.

Internationalisation is a considerably wider concept than being active internationally. It covers over all life's phenomena from culture and patterns of life to economics and politics.

When in the beginning of the 1970s the former SIDA started the periodical "Report from SIDA", there was almost no reporting on events outside the USA and Europe. Today, after all is said and done, there is a fairly great awareness of the developing world and the difficulties which exist there, even if the picture is often uninformed and characterised by reports on disasters.

The young Swedes of today travel around the world in the same way as we, who were born in the 1940s, dared to take the leap to England, and those born in the 1950s bought an Interrail card and went to the Mediterranean countries. The music culture is global, as is the clothing culture, Coca Cola and Benetton advertisements.

Currencies have been deregulated and the movement of capital around the world takes seconds. This has had very clear international repercussions, not least for the Swedish economy, as well as for the competition from the new economies in South East Asia. Few people believe any more that national problems can only be solved nationally.

"Many of the major problems we face, perhaps even all of them, are global and cannot be solved at the local or national level. Therefore international cooperation and joint problem-solving are not only pleasing cosmetics but also a question of survival," write Mats Lindgren and Ivars Jegers,²⁵ and exemplify:

"... environmental issues, the population explosion, gaps between rich and poor nations and the instability of the monetary system are questions which must be dealt with at supranational level and solved through international agreements."

²⁵ From the chapter *The World of Globalism* which is one of 20 identified articles on the future in Mats Lindgren's and Ivars Jegers's: *Form the Future*, Consultant Publishers, 1993, p. 33.

Even Faith Popcorn, who in her description of the future sketches a number of future trends – in her case ten, emphasises the internationalisation aspect. She calls her tenth trend “S O S (Save Our Society)”. There she speaks about children, “survival children” as she calls them. She sees a difference between those who fight for survival in their own societies, “under-class” children, and those who are well looked after and “*have another type of survival in view: What shall happen to the Earth? To civilisation? To the human race? – The survival of the Earth is the big issue for this generation who will soon take over. It unites them. It politicises them. It frightens the life out of them. And it is the driving force behind the SOS trend. – What exactly is the SOS trend? It is characterised by all efforts which contribute to making the 1990s the first decade in which we are really conscious of our responsibilities. A decade of decency, dedicated to the three critical points: the environment, education and ethics. – Doing good is no longer a choice, it is a must.*”²⁶

The fact that the state of Sweden is in a transition period, faced with different choices of roads to take into the epoch of internationalism, is very clear. The scene was changed radically in connection with the disintegration of the Soviet Union and the fall of the Berlin Wall a few years ago. The rapid change in emphasis when the Social Democrats officially became in favour of membership of the EU, was one example of rapid, unexpected changes that we are likely to see more of. Göran Persson’s rapid and very active emphasis on the Baltic Sea region is also part of the picture. A more active military presence in the crisis areas of Europe, but, at the same time a more restrictive policy for immigration into Sweden, are other ingredients. Perhaps the reduction in aid shall also be seen as a new orientation in a time of internationalism, a change in priorities in foreign policy from solidarity to security.

In its analysis Rikta ties together several of the tendencies taken up in the section above:

“The great challenge to the political system is ... partly to restore the confidence of citizens through new organisational forms, in parties and the welfare system, and partly to create new political institutions which can handle the new political problems which an increasingly internationalised and individualised society entails.”

There is an obvious risk here that the politicians choose to refrain from doing this and instead try to hold on firmly to the old system, with the probable consequence that new political parties emerge which take advantage of discontent and/or greater populism on the part of the established parties. “*What speaks in favour of this development is naturally that the legitimacy of the political system is based to a great extent on a welfare state which must now be changed, and that times of rapid change always cause anxiety among the citizens,*” argues Rikta and also points to the media’s way of reflecting changes as negative for the vast majority of the citizens, which also “*increases the risk of populism and extremism. To avoid this it is necessary that the established parties dare to see changes in their environment as something basically positive and do not flinch when faced with them. – As the need to solve international problems increases, for example in respect of the environment and security, the need of inter-governmental and supranational cooperation will grow.*”²⁷

One can reflect over how this shall take place. Rikta believes that broad solutions in the UN system are not very probable, due to the considerable differences in the general views and approaches of the world community and the considerable distance to individual citizens in the individual countries. There is a greater belief in regional solutions, for example in the EU, in respect of certain limited areas such as security policy, environmental policy and, to a limited extent, in the economic and social sectors. However, even here acceptance on the part of the citizens is weak and legitimacy low. One possible way

²⁶ Faith Popcorn. “Popcorn Report” Månocket 1992, pp. 104 ff.

²⁷ Rikta Communication, 1996.

could be, according to Rikta, to increase the powers of the national parliaments over the EU decision-making process.

These great changes will naturally have effects in the aid area:

“On the one side the diminished confidence in politicians and traditional power centres also contributes to the doubts about government aid.

Likewise the government’s financial problems have the result that many citizens regard emphasis on welfare policies as more important than aid. On the other side many citizens feel commitment in respect of international relationships and environmental and development issues.

The political focus which has been directed towards the Baltic Sea area can cause growing problems where obtaining funds for peripheral international projects is concerned. Sida’s appropriation can be influenced by relatively short-term political perspectives where – Sweden, as a central party in the Baltic Sea area, underlines the focus on the geographical area on the part of the government.

One way to adapt aid to the new situation can be that politicians choose to review the organisational forms of aid. One conceivable development is that a greater proportion of aid is channelled via voluntary organisations in the future.

The reason is that this type of measure contributes to strengthening public support for aid even in times of economic problems, at the same time as the politicians can benefit from the international commitment of the citizens.”²⁸

Rikta speculates – obviously in all seriousness and less than one year after the creation of the new Sida – that a conceivable measure in the present political situation could be still another organisational change for aid, among other things with the aim of channelling a greater part of aid through voluntary organisations (see above, section on a small scale approach and greater competition). To emphasise the seriousness of such a scenario it should be added that the change in the organisation of Swedish aid, which took place on 1 July 1995, was exactly such a measure, as described in the section, with the aim of adapting the aid structure to the new world situation.

A new organisational change can be seen as a populist action (the quotation indicates this) and reluctance to have a political conflict on something which gives few political points. But it can also be seen as a lack of confidence in the aid agency’s capacity to establish itself in the political debate, at least among those groups from which political support for the work must grow, and to demonstrate that aid to Africa for example has a high degree of urgency for Swedish citizens.

Prior to 2015, even prior to the election in 1998, it will be totally necessary for Sida to establish strong new relations where aid is concerned with strategically important groups in the Swedish society. This is necessary in order to preserve strong governmental aid, in the real sense of the word, international development cooperation with the long-term perspective and the stability which is essential for qualitative aid.

Confidence in the new aid organisation must increase. The new organisational structure must be perceived as appropriate and efficient, and there shall be a generally accepted impression that the aid agency has left a politically angled approach to reality behind it.

²⁸ Rikta Communication, 1996.

Aid shall be seen as a non-replaceable instrument for the solution of several of our era's really vital issues. It shall be obvious that long-term development cooperation is an integral part of this instrument and that the aid programmes of voluntary organisations are an effective supplement.

The strategically most important groups are members of Parliament and other central political decision-makers in the government administration and central local government bodies, decision-makers on the international level in Swedish trade and industry, decision-makers in the major non-governmental organisations, and important moulders of public opinion in the Swedish media.

2.6 From 1% to effective aid

In times of reductions the statement is often made that the volume of aid is less important than its quality. The issue is whether we have definitely left the percentage argument behind us after the first reduction from 1% of GNI in 1992, and then the freeze at a level under 1% in 1994, and finally the reduction this year from the frozen level to 0.7%.

It is certainly official government policy that the 1% goal shall be restored "as soon as the economy permits it", but it is an elastic definition that has been chosen with these words. And it is true that the Liberal Party, the Christian Democrats and the Green Party, and occasionally the Left Party and the Centre Party, demand 1% for aid. But the Liberal Party has played down the issue considerably during the last twelve months, the Christian Democrats have pursued the issue with a certain frenzy but are most often under the 4% needed to enter Parliament according to opinion polls, and other parties stress their opposition to the government alternative in very general terms. The Centre Party has, for example, become noticeably quieter on this issue since it started to cooperate with the Socialist government.

The percentage argument is of course a symbolic issue more than a question of an optimal level for a country's aid. The question then becomes how long it is possible to keep a symbol alive if one never attains it. A comparison can be made with the UN's 0.7% level which, for a number of years, was a sort of whip. During recent years several major countries, with the USA in the fore, have been able to move downwards from this "border of disgrace" without having to suffer too much international ignominy.

In our interview studies the question of volume is one of the questions which caused three groups to crystallise where attitudes to Swedish aid are concerned. Augur calls these groups "the positive", who regard themselves as humanists, "the critical" who regard themselves as realists, and "the cynical" who regard themselves as rational. Of these "the critical" were in a clear majority among those interviewed.

Of the three groups it is only "the positive" who are entirely in favour of Sweden giving 1% of GNI, or even more. We can afford to be a good model internationally, is their argument.

"The critical" do not know how much we give, but feel that the economic recession can constitute a reason to make reductions. Common statements from this group are "we shall not borrow money to give aid" or that "Sweden does not need to give most".

"The cynical" do not believe that aid does any good. But if, contrary to expectations, it did so, we should nevertheless only give aid when the Swedish economy permits it.

Both the "critical" and the "cynical" believe that aid could be much more effective than it is today. The critical do not therefore believe that a reduction need make any difference since more efficient but reduced aid would provide the same outcome as aid given today.

A common factor for all groups is that they strongly emphasise follow-up and control. And that the goals shall be comprehensible and feel relevant:

“It is our money which is being used,” says a 26 year old female student. *“The least one can ask is that we understand the purposes it is being used for. Otherwise we cannot see if aid funds are used in the right way.”*²⁹

It is felt that it is the politicians’ responsibility “to ensure that aid funds provide benefits and achieve full effects, by insisting on controls and follow-up”. And the issue of following up results and controls is also one of the three conditions given for our aid to be effective, beside the fact that the recipient country itself wants to develop and that aid is based on the needs of the recipient country in the way the recipient country itself formulates it.

In Rikta’s analysis it is believed that the Swedish economy will develop relatively positively during the period up to the year 2015. It is not believed that it will be possible to return to the low unemployment figures of the 1980s and it is predicted that the tendency towards a wider range of incomes will persist. The rate of development will be fairly slow especially during the next few years. This means, according to Rikta, that *“the scope for greater or unchanged levels of aid will decrease – mainly during the next few years. An increase may be possible during the second half of the 15 year period in question.”*³⁰

Prior to the year 2015 I believe it is important that people at Sida think through the 1% problem – despite the fact that it is, in the first place, a political issue. I do not personally believe that it is an issue to which Sida should devote much effort. What is important is that it must be shown in a forceful way

- 1) that Sida’s aid, regardless of volume, is as good and effective as circumstances permit
- 2) that Sida has the capacity to provide more aid than at present when requested by the politicians.

To succeed with this the following is necessary:

- a continued strong emphasis on evaluation and internal audit
- a continued and greater openness to the environment in which Sida works, including the media, with the aim that groups of citizens, not least young people, shall be given greater insight into and participation in aid, and
- the issue of unspent appropriations is solved.

2.7 From black to white or from development assistance to humanitarian assistance

These are two non-trends³¹ which can nevertheless be worth a few lines. The first – development from black to white, or from Africa to the Baltic – is, where aid is concerned, an international trend which made itself felt with great force with the collapse of communism at the end of the 1980s. Despite all the rhetoric the movement of capital from the poor in the South to the new democracies in the East was very evident. Poland, for example, had its international debts rapidly written off. This concession has still not been granted to the countries in the South despite decades of discussions with the World Bank/IMF.

²⁹ Augur Market Analysis, 1996.

³⁰ Rikta Communication, 1996.

³¹ By non-trends I mean trends which may not really exist, now or in the future. For example an imagined trend, i.e. a trend which has possibly taken place in our imaginary world.

Sweden is always white where our conscience is concerned. We kept the funds for Eastern Europe separate, partly for the reason that inroads should not be made into aid at the expense of Africa and for the benefit of countries in our vicinity. Unfortunately an economic recession and savings in the aid budget occurred at the same time. And the aid appropriation was frozen. But that was not unfair either, for aid to Eastern Europe was frozen from the start for the current three-year period. It is true that aid should have grown during the same period so the relationship was changed in spite of everything – to the advantage of Eastern Europe. And then aid was cut, to 0.7%. But the funds for Eastern Europe were left untouched. And thus in practice a shift in government support from the South to the East has *de facto* taken place, without anything really happening.

These are not unpopular measures. But neither are they something the Swedish people have stood up for and demanded. Not one of those interviewed in Augur's latest survey takes up good neighbourly terms with Eastern Europe as a reason for our aid. But if the interviewer leads the conversation there, the response is positive. A 23 year old building worker expresses it in this way: "*I don't believe we give aid to be better neighbours. But it sounds sensible for it is in any case our neighbourhood that we are looking after.*"³²

Surprisingly enough aid to the very poorest groups in the South have retained the lead over support to Eastern Europe in the quantitative surveys performed each year by Statistics Sweden, SCB, on behalf of Sida, when the question on what support was the most important was asked two years ago. It is in other words a great political responsibility the Government assumes when, with its policies and statements, it changes the course of the policy for Eastern Europe at Africa's expense.

The "positive" group gives definite priority to the poor countries in the South over aid to Eastern Europe, while the majority group (the "critical") balance their opinion between the South, where there are the greatest needs, and the East where the effects can be greater since we understand the situation better and where we have an immediate interest of our own in development. The "cynical" say unambiguously that if we shall give aid at all we should invest in countries in our neighbourhood so that we can quickly get value for money.

The other non-trend is that from support for more long-term development cooperation to disaster relief projects and emergency assistance in the short term.

Even in this case the trend all over the world where the forms of aid are concerned is quite clear. Humanitarian assistance is growing and this is connected to the fact that the events which can be characterised as disasters are also increasing. Limited but violent conflicts as those in Somalia, Rwanda/Burundi, the former Yugoslavia to mention a few of the latest have increased drastically after the end of the cold war. And they have a tendency to last longer than before. Neither are there any natural, neutral "sponsor nations" which previously looked after the problem in their respective spheres of interest.

This has had the result that the picture provided by the media of the parts of the world in which aid is given consists, to a great extent, of disasters. And this is obviously reflected in people's impressions of aid.

However the question is whether or not this is a change? Perhaps the entire impression that opinion has previously been in favour of development aid is a myth, a figment of the imagination of those who work with aid. There is nothing in Sida's surveys which indicates this. And if one looks at international material the picture is the same.

³² Augur Market Analysis, 1996.

Ian Smillie compares the conclusions in his article mentioned above with conclusions from a DAC meeting on aid and opinion issues, which was held as early as in 1983:

- “– the main rationale for aid in the public mind *was and remains emergency relief*;
- ignorance about aid programmes and about the South remains widespread;
- *there was growing doubt then – now more or less solidified – about the effectiveness of official aid*³³ (the bold italics are mine)

Of these three conclusions which were common for the situation in 1983 and 1994 according to Smillie, it is therefore only the last which is a real trend (mentioned above in several sections), while the first two are non-trends. However this does not make these issues less interesting for the future, rather the reverse. There are limited prospects that the media will start to report less on disasters and problems in the close vicinity and more on the long-term developments in those parts of the world which lie farthest away from Sweden. It is therefore important to include this reality in Sida's work with its environment.

Now and during the years up to 2015 it is important that Sida develops and maintains a good and modulated picture of the Swedish citizens' attitudes to government support to the East and the South, and to development assistance and humanitarian assistance – two issues of decisive importance for the attitude of the general public to aid. On the basis of this knowledge Sida should prepare a strategy on how public opinion in these two issues shall be best handled, which is far from obvious. Such a strategy should partly take consideration of the needs of Sida's environment for intelligibility, clarity and closeness (literally and figuratively), and partly the agency's assessment of aid's benefits in the short and long term. The strategy will need a plan on how the issues shall be handled over time in order to attain a positive trend in long-term development cooperation for the world's poor people. Warning for Puritanism!

2.8 From low level of knowledge to low level of knowledge

The last section is also a non-trend, unfortunately. This is evident, among other things from the second conclusion of Ian Smillie in the previous section above.

In the introduction to Augur's survey, the project leaders write:

*“The survey shows that the public has very little knowledge about people and the situation in the third world. They also have little knowledge about the objectives of Swedish government aid and lack factual knowledge of Sida's work. Neither is interest in these issues particularly great.”*³⁴

These rather dryly stated pieces of information provide, for Sida, a rather disastrous picture of reality. People know nothing of the reality where aid programmes are run, nothing about why aid is given, and nothing about how aid programmes are run. And, finally, people don't care much either.

An unfortunate negative picture which is based on a single survey? With the same purpose in mind Ian Smillie has gone through a great amount of North-American and European surveys, which he summarises as follows:

³³ Ian Smillie: "Mixed Messages: Public Opinion and Development Assistance in the 1990s", from Colm Foy and Henny Helmich (ed), p. 45.

³⁴ Augur Market Analysis, 1996, p. 4.

"All this demonstrates that the knowledge-base concerning development issues is extremely low, that people in most countries do not understand development and would rather provide assistance for emergencies than for long-term development assistance. It also shows that trust in governmental development programmes is universally low, a rather dangerous statistic for the health of ODA."³⁵

Not one of those interviewed in Augur's survey could state the goals of Swedish assistance. After some discussion the most knowledgeable could find their way to the democracy and growth goals. When the goals were shown to those interviewed, the reactions were mixed:

"The feeling they give is that it is intended that the goals shall be so vaguely worded that no one can be held responsible for not trying to attain them. No wonder one feels that projects fail. The guidelines are not sufficiently clear."³⁶

One problem in this connection is that the almost total lack of knowledge, which Augur presents in its report, does not stop those interviewed from having fairly clear impressions on the quality of aid:

"Typical for the low levels of knowledge of the participants is that most express themselves with a complete certainty in tone when aid and the third world is discussed. It is uncommon that statements start with: 'I believe...', 'I suspect...', 'I have a feeling that...'. Instead many start their statements with: 'It is this way...', 'I know that...', and many are quick to reject other ways of reasoning, if these do not correspond to their own picture."³⁷

Those interviewed had a clear impression of misery in the third world. "They paint pictures of crop failure, drought, misery, extreme poverty, slums etc which lead to a feeling of hopelessness," is Augur's comment in its report.

Even this is an international phenomenon. Peter Adamson, who has been responsible for UNICEF's report "State of the Children's World" for several years, held a speech which attracted much attention some years ago on the problem of the general public's picture of developing countries and development. He presented his own experience from schools in England and some other European countries where he had held speeches during the last few years. He used to end his speeches by distributing a questionnaire to the students (normally 16-17 years old) and their teachers:

"I ask: What percentage of the world's children do you think are starving – defined as "visibly malnourished". The answer is usually 50 to 75 per cent. The real answer is 1-2 per cent. – I ask: What percentage of the world's six to twelve-year-olds start school? The average answer is usually around 10 or 20 per cent. The real answer is almost 90%. I ask: Is the rate of population growth in the developing world increasing, decreasing, or staying about the same. Almost invariably the answer is "it is increasing". The fact is that it is decreasing in every region of the developing world including Africa. These pronounced misconceptions – all skewed in the same direction – towards the negative – are not confined to school children."³⁸

³⁵ Ian Smillie: "Mixed Messages: Public Opinion and Development Assistance in the 1990s", from Colm Foy and Henny Helmich (ed), p. 36.

³⁶ 22 year-old reserve officer in Augur Market Analysis, 1996, p. 11.

³⁷ Augur Market Analysis, 1996, p. 6.

³⁸ From a stencil of Peter Adamson's speech for UNICEF's national committees in Geneva. 29 January 1991.

In Augur's survey it is rather the case that young people have, in certain respects, somewhat better knowledge than many older people:

*"The knowledge which the young people nonetheless have today, even if it is not very much,, they have got in school. Some of the participants have come into contact with aid via twinned schools in the third world, others have had an interested teacher who has told them about aid. – The older participants have been given a certain insight into aid issues via articles and reports in newspapers and the TV."*³⁹

But the general conclusion is nevertheless that levels of knowledge are more or less non-existent. Sometimes those interviewed realise this themselves:

"I don't know why I don't read to find out more. It is exactly as if it all goes in one ear and out the other." (21 year-old female student)

"I have neither the time nor the opportunity to spend time on finding information about aid." (22 year-old male chief storekeeper)⁴⁰

But sometimes it is more through the statements themselves that the lack of knowledge is apparent:

"If we take the Amazon with the jungle people and then we come along with our things and think that they are very poor, although they feel very good." (26 year-old cleaner)

"The mistake with aid is that we want to take people who live as we did in the 16th century into the twentieth century in one step." (24 year-old male builder)

"It is quite clear that it's the small projects that do the most good, that is to say from people to people... It is the case that in these countries they are used to a farming society and small, local factories. Then we come along and build a huge complex which looks as if it has come from outer space. I believe that it's too big a jump, they need slower development in the third world." (26 year-old female student)

"It's better to buy things for them rather than send money as we do now. The money is embezzled and is used to buy weapons. Unfortunately this is the case today in my opinion." (23 year-old computer technician).⁴¹

Faced with these impressions about aid one could just choose to smile and then do something else. But the fact that that public opinion bases its ideas on such a weak background knowledge is not quite so harmless. Among other things it has the effect that the picture of what is good aid is very prejudiced.

We have already established above that humanitarian assistance and emergency aid is preferred to development cooperation. Several, particularly the young, recommend multilateral aid to bilateral aid since "The UN is good.... The UN has more insight and influence," says a 17 year-old student and is of the opinion that we in Sweden "do not have as much knowledge of different countries as the UN."

Since the picture of misery dominates, good aid is defined as "education, health and medical care, a roof over one's head, humanitarian assistance", while there is a negative view towards projects such as

³⁹ Augur Market Analysis, 1996, p. 5.

⁴⁰ Augur Market Analysis, 1996, p. 5f.

⁴¹ Augur Market Analysis, 1996, p. 13ff.

“African fashion in Zimbabwe” National Audit in Namibia”, New tax system in Vietnam”, Equality in South Africa”, Digital telephones in Vietnam”, 70 statisticians in Namibia”, Girls learn to build in Botswana”, “30,000 telephone cables in Angola”. (These headings are taken from Sida’s advertisement on which those interviewed based their opinions.)

The groups also were given 11 brief descriptions of different aid projects. Six were correct descriptions of ongoing aid projects while five were caricatures or extremely old projects which had been abandoned due to the serious shortcomings. The groups should select four projects which they considered to be typical Swedish aid projects. Of the five projects which were given most votes four were caricatures or abandoned projects, only one (midwives in Ethiopia) was a good, ongoing project.

The reasons given for the choices were:

- “The intentions of the project were good but the final result indicates a lack of understanding for the conditions in the country or an incapacity to see the whole picture.
- Aid passes on too much money. This leads to a situation in which care is not always taken whether the money is used in the right way.
- *They shall by all means be big projects, projects to boast about. Once again this is an effect having too much money.*⁴²

In other words this lack of knowledge leads to a negative picture of aid. Projects which the groups were more positive towards and which in actual fact are real examples of Swedish aid, were not selected, since they did not correspond with the prejudiced picture the groups had of aid.

But the lack of knowledge can, in certain cases, have a positive effect, at least for Sida:

*“The survey shows that participants, without exception, have an extremely vague picture of Sida, in cases where they have a picture at all. It is therefore clear that the name “Sida” is not always strongly associated with all the prejudices or the less successful projects which the participants happily talk about and associate Swedish aid with.*⁴³

Young people and a number of lowly-educated men who participated in the survey had never heard of Sida before the survey. “*Their expression was quite blank when Sida was mentioned,*” says Augur in its comments. “*Sida’s work is only known among participants who are highly educated or students in Stockholm and Norrköping. What is known is that Sida is an aid agency which finances its own and other organisations’ projects with tax funds. Little is known of how Sida works and how effective aid from Sida is. No one appears to be fully familiar with the subject, not even those who say they are engaged in different non-governmental organisations.*”⁴⁴

The picture of Sida among the highly educated is both positive and negative. “Bureaucratic and unwieldy” is one picture, but it is balanced by the fact that some “have seen a change in Sida during recent years”, writes Augur and provides an example in the form of a quotation from a 48 year-old female administrative officer:

⁴² *ibid* p. 23f.

⁴³ Augur Market Analysis, 1996, p. 24.

⁴⁴ *ibid* p. 24

*"I think that Sida seems fairly passé, aid does not seem forceful enough. They simply distribute grants. But nevertheless I have a feeling that something is beginning to change... Perhaps it is the new organisation and the advertisements which have given me that feeling."*⁴⁵

During the group discussions the interviewees were given a list of some sixty value words. They were asked to circle those words they associate with Sida today. (This exercise was done after the participants had seen Sida's advertisement and therefore had some basic information). These value words were selected: (those words which were chosen by more than 10 persons are above the line)

active	dull	environmentally-aware	forward	helpful
international	social	Swedish	traditional	
arrogant	asocial	authentic	calm	certain
dynamic	eager	frank	impulsive	independent
intensive	lazy	luxurious	manly	mild
prestigious	relaxed	reliable	secure	shy
solid	sympathetic	unafraid	unique	unpredictable
				credible
				innovative
				modern
				self-confident
				unmodern

Compared to earlier surveys it can be said that these value words reflect a more positive picture of Sida. This picture originated to a great extent in connection with the interview and on contact with the advertisement. In particular many young people chose the words *"active and forward since this was the impression they gained of Sida through the advertisement. They expressed astonishment at, and were even impressed by, all the projects shown in the advertisement."*⁴⁶

Even if there is not a trend towards greater knowledge, there is unfortunately a tendency in this connection, which has partly been in existence ever since the early years of development cooperation. It is the continually increasing gap in knowledge between those who work inside the aid sector and the environment of which the aid sector is a part. This gap in knowledge is very dangerous. Among other things it has been a strong contributory factor to the distance which has been created between the aid bureaucracy, chiefly in the old SIDA, and the environment on which, in the final analysis, aid is dependent for its survival.

The fact that the gap is so great between the agency and young people and other parts of the general public is perhaps not so astonishing. But the fact that both aid workers and members of Parliament emphasise this problem indicates the extent of the problem:

"SIDA does not open its doors to everybody, quite the reverse. Those who have not got a foot in at SIDA and do not have any contacts inside the doors at Birger Jarlsgatan (the street in which SIDA had its head office) have great problems in coming in" is the way Augur summarises the comments of contract workers, consultants and non-governmental organisations on openness at the old SIDA, *"even if SIDA is described as more open now than it was some years ago."*⁴⁷

⁴⁵ *ibid* p. 24f.

⁴⁶ Augur Market Analysis, 1996, p. 25.

⁴⁷ "Aid Workers' Views of Swedish Aid", Augur Market Analysis, 1993, p. 35f.

And in the Parliamentary survey a member of the Liberal Party says. *“SIDA is a rather obscure organisation”* and a member of the Social Democratic party: *“SIDA seems very anonymous to me. I don't just pick up the telephone and ring SIDA to get answers to questions.”*

Suspicion and ignorance permeate many comments. The pictures can diametrically oppose each other. *“but all are based on different prejudices. A Conservative MP is worried that far too many Palestinian-shawl-clad aid enthusiasts fill the building while a Left Party MP associates SIDA with conventional gentlemen dressed in suits and ties whom they have no confidence in. – A likely conclusion is that SIDA is far too anonymous. – The fact that SIDA seems anonymous also has the result that Mps hesitate to take contact.”* summarises Augur.⁴⁸

I do not believe Sida's ambition shall be to achieve a general improvement in knowledge over the whole line. I believe that what is most important during the period in front of us up to the year 2015 is to accept that aid is not the focal point of the interest of every citizen, but not for that matter to assume an arrogant attitude but rather to meet the citizens at the level they choose for a meeting. And make an effort to bring about opportunities for meetings.

Sida must become a source of knowledge which those who really want to find out something about aid (members of Parliament and journalists, for example) can approach, and a skills and experience centre for forward-looking discussions and studies, around which other aid parties and interests can gather in order to find possible answers to our era's vital issues together.

3. SIDA IN 2015

In several respects this paper has been speculative. To start to speak about opinion 20 years ahead in time on a vague concept such as aid is risky. But with the aid of good material from our consultants and with a number of European and North American researchers' experience as reference material, my intention has nevertheless been to try and give several hints on where everything is going – and to try and indicate what Sida itself can do to strengthen and counteract the trends in development shown in the material.

One of our consultants, Rikta Communication AB, chooses to end its analysis of Sida's working environment with the heading “Two conceivable scenarios for Sweden”. There two possible perspectives for the years up to 2015 – one called “Sweden – the closed country” and the other “Sweden – the open country”. The perspectives have been chosen deliberately as extreme examples to create a basis for an internal discussion. *“Neither of them provides the key, the aim is to outline two pictures in order to continue the work internally in Sida on the basis of the scenario technique and to link together alternative external pictures of the future with internal work,”* write the authors of the report. *“What is most important for Sida is to develop forms for the regular monitoring of its working environment and to put the developments in this environment into a relevant context for Sida.”*⁴⁹

The two scenarios are given in an appendix to this paper.

⁴⁸ “Views of Members of Parliament on Aid Information and Swedish Governmental Aid”, Augur Market Analysis, 1994, p. 36ff.

⁴⁹ Rikta Communication, 1996.

Finally I choose to quote from Augur's report on value words which refer to Sida. This time the persons interviewed have chosen the words which they associate with *Sida in twenty years' time* (words chosen by more than ten persons are above the line):

<i>active</i>	colourful	credible	dynamic	<i>environmentally-aware</i>
<i>forward</i>	frank	genuine	<i>helpful</i>	innovative
intensive	<i>international</i>	modern	rapid	reliable
secure	<i>social</i>	sound	<i>Swedish</i>	trustworthy
unafraid				

eager	exciting	female	fresh	happy
imaginative	impulsive	independent	original	relaxed
self-assured	soft	speedy	sympathetic	tough
unique ⁵⁰				

The words in italics are words which those interviewed also chose as describing the Sida of today. Eight of the ten most common recurrent words today have the same characteristics that it is felt Sida should also represent in 20 years' time.

Augur's final comment on the exercise with value words shall also be my own in this section and in the whole paper:

“If Sida is to be able to live up to the demands and expectations which the participants have in respect of a modern, effective and credible aid agency, Sida must become clearer to the general public. If Sida has the ambition to be associated with the above-mentioned words, the participants expect Sida to acquire a clearer profile by sticking out its jaw a little more often and standing up for its work.”⁵¹

⁵⁰ Augur Market Analysis, 1996, p. 32.

⁵¹ Augur Market Analysis, 1996, p. 32.

APPENDIX

Scenario: Sweden – a closed country

During the latter part of the 1990s and the beginning of the 2000s economic growth is lower than expected in Sweden. Swedish export industry is unable to stand up to the effects of a permanently highly valued krona through rapid structural transformation. Sweden is increasingly stuck in a state of dependence on its basic industries: forestry, iron/steel and engineering.

Even in Western Europe growth during this period is relatively low. This is partly due to the fact that German reunification continues to have a negative effect on growth in the EU, and partly since competition from Asia is stronger than expected. Countries such as Vietnam, Malaysia, Thailand and Korea continue to produce goods of higher quality at more highly competitive prices.

Closer to Sweden the political situation in Russia is still unpredictable. Elections are held at irregular intervals which result in the formation of coalition governments. This leads to continuous compromises being made between the forces of conservatism and reform. This slows down the pace of development in the Baltic states since international trade and industry reduce their investments in these countries. In the Czech Republic, Slovakia and Poland this also results in somewhat lower growth than expected at the same time as environmental problems increase.

The Baltic Sea region is therefore not given the central role in the development of Northern Europe which many had hoped. Instead the Norwegian economy continues to flourish and Norway stimulates its own economic booms. After the opening of the Öresund bridge between Sweden and Denmark, it is also evident that the Copenhagen area continues to dominate the southern part of Scandinavia. The bridge makes it easier for the Danish food industry to compete successfully with farmers in Skåne in the southern part of Sweden.

This has the result that the central and local government economies remain under pressure. However the Government sticks to its goal of low inflation which in turn leads to unemployment remaining at high levels. Private consumption only increases slowly and industry becomes increasingly dependent on exports.

From a consensus society with a relatively good understanding between government, trade and industry and the workers, growing tendencies emerge in the direction of a conflict society in which different groups use vociferous methods to make their views known on various matters.

These complex relationships in the world economy do not provide the security sought by the citizens. Instead the political arena has the character of pronounced populism in which the tactics and short term perspective of party politics dominate over long-term visions.

This is apparent not least in the social sector where the previous social safety-net is replaced with lower levels of payments. This means that the credibility of central and local government diminishes considerably.

The growing heterogeneity of the Swedish population – both where nationality and incomes are concerned – causes segregation in society to increase. The two-thirds society is increasingly acquiring the character of a nine-tenths society – one person in ten will be a member of a know-how and power elite whose reality corresponds very little with that of the rest of the population.

Differences in development are greater between large towns (especially the central parts), university towns and towns with industries of the future on the one side, and small towns, rural areas and isolated suburbs on the other.

The trend strengthens the polarised system of norms – society's norms according to law/practice and the private norms of what is right and wrong. Contempt for politicians still exists and new disclosures on benefits given to top executives in trade and industry annoy many people. The anonymous and apparently undemocratic forces in society (best exemplified by the Market) have, in the opinion of many people, far too much power and maximise their self-interests. Earlier concepts such as solidarity and loyalty are replaced to a certain extent by egoism, self-centredness and elitism.

In combination all these factors indicate that the future which was previously predictable and meaningful will be replaced by a confused period in which the emptiness of the future will predominate. For a small part of the population these developments will bring a certain fear, in others they will almost resemble an escape from the seriousness of life.

The lack of belief in the future makes many people seek security. One manifestation of this is greater nationalism.

Instead of asking ourselves, as we did in the sixties, what we should do with our spare time, the central question is now for a growing number of people: what shall we do with our work?

The decade of the 1990s was to future generations: "the decade of great confusion". There the foundations were laid for the period of obscurity, without vision and meaning, which the majority of the Swedes are still struggling with. The good things in life are found in the things closest to us; the holiday trip, the family, the hobby and the house.

Aid issues have an obscure place in the public debate. Politicians and public opinion give priority to forms of aid which directly support industry in neighbouring regions, mainly Eastern Europe. The connection between the aid appropriation and growth of GNI is regarded as obsolete and instead Sida must apply for funds on the basis of a strict assessment of different projects. The pressure on costs at Sida will grow and, as a result, the agency will reduce its staff by 50%. A large part of the aid programmes will be organised by the voluntary organisations which will also receive a somewhat larger share of the total funds allocated to development cooperation.

Scenario: Sweden – an open country

During the latter half of the 1990s and the beginning of the 2000s economic growth in Sweden is higher than expected. Swedish export industry is able to survive a permanently highly valued krona by a rapid process of structural adjustment and more mergers with international parties. A growing number of consumers and companies adopt recycling ideas in their work. This benefits Sweden as a nation and creates new job opportunities. Swedish expertise in, for example, electronics and biotechniques leads to great challenges with technical breakthroughs between 2005 and 2010.

The Baltic Sea region becomes a dynamic, rapidly growing region in which St Petersburg and Stockholm are two important hubs together with Örestad. The political situation in Russia is stable with a gradual transition to a mature market economy. St Petersburg is transformed into Russia's gateway to the East with the clear aim of establishing itself as Europe's Hong Kong together with the Baltic States. All the Baltic States manage relatively well in overcoming inflation, the influence of the Mafia and environmental problems.

The international perspectives of Swedes expand considerably due to the success of the Internet and interactive media. In the year 2010 over 85% of the Swedish population have access to the Internet.

This has the result that the finances of central and local government gradually improve. From the year 2002 the government begins to make substantial reductions in the national debt. The Government continues to maintain a relatively tight budget but certain items of unfinanced expenditure can be noted. Consumption grows relatively slowly while most Swedes continue to save more in pension schemes.

From a consensus society with a relatively good understanding between the government, trade and industry and the workers, a know-how society is developed in which the citizens are able to appreciate each other's skills and special qualities. The extensive investments made in education during the latter part of the 1990s begin to bear fruit.

It is accepted that people can take simple service jobs between different education programmes and can move from one career to another. Diversity in society is created by individuals who feel a sense of responsibility and who have creative power.

The political arena is characterised by a pronounced vision of Sweden as a nation of the future in a few, selected sectors. The welfare state, in a new form, will be one of the cornerstones of social development.

The former social safety net is replaced by tailor-made solutions in which clear rules covering the insurance companies, government pension commitments and the citizens create a comprehensive system. This evens out previous injustices arising from different income levels and length of education, and people having families.

The growing heterogeneity of Sweden's population is regarded as an opportunity to give birth to ideas from a multi-cultural perspective for a world market. The international perspectives provide new applications for products and services.

The new technology reduces the previous gaps between the towns and rural areas. All the more people choose to work more from their homes, even in the traditional occupations. Many of the daily services are provided by videophone, the Internet and/or interactive TV.

These developments strengthen the power of the people – it is the people who win back the development initiative in society. Instead of the former, clearly distinct authorities in politics and trade and industry, more voluntary agreements are made between citizens. Traditional concepts such as solidarity and loyalty are developed into humanism and compassion.

Taken in combination these developments mean that the previously predictable, meaningful future is replaced by an attitude that an unpredictable future implies a much greater challenge. There is a greater willingness in the majority of people to undergo processes of change. As individual knowledge and ideas – and not access to money – create opportunities, the gaps between rich and poor diminish in all senses.

This is strengthened by the view that material values are less meaningful in relation to the overall perspective, the philosophy of life and creative power which one has developed – individually or in a group.

Instead of asking ourselves, as we did in the sixties, what we should do with our spare time, the central question will now be for a growing number of people: how can we live in the best possible way?

To future generations the decade of the 1990s was "the decade of great change". There the foundations were laid for a new way of looking at life as a whole, work and development.

Aid issues have a natural place in the public debate. The connection between the aid appropriation and changes in GNI is regarded as obsolete and instead Sida must apply for funds on the basis of assessments of different projects. A large part of the aid programmes concern the transfer of technology, environmental expertise and cooperation with trade and industry and other organisations. A large part of the aid programmes are organised by voluntary organisations which are also given a somewhat larger part of the aid budget.

Final reflection

In many ways it is Sida itself which influences the opinions held about its work by parties in its working environment. Different developments in society should be regarded as natural factors which should influence Sida. In this respect Sida needs to listen regularly to the demands made on it, and to adapt and develop new forms of work.

STRUCTURAL ADJUSTMENT OF THE FOREIGN AID INDUSTRY

Current Trends and Future Scenarios

by

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Sida 1997

1. INTRODUCTION

The 90s have heralded great changes in the environment where development cooperation operates. All observers seem to agree that this industry is at a crossroads, but there is very little agreement as to *how* the industry will change. Some observers, beginning with Keith Griffin in 1991 and later President George Bush addressing the UN in 1992 have concluded that the end of the cold war makes foreign aid redundant. But even if it were true that this new era will bring to an end conventional foreign aid of the Cold War type, what about other forms of development cooperation? Anthologies on the future of development cooperation, edited by Stokke (1996) and Hirono (1997) have noticed that the earth underneath is indeed moving but have hoped for a positive result of the collective learning experience of past decades and have assumed that the best practices will triumph in the end. The two papers in the present volume that try to predict the future of foreign aid, Hydén and Liljenroth, both assume that government-to-government transfers will have ceased by the year 2015, and that only NGOs and multilaterals like the European Commission will remain active in this field.

The prophecies about the future of foreign aid all have their own logic as well as some degree of probability, but they are all based on the assumption that *the basic preconditions for development cooperation are changing*. More important than making predictions in a 20-year time perspective is trying to understand the underlying changes and to see in which direction they are taking us. Where the trends diverge or collide, the outcome for the development industry is unpredictable. Political factors outside the realm of development cooperation will influence this outcome, factors which may be as unpredictable as the end of the cold war was, ten or twenty years before the event. But certain factors with a determining

influence for the structural adjustment of this industry are clearly visible today and lend themselves to discussion in a medium- and long-term perspective.

In the following, we shall examine some of the determinants and trends behind four factors of importance to the future of development cooperation:

- i. declining credibility of the investment- and growth model of the 60s and 70s and of government-to-government cooperation;
- ii. growing emphasis among aid donors on governance, democracy and human rights and on direct involvement of civil society;
- iii. the struggle of governments all over the world to harness globalisation by various forms of global governance;
- iv. a growing role for humanitarian relief operations and considerations of human and national security.

Based on our discussion of these trends and possibilities, we shall try to envisage in which way the industry as a whole¹ will change. These predictions will be highly conjectural and should be seen as illustrations rather than as a strategy for the next century.

(i) Decline of the growth paradigm

The concept of financial assistance to developing countries emerged in the 60s out of two Western strands of thought. First, it was believed that poor countries needed to modernise by adopting approaches and technologies which had served well in currently industrialised nations. Second, domestic savings must be complemented by financial aid transfers to produce economic growth at a rate which was high enough to provide resources both for essential consumption and the investment necessary to move towards self-sustaining economic development. These were the most important theoretical underpinnings of political support for financial assistance to the Third World in the 60s and 70s (cf Stokke 1996), manifested in calculations of aid requirements and investment gaps, both at national and global levels.

The 80s and 90s have seriously undermined the credibility of this paradigm. First of all, in countries which have received large quantities of foreign aid, growth has failed to respond. In Sub-Saharan Africa, where aid receipts per capita were highest (apart from small Pacific island economies), growth faltered and the average regional GDP level fell during the 80s back to where it was in the early 60s (HDR, 1996). Other major aid recipients like Egypt and Bangladesh showed lacklustre growth performance. Econometric studies relating aid receipts and economic growth showed negative correlations (Boone, 1996), although further analysis has shown that the most important factor is the policy environment, not foreign aid in itself (See the overview by Dag Ehrenpreis in this volume for further reference). It is fair to conclude from all this that lack of capital is not the main constraint on growth in many of the poorest countries. A more important constraint by far seems to be the absence of economic policies and incentives favouring the effective use of resources.

The second factor undermining the credibility of the old aid-and-growth model has been the rapid expansion of certain economies with the help of Foreign Direct Investment (FDI). This has been the case particularly with a number of East Asian "tiger" economies, which have grown more rapidly than

¹ "The foreign aid industry" is here loosely defined as comprising development services in the form of finance, goods and advisory services, provided on concessional terms. Donors, recipients, consultants and intermediaries take part in the delivery of these services (cf Raffer and Singer, 1996).

anything previously seen in the West by attracting vast amounts of FDI and by adopting outward-looking economic policies. Politicians in donor countries have interpreted these success stories as another testimony to the superiority of private initiative as opposed to State intervention, even though studies made by the World Bank and others have clearly demonstrated the importance of public policy both through the incentive structure and through investment in social development to facilitate the growth of these economies. The surge of private investment flows from OECD countries to East Asia (particularly to China) is a phenomenon of the 90s. It is driven by the expected returns to investment in those countries as compared to prevailing rates in the West, where returns to such investment have been relatively low in the 90s.

A third experience which has contributed to wide-spread questioning of the prevailing paradigm of government-to-government assistance has been the growing awareness on both sides of the aid relationship that prolonged aid transfers can lead to dependency. In Sweden, this point was made by Göran Hydén more than a decade ago (Hydén, 1986), but it became a subject of public debate with the publication of the SASDA country studies of Tanzania, Zambia, Guinea-Bissau and Nicaragua in 1994 (Svedberg, 1996; Karlström 1997). As pointed out in Sida's study of dependency in the Project 2015 series, dependency does not flow primarily from the quantity of aid received but from inefficient use of those resources. The problem it causes the recipient is a reduced freedom of action, and it is caused by a behaviour which presupposes a continued flow of aid and which gradually abdicates all initiative to the donors. Hence, dependency is better characterised as a pattern of behaviour than as a quantitative ratio, a behaviour which tends to crowd out domestic initiative and resource mobilisation (Moore, 1997).

There are many examples of governments which have reduced their dependence on foreign aid, primarily by changing their resource mobilisation strategy (e.g. South Korea, India, Vietnam). But the governments of highly dependent economies in Africa and the South Pacific rely on aid transfers not only for investment but for a large part of recurrent public expenditure, in some cases also food supply. Even though statistics on financial flows probably overstate the degree of dependency since they include support for a lot of less essential activities, a significant reduction in aid flows would in many cases cause serious social and political disruption by reducing public services and the maintenance of infrastructure. There may not be a linear relationship between increased aid and economic growth, but a drastic cut in aid transfers can nevertheless be expected to have negative near-term effects on the living standards of broad layers of the population.

The lessons that policy-makers in the West are drawing from these experiences are generally two-fold. First, you cannot solve development problems simply by throwing money at them. Second, when money is to be thrown, it is not always most effective to let governments do the throwing. This means that expenditure goals like the UN aid target of 70 per cent of gross domestic income or the Swedish budget target of one per cent of GNI have lost much of their credibility, and so have targets like the 20/20 compact of the Social Summit in Copenhagen. To attract political support in donor countries, targets would have to be formulated in terms of achievements rather than expenditures, as in the case of OECD's "Shaping the 21st Century" where targets are based on social indicators. And other actors than central government agencies must be more directly involved, as we shall further explain in the next section of this essay.

While private flows have soared, ODA flows have been sagging through the 90s and have for the first time fallen below 0.3 per cent of the OECD countries' combined gross national income. It is not likely that public aid budgets will be higher in coming decades, given the general tendency for public sector disengagement even in countries like Sweden which were previously committed to "strong" government. The only donor whose ODA grows in relative terms is the European Commission, whose potential for continued ODA growth may be reduced when the EU membership expands to include poorer economies in Eastern Europe. A serious deterioration of the relationship between working population and dependants

(retired people, children, unemployed) in industrialised countries is also going to weigh increasingly against such public expenditure as foreign aid in coming decades.

The tendency will most likely be for reduced concessional funding for investments which could pay their own way, e.g. in infrastructure, industry and agriculture. This will not necessarily mean that it will be difficult to fund such projects, but it means that in many cases, aid money will co-finance with private funding through bank loans or export credit. The role of government aid agencies will be to facilitate such projects rather than to fully finance them. Grant money can be very effective in institution building and in providing guarantees and facilitation for major investment projects. New approaches to 'blending' credit and grant financing and in providing government guarantees for loans to the private or municipal sectors have already been tried out.

The long-term prospects for balance-of-payments support and for debt rescheduling of a generalised nature, on the other hand, look bleak. Donors will focus on achievements rather than on entitlements and on governments which demonstrate their ability to reform their public finances. They will gradually shrink away from supporting countries showing sloppy financial management and unimpressive development results. Implementation and cost effectiveness will become increasingly important (Laport and Bossuyt, 1997).

A question which has often been raised in the discussions about Sida's 2015 vision is what these tendencies will do to development cooperation in the social sectors, in particular education and health. These sectors traditionally account for more than a third of Swedish bilateral spending and they have very strong support in the Swedish aid constituency. While education and health programmes will be affected by shrinking general resource levels, those sectors are not as vulnerable to the 'privatisation syndrome' as others. Since parliamentary and NGO supporters of the government's aid budget are keenly interested in poverty-related human development programmes, there is no indication that the current emphasis will wane in the future.

(ii) Good governance and the role of civil society

Democracy and human rights have been explicit foreign aid objectives for all Western donors since decolonisation began in the 50s, but interpretation has varied widely. To receive aid from the major powers, it was more important to be on the right side in the Cold War than to respect human rights or to build democratic institutions. To the Nordic donors, decolonisation and struggle for majority rights in Southern Africa were initially more important for the direction of aid flows than the institutions and exercise of governance. In the 70s, the emphasis was on development programmes benefiting the masses and on empowerment of the State rather than on democracy.

The end of the Cold War brought a veritable sea change in donor policy. While economic growth and liberation from mass poverty were still being quoted as important development goals, the role of *governments* in development cooperation was now perceived as increasingly related to governance and the policy environment rather than to resource growth. The reasons why this dramatic change took place just at the end of the Cold War are probably complex. One explanation is that the major powers no longer needed their *less democratic allies* in the Third World, and that it was now opportune to 'discover' their lack of democratic credentials and withdraw support (cf Griffin, *op. cit.*). Another, which may be more applicable to the Nordics and the Netherlands, is given by Stokke in a very thorough review of evidence (*op. cit.*, pp 75-84) where he suggests that the structural adjustment experience of the 80s had relieved the bilateral donors of their inhibitions from intervening in policy matters that were sensitive from the point of view of national sovereignty. A parallel development was the gradual shift from one-party systems to greater pluralism in several African States at the beginning of the 90s and the dramatic transition to

democracy in the former Soviet Union and South Africa. All these changes were driven by a variety of internal and external factors, but they were supported and even prodded by the donors.

Beginning in 1989, the donors formulated their views on what constituted "good governance" in increasingly articulate terms. The Development Assistance Committee (DAC) of the OECD has tried to formulate common positions based on "open, democratic and accountable political systems, individual rights and the effective and equitable operation of economic systems (OECD, 1989) and has warned that a lack of good governance or "serious and systematic violations of human rights and brutal reversals from democratisation" (OECD, 1993) would lead to reduced aid flows. This means that donors do not only regard democracy and human rights as very important goals for development cooperation, but they are also seen as preconditions for access to aid flows. Good governance has risen in the goal hierarchy to become an overriding objective of Western development assistance.

In the UN, developing countries have expressed alarm at what they perceive as increased donor militancy and lack of respect for the sovereignty of poorer countries. Long and bitter ideological battles have taken place in the UN both about formulating standards and about applying them in controversial countries like Myanmar and Vietnam. Where UNDP or the World Bank have been able to elaborate programmes for good governance, they have been closer associated with public sector management than with human rights and the freedom of political expression.

Hence, there are no internationally agreed norms either for good governance itself or for donor conduct in cases where governance is questioned. Unlike in the case of IMF's Article Four negotiations regarding monetary and fiscal targets, political conditionality is laid down by individual donors, often at cross purposes with other donors who interpret the situation differently or who attach different weight to different aspects of governance. In many cases, this causes confusion. In some situations it may enable recipients to play one donor against the other, but the net outcome of these differences is bound to be reduced overall effectiveness of resource utilisation. A further complication is that political conditionalities are being superimposed on those of economic reform, so that even when policies are "on track" as seen by the Bretton Woods institutions, they may appear off-track to individual donors as seen through their particular governance looking-glass.

Another problem arising from tougher conditionality on governance is that the "ownership" of donor-funded programmes may become closer associated with the donor than with the recipient side, if those programmes have been preceded by heavy donor intervention in domestic politics (Olukoshi, 1995). To reduce aid dependency, donors want to increase the recipient's sense of ownership of a programme, and a general movement towards programme aid is recommended by DAC as well as by the UN and the Bretton Woods institutions. It is clear from DAC's Principles (OECD, 1992) as well as from the policies of individual donors, however, that governments which violate human rights or show a lack of good governance should not be considered for programme aid. Although political conditionality will not necessarily exclude domestic ownership and freer forms of resource transfer, it will doubtlessly reduce the number of countries that are eligible for foreign aid. In Stokke's words, the losers will likely be "poor, black and ugly regimes in the South".

Seen in a more positive perspective, this *trriage* will no doubt lead to more effective development cooperation. It is clear from a number of studies (e.g. World Bank, 1992) that development outcomes are better under good governance, and so will be the response in the development constituency, which may recover from some of its "aid fatigue". It is also true that a number of donor agencies (among them Sida) have a good track record in institution-building, much better than in complex rural projects targeting the poor or going against the grain of government policy. Aid effectiveness is therefore likely to be enhanced, both at project and at macro levels.

There is also an important element of collective learning in the very act of choosing indicators of good governance and in jointly examining them over time. The road to democratic forms of governance is never a straight line, and the experience of jointly examining problems and outcomes may in due course modify donor militancy. At the same time, a more determined effort by donors to disengage from cooperation with corrupt and undemocratic partners may also speed up reform of governance in certain countries.

An important aspect of democratisation is the evolution of *civil society*. The State withdraws from productive functions to be left to private enterprise, and democratic forms of governance leave more room in development and public debate for other actors, voluntary and community-based organisations, academic and research institutions. The interaction of individuals, families and social groupings within institutions of civil society create 'social capital', immaterial values like confidence and relationships which are essential for economic and social development.

Aid donors are seeking new ways to work with civil society or 'third sector' (ODC, 1995) institutions as a means of broadening their partnership to actors outside the narrow confines of central government ministries (OECD, 1995; Hydén, 1995). This is seen as a way to increase participation in development cooperation at the same time as it will bring decision-making closer to the 'grass roots' level. In government-to-government cooperation, a parallel tendency towards decentralisation of aid management to district and municipal bodies can be seen.

The practical problems in involving civil society institutions in government-to-government cooperation are well known. Provided that the host government agrees at all to involving those institutions, the problems are most often caused by weak management structures, a lack of accountability to the membership, or insufficient resource mobilisation to sustain activities after the cessation of aid funding (Riddell and Robinson, 1992).

Aid agencies often create the wrong incentives when they give direct support to organisations or institutions of civil society for public services or investments owned and managed by these bodies. The experience of social investment funds in Latin America shows that such funds have been very good at mobilising NGOs in social work and in attracting more government goods and services to the poor, but they have not been very successful in generating sustainable employment and incomes (IDB, 1997). A sustainable formula for joint operations by government and voluntary organisations in social development must build on explicit agreement on how responsibility will be shared in planning, implementation and recurrent cost financing.

Göran Hydén has proposed the creation of "autonomous funds" in support of civil society, without the shackles and vested interests that affect the present government-to-government cooperation. What is gained through such an approach is above all transparency. Decisions to grant support from the fund will be openly discussed, and the grounds for these decisions will be publicly known, which would in itself be a long step in the direction of openness. It is more doubtful that this type of arrangement will enable aid flows to avoid being influenced by vested interests in Government or other centres of power. And the sustainability problems would be the same as with the social investments funds.

In the Swedish aid programme, close to one-fifth of bilateral resources (including humanitarian relief) are currently channelled through voluntary organisations. Recent evaluations have in particular emphasised the problems of financial sustainability of their work with civil society counterparts in developing countries (Riddell, 1995). Voluntary organisations are a veritable growth industry in aid-receiving countries, a trend which is expected to continue. But the problem remains: if those organisations are going to remain effective in expanding the outreach of civil society, their core funding and their political power must be derived from their membership, not from foreign donors.

(iii) Globalisation for better and for worse

Globalisation is a recurrent theme in all our studies of economic, social, cultural and scientific trends in the past as well as in predictions for the future. Transactions of all kinds cross national boundaries, with a trillion dollars being traded internationally each day. Organisations span several continents and base their decisions on opportunities and risks in many countries at a time. Some of these organisations are crime syndicates, which may handle business volumes larger than the GDP of many of the poor countries. Private investment flows have benefited some middle-income economies, showing that globalisation could bring expanded opportunities to those who can make use of them. The consumption patterns, life styles and culture of the world's great commercial hubs penetrate the most distant corners of the Earth, thereby expanding the choices of some individuals, at the same time as they threaten the institutions and cultural identities of traditional societies. Infectious diseases move faster than they have ever done, and polluted air and water do not stop moving at national borders. Regardless of whether it brings opportunities or threats, globalisation is a challenge to national government.

The challenge calls for action at national as well as international levels. At international level, as the Commission on Global Governance (1995) strongly advocates, the call is for closer cooperation to protect human and national security and to harness the global economic forces for the benefit of poorer countries. The most essential function is that of maintaining peace, which requires a strong United Nations as well as active regional organisations. The second most important function of the international organisations is that of standard-setting. Conventions, codes of conduct and multilateral agreements have been worked out though long and arduous negotiations covering a vast array of activities in the economic, social, cultural and scientific fields. Together, they constitute an impressive first step towards global governance. To effectively perform the peace-keeping and standard-setting roles, international organisations must also have a capacity to monitor to what extent the standards are respected and to alert the world community to new threats as well as opportunities.

At national level, governments and civil society must be capable of contributing to these international efforts. If poorer countries are unable to control environment degradation, international crime or child labour, the usefulness of international standards will be eroded. Hence, one of the pillars of global governance is support for weaker and poorer members of the world community in reaching and maintaining the standards. This calls for technical advice and for resource transfers which are specifically geared to raising capacity for enforcing standards and containing global threats.

As regards the positive opportunities that globalisation offers through FDI, trade and technology transfers, the offers have so far been rather lop-sided. To attract investments, developing countries will have to provide not only the right policy environment for good profits but also an institutional setting which makes this environment stable and predictable. This has limited the number of FDI recipients mainly to China and the South East Asian "tiger" economies, and even the transfers of new technologies are bypassing the poorest countries. It is indeed possible for development cooperation to contribute to improving the institutional environment for FDI and to indigenising new technologies like IT and biotechnology, but if this effort is to be sustainable, it not only requires a strong commitment on the part of host governments but it also requires long periods of political stability to build confidence among foreign investors, researchers and innovators.

In several studies of long term economic trends, the question has been raised whether regionalism will not be a stronger force than multilateralism. This is a tendency in international trade, in Europe as well as in Asia and the Western Hemisphere. It is logical to assume as does Göran Hydén, that the European Community is likely in future to direct more of its aid to its own "near abroad". The same might happen with the US and Japan as a result of growing subregional integration.

It does indeed appear likely that the European Union will 'turn inwards' if and when it absorbs a number of low-income applicants for membership from Eastern Europe. It is also very probable that expanding trade and economic integration will provide very strong growth impetus in subregions like East Asia and parts of Latin America. But for most of Africa, and for West and Central Asia, these prospects are remote. For them, stronger regionalisation in other parts of the world will lead to continued marginalisation in world trade as well as in investment and other financial flows.

If we do expect that the future will bring a stronger urge for global governance, this might lead to a shift in funding of development cooperation towards multilateral rather than bilateral channels. No such tendency has yet been seen, as demonstrated by Björn Tore Carlsson. The central UN programmes are much less central now than they were in the 70s, and IDA may soon have less financial clout in the poorest countries than the European Commission. The only multilateral functions which are visibly growing are those of peace-keeping and humanitarian aid, which will be dealt with in the next section of this essay. No general thrust towards multilateralism can hence be presaged on the funding side.

Even though globalisation does not seem to bring more funds for *operations* undertaken by the multilateral system, multilateral action is bound to become increasingly important on the *normative* side. Stronger attempts to limit international trade in narcotics, in goods produced with child labour or ecologically unsound methods and to limit the spread of infectious diseases will be made and will gain increasing support from the world community. As the fast-growing Asian economies begin to reach levels of CO₂ emissions comparable to those of the US, enforcement of the climate convention will be more seriously discussed than now. The handling of toxic waste is another time bomb waiting for another decade of rapid growth before it will force the international community into joint action.

All these global threats will call for action in helping poorer countries to make their contribution to the enforcement of the internationally agreed norms. Development cooperation is already engaged in such action, through multilateral and bilateral programmes as well as through numerous programmes supported by NGOs. Some of the programmes are directly geared to maintaining the standards, such as the Global Environment Facility (GEF), the United Nations Fund for Drug Abuse Control (UNFDAC), human rights monitors, environmental labelling projects or the ILO's technical cooperation in support of international labour standards. Even the US and other reluctant supporters of multilateral programmes take an active part in supporting this type of action, and it is very likely that its role will become increasingly important in coming decades.²

This should also be true for development research into global "survival" issues like health, food security and natural resources management. Some of these research tasks will require such large resource inputs in terms of money and highly specialised manpower that very few governments even in middle-income countries can handle them. This is particularly obvious in cases where poverty is a major cause of the problem such as for instance in tuberculosis or desertification. Major research foundations and government programmes in richer countries have only a marginal interest in such problems and will pay attention to them only when the problems spread to their own shores. It will be necessary to form funding coalitions along the lines of the Consultative Group for International Agricultural Research (CGIAR) to deal with a number of survival issues in the health and environment fields. In terms of global impact, this is likely to be a task where development finance will have a very high rate of return.

² It is interesting to note from Bengt Liljenroth's essay on public opinion in Sweden that while the younger generation did not seem to be motivated by feelings of solidarity towards poor peoples, it still believed that it was important to help those people protect our common environment.

Last but not least, the effects on the globalisation of trade and information exchange is having vast effects on the culture of all countries involved. The poorest countries have great difficulties in defending their cultural identities in the commercial maelstrom of consumer goods, lifestyles and political values. Development cooperation has an important role in helping poor communities preserve at least some of the heritage that has so far underpinned their cultural identity. When it comes to the new Information Technology (IT), the objective is also to enable poor people to control their own interrelationships, but in this case the perspective is on the future rather than on history. IT offers poor countries vast opportunities for raising cost effectiveness and outreach in vital sectors such as education, health and agriculture. At the moment, the poorest countries risk being completely left out of the communications revolution currently under way.

(iv) Human and national security

The most dramatic change affecting development cooperation in the 90s has been the growing role of humanitarian aid, often in connection with military or paramilitary peace-keeping interventions. The end of the Cold War and the collapse of the Soviet Union coincided with a rash of internal conflicts and civil war which created acute human suffering on an unparalleled scale (UNRSD, 1994). Refugee movements which were greater than at any time before threatened regional peace and security and prompted international interventions with troops and humanitarian relief. Conflicts were almost entirely internal rather than international. UNDP proposed to complement the concept of national security with one of 'human security', including not only physical safety but also a safe environment, human rights, food security and other basic human needs (UNDP, 1994).

An indication of the shift of attention in the donor community has been the fact that emergency aid and humanitarian relief has grown rapidly in relation to total ODA flows. Among the UN programmes, WFP and UNICEF have experienced the most dramatic shift from development to humanitarian aid. The Swedish aid programme is showing the same trend: from 1989 up to 1996 humanitarian aid in a wide sense (including aid to reconstruction and rehabilitation) has doubled as a share of total ODA. The humanitarian relief programme of the European Commission as well as those of many EU members show a similar trend. It is important to consider whether this shift of emphasis from development concerns to those of security and humanitarian relief is a one-off reaction to temporary problems in the wake of the Cold War or if it represents a shift in priorities or 'paradigms'.

To begin with, it does not appear that the problem of collapsing states and internal strife (often termed 'ethnic') is a temporary phenomenon, caused by removal of Soviet or Western military control. It is true that in the past, military interventions by major powers often shored up regimes which had lost their support base. The major powers no longer act as a World police, and neither the UN nor regional organisations like the EU, NATO or OAU can provide the leadership required to handle complex conflicts like those in Bosnia or Rwanda. Tensions and conflicts like those that plague these countries exist in a vast number of cases and are likely to flare up at any time in the future. There is no reason to believe that coming decades will see less than the 90s of strife, refugee movements and precarious attempts by the World community at conflict management.

Has there been a paradigm shift in the sense that the World community in general and Western donors in particular see humanitarian aid as a more important or more effective means than development assistance for reaching their foreign policy objectives? It is perhaps a bit too early to tell. The 'information revolution' has brought conflict and suffering through TV and other media to the living rooms of ordinary people, and not only in the West. This tends to make some of the conflicts and emergencies in distant countries very hot for political decision-makers, albeit mostly for short periods of time. Throwing money at the problems is often a short-term reaction to such acute pressures (the "CNN factor"). If this is the main

reason, aid flows will dry up when media interest has shifted to new disaster areas. Some such tendencies can be seen, though it must be emphasised that humanitarian relief efforts have on the whole been much too persistent to support this hypothesis.

Neither can it be argued that humanitarian aid has been particularly effective in solving the problems. In many complex emergencies like in Somalia, Bosnia and Rwanda, a multitude of donors with very different agendas as well as means of intervention often contributed to worsening the conflict or the refugee problems. There are some severe systemic flaws which have to be addressed, by multilaterals and bilaterals as well as by NGOs before the international community can give effective response to emergencies created by civil war or other forms of domestic strife.

Apart from the division of tasks and functions among agencies and organisations, there is a major problem of strategy involved in almost every complex emergency, insofar as an intervention with humanitarian relief may be seen as support for one or the other of the warring parties. Food aid for example may be deliberately used for widening or lengthening a war effort. If the purpose of intervention is to alleviate suffering and to bring conflicts to an end, such effects are counterproductive. They have been observed to a lesser or greater degree in many of the emergencies of the 90s and before.

Some very serious discussion and analysis is currently taking place among practitioners and policy-makers in humanitarian aid. The organisational questions should logically be solved within the ambit of the UN, as suggested by the Commission on Global Governance (op cit, Chapter 3). But this problem is basically related to the one of political leadership, which too often is lacking. As regards the strategic issues of how to make interventions, for whom and for how long, and the question of linking rehabilitation to development, some very interesting development work is taking place (cf Anderson, 1996), and it is possible that new and innovative approaches will evolve, which will contribute to making humanitarian aid a more effective instrument of development cooperation.

Meanwhile, one may question the rationale in the current shift of resources from development to disaster relief. This trend has increased aid flows to middle- and higher-income regions at the expense of the poorest countries. It also means that people living in countries with 'ugly' regimes will get almost no long-term development assistance. Their time will come when the ugly regime falls, and then only for temporary humanitarian relief. This clearly goes against the principle that prevention is better than cure.

2. CONCLUDING REMARKS

Will the next decade spell the end of foreign aid as we know it? From this review of some salient tendencies in the 90s, it seems very likely that some of the characteristic features of "foreign aid" will gradually disappear simply because they have outlived their usefulness. Among those features are political subsidies to regimes without domestic support, and government-to-government transfers for activities which are unsustainable. The credibility of such purposes has been lost, and it will be increasingly difficult to raise funding for them.

On the other hand, our review has suggested a number of ways in which development cooperation in a broader sense will be needed to meet vital concerns of the world community. The emphasis on results will change the orientation of development financing but will not put an end to it. Increasing weight given to the objectives of democracy, human rights and support for emerging civil societies will also affect the orientation and scope of development cooperation as a whole and will place emphasis on the qualitative rather than on the quantitative aspects of social change. The desire of governments and intergovernmental bodies to harness the forces of globalisation for development purposes will require forms of cooperation

which do not necessarily rely on official financial flows but on joint action to enforce universal norms and standards. And the increasing recourse to development cooperation to manage conflicts and to find sustainable solutions to emergencies all over the world will also require new approaches and new forms of international cooperation. All of these developments will require fresh thinking, experimentation and new approaches in the form of 'partnerships' and changing roles for all the actors.

The different tendencies which have been described here do not necessarily point in the same direction for the role of development agencies, nor for the expected development outcomes. To some extent the different lines of activity compete for resources, and their means of action are different. It is rather futile to try and predict how they will affect the overall direction of ODA two decades from now, and even less useful to try to predict what the Swedish aid programme will look like in 2015, if there still is one. It would be more useful to discuss how these tendencies will affect development cooperation in the shorter time span of five to ten years, taking into account what we can glean from other future scenarios regarding different parts of the developing world. The following are a couple of pointers for such a discussion.

The most obvious conclusion to be drawn from all our sources is that development finance will be more scarce and also more discriminating than in the past. Those who provide the funds for concessional development financing will expect results, and they will expect that the implementing country clearly shares responsibility for financing the investment and assumes proper responsibility for maintaining it. Even more important, the whole aid relationship must change in a direction where both parties are clear about their responsibilities, and fully committed to them. For this reason, and in view of the negative experience of imposed policy conditionalities in the adjustment programmes of the 80s, it is likely that the approach in future will be based on past performance rather than on professed adherence to reform programmes (so-called *ex post* conditionality). It is also likely, that disbursements of funds will drop momentarily, as and when the parties are reformulating their responsibilities and shifting the initiative to the recipient side. Such a drop may strain the nerves of politicians and bureaucrats but must be accepted as a necessary step in redefining the partnership.

Another possible consequence may be more difficult to stomach. When performance criteria are combined with the higher requirements for good governance and human rights which are likely to predominate for some time to come, this will in practice limit access for the very poorest countries to development finance in the future. Some observers estimate that 35-40 per cent of Sub-Saharan Africa's population live in countries that may become mostly ineligible for aid on such conditions.

How can we make such a pessimistic prediction on governance in the poorest countries, including large parts of Africa? Democracy is making great strides, and the trend should point in the direction of stable and good governance. The trend does indeed point in that direction, but the movement along the trend will be very slow and uneven. For good governance to be established on a sustainable basis, two important preconditions must be met. First, the experience of major power centers in the country must show that compromise is more profitable than open conflict. And second, there must be some institutional mechanism for conflict management in place, through which potentially disruptive disputes about the sharing of material resources as well as of political power can be negotiated and resolved. These preconditions are still missing in many of the poorest countries, and for this reason a large number of those countries will only for short periods of time sustain governments which are both democratic and development-minded. Most of the time they will be ruled by governments of the 'ugly' type, thereby risking to be excluded from badly needed long-term concessional financing.

This means that a large number of the poorest countries will have their main contact with aid donors through emergency situations, which will occur from time to time when domestic conflicts go out of hand. Would it not be possible to use development funds more effectively by addressing the underlying causes

of these conflicts before they break out? This is in fact what development cooperation has tried to do ever since the beginning, for instance by helping neglected regions and population groups to get access to water, land and social services. But if the international community should focus on potential conflicts rather than on governance and development policies by helping underprivileged groups to get water and land in countries which are governed by predatory dictatorships, this will raise the stakes in the internal conflict and may ultimately the power centre to preempt the resource which the external funding has helped creating. In this way, external aid will have worsened the conflict rather than eased it.

It is a different matter with creating institutions which contribute to conflict management and to good governance. These are not normally resources of a type which could tempt any of the power centers to preempt them – they might in fact cease to be of any use once taken over by one side. This is an argument in favour of extending support for institutions of good governance even to countries which suffer from repressive regimes. Good governance programmes are already a veritable growth industry and will continue to be for quite some time, but even in this field it is likely that requirements for demonstrating results will rise. More analytical work will be needed to provide success indicators and a framework for assessing cost effectiveness in this field. Research institutes, NGOs and government agencies all over the world could make useful contribution to these studies and experiments.

Increased globalisation will offer development agencies of all types new opportunities to help developing countries to make use of possibilities for new forms of financing and for new technologies. In this field, it is innovative thinking which is the limiting factor, not financing. It will be possible to move large investments with relatively small amounts of grant money applied to research, experimentation and risk coverage. There is a vast potential for developing new types of development services through this vehicle but it is not easy to predict to what extent it will be exploited, and by whom.

The globalisation tendencies also call for joint international action to prevent certain negative outcomes from appearing. Of all the areas suggested so far, including environment protection, infectious diseases, drug and arms trade, international migration, child labour, it is likely that those which will have the strongest support in donor constituencies are the ones related to environment protection. Development cooperation programmes are already heavily involved in protecting national environments and managing natural resources. What will attract increasing attention, however, are problems which transcend national boundaries like air and water pollution, or the control of water sources shared by several countries. This is a field which is wrought with conflicts of the type just referred to above, and it will not be easy to handle. But the political pressure to deal with it will rise.

There are also a number of global 'survival issues' which will call for particular efforts in international development research cooperation. The areas where international networking and joint programmes will be most urgently needed would at present seem to be natural resources management, climate change and infectious diseases. For development research it is particularly important to support the study of problems related to or aggravated by poverty. Such research topics tend to get neglected by the large research foundations in industrialised countries.

The most critical aspect but also the most difficult one to predict is the aid relationship itself. In the 60s when Swedish development cooperation begun in earnest, this relationship was perhaps a bit naive but it was built on mutual respect and the parties were eager to define the responsibilities of the governments involved in terms which seemed logical to both sides. There was a slide towards leaving political initiative to the recipient side in the early 70s, and then there was a strong shift in the other direction in the 80s when arm twisting over structural adjustment led to deteriorating relationships in terms of mutual respect and confidence (Hveem and McNeill, 1994). Lack of any real sense of ownership contributed to worsening the dependency syndrome in the poorest countries.

The bottom line is that we will all have to change the way we do business, if business is to continue. Both sides are keenly aware of this problem, and efforts are undertaken in many fora to establish a new and more meaningful relationship. The Nordic initiatives to improve aid effectiveness in Tanzania is one such effort, and others are pursued within the framework of OECD's Development Assistance Committee (DAC) and in multilateral aid coordination groups. It is difficult to predict how far the development partners will be able to reach in establishing a truly mutual cooperative framework. The most important task is for both parties to openly define their legitimate interests and to agree on the division of responsibility within this relationship. There is nothing new in this concept, since this was the basic idea when development cooperation was launched at political level thirty years ago. But thirty years of experience has taught both sides of the relationship a few useful lessons of what works and what does not work. This collective learning experience may be our greatest asset in restructuring the aid industry for the future.

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When the new Sida was formed out of six former independent aid-agencies, five inquiries were undertaken to give the new Sida a common policy in vital areas and a coherent vision of the future. The inquiry into the future, Project 2015, consists of a series of studies and seminars aiming to review trends, problems and opinions which will have bearing on the environment within which Sida will be working 5-20 years from now. This volume is one of nine publications that presents the results from the 2015 project.

The final volume in this series focuses on the development cooperation itself. Will there be a need for concessionary financing and the transfer of knowledge and, if so, where will these needs be most urgent and how can they best be met? The discussions and studies in this volume address this topic. The following authors have contributed: Dag Ehrenpreis (on the various aspects of globalization), Göran Hydén (on foreign aid in a long-term perspective), Björn Tore Carlsson (on the changing multilateral framework for development cooperation), M. R. Bhagavan (on the role of development research) and Bengt Liljenroth (on the factors which motivate people to support or reject development assistance). The volume is concluded by an overview by Gus Edgren of a number of present and future challenges facing the development "industry".

Other publications from the 2015 project:

- Aid Dependency
- Aid Management
- Trends in Social Development
- Latin America
- North East Europe
- Asia
- East and West Africa
- Southern Africa



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