Conference Report Series

Development Cooperation Forum

Achieving More Equitable Globalization

THE CARTER CENTER

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Development Cooperation Forum

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Terms and Abbreviations

CDF	Comprehensive Development Framework
DAC	Development Assistance Committee
EU	European Union
G8	Group of eight main industrialized countries
GDI	Global Development Initiative
GDP	Gross domestic product
HIPC	Debt relief initiative for Highly Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IADB	Inter-American Development Bank
IFI	International financial institution
IMF	International Monetary Fund
MDG	Millennium Development Goal
NDS	National development strategy
NESC	National Economic and Social Council of Mauritius
NGO	Nongovernmental organization
NHDR	National Human Development Report
OECD	Organisation for Economic Co-operation and Development
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
RENAMO	National Resistance of Mozambique (Portuguese acronym)
SBA	Small Business Administration
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WTO	World Trade Organization

Chairman's Report

Since its inception more than 10 years ago, the Carter Center's Global Development Initiative (GDI) has worked with a small but diverse set of countries—Albania, Guyana, Mali, and Mozambique—to identify ways to make development cooperation more effective. GDI also has served as an independent conduit for feedback and information to key institutions in the international development system—including the World Bank, the International Monetary Fund (IMF), the U.N. system, bilateral donors, and nongovernmental organizations (NGOs)—on how their policies and actions in developing countries could more effectively and more quickly reduce human suffering and narrow the gap between rich and poor.

Through the Development Cooperation Forum series, we have convened leaders from developing countries and development organizations for frank discussions on the global actions needed to improve international aid policies and practices. This fourth Development Cooperation Forum is the last in the series and, as such, provides an opportunity for me to comment on the progress achieved and the many obstacles that still remain in helping the poor permanently move out of poverty. I thank the Rockefeller Foundation, the Kellogg Foundation, and the U.S. Agency for International Development for their support.

As chairman of the meeting, I was joined by two good friends: President Amadou Toumani Touré of Mali and President Armando Guebuza of Mozambique. President Bharrat Jagdeo of Guyana and Prime Minister Sali Berisha of Albania also sent senior representatives to the conference. Private sector, civil society, and opposition political party representatives of these countries also were present. Senior officials from the IMF and the World Bank, the Organization for Economic Cooperation and Development, the Canadian International Development Agency, and the Millennium Challenge Corporation participated. In addition, we were joined by Joseph Stiglitz, Nancy Birdsall, Ha-Joon Chang, Jeffrey Sachs, and other prominent individuals who shared their insights. I am grateful to them all.

I have witnessed important improvements over the last decade in the way donors and developing countries cooperate. Governments are producing National Poverty Reduction Strategy Papers drawing on the input of businesses, NGOs, farmers, health experts, human rights activists, legislators, teachers, community leaders, and others. The papers are an improvement over the old way of business where the IMF, World Bank, and developing country finance ministers determined the basic set of policies for an entire country. The World Bank articulated this approach in its Comprehensive Development Framework, which Jim Wolfensohn has noted was influenced by GDI's work on long-term national development strategies. We should not discount what a significant change this represents in the donor–recipient country relationship.

Despite this progress, however, forum participants pointed out that the Poverty Reduction Strategy Paper approach has fallen short of achieving its full potential on a number of fronts, from the adequacy of civil society participation to the boldness of resulting programs. For instance, according to our country partners, an unintended impact of the Poverty Reduction Strategy Papers has been to heavily skew aid allocations to social sectors to the neglect of the productive sectors from which transformative growth must come.

This problem was indicative of an overriding concern expressed at the forum: the continued inability of countries to exercise their right to pursue nationally appropriate policies due to constraints made by donor policies and conditions. GDI partner countries made clear arguments for relaxing some of the rigid positions of the international lending community that restrict crucial public spending, eliminate support for infant industries, and require blanket privatization of public enterprises or utilities. Moreover, our academic and nongovernmental colleagues highlighted numerous examples where neoliberal policies have failed to produce expected results. Many of the economic policies shunned by the Washington Consensus played important roles in the successful experiences of my own country in the past and of countries such as China and India more recently. GDI partner countries identified specific issues they want to put on the table. For example, Mozambique wants to re-evaluate the role that a development bank could play in fostering private-sector development, and Mali wants to find sustainable privatization paths for key sectors in its economy.

Another topic of concern to many of the participants was the limitations IMF programs place on options for countries to manage their budgets, interest rates, and inflation, thereby making it difficult for them to create the conditions for achieving growth rates that can take them out of the poverty cycle. From the evidence presented at the forum and the preparatory workshop, these issues do not seem to be open for debate in the national Poverty Reduction Strategy Paper processes, yet are decisive in determining everything from spending on health programs to civil service salaries to growth and employment rates. The IMF did not debate these assertions, and I am hopeful that it will take steps to help countries explore feasible but bold macroeconomic alternatives that successfully can address the grinding poverty that afflicts poor countries. I believe the IMF, the World Bank, and the U.S. Treasury need to re-evaluate their preference for strict macroeconomic efficiency and weigh this against the real need for poor countries to invest in growth and also hire more teachers, health care workers, and agricultural extension agents.

Another hotly debated issue was the lack of adequate resources to finance the achievement of the Millennium Development Goals, which aim to reduce by half the number of people living in extreme poverty across the globe by 2015. All of the countries with which we work are making enormous efforts to mobilize resources for their own development, but it simply is not enough. More aid is needed for practical programs to immunize children, prevent the spread of diseases, increase agricultural production, and educate youth. Regrettably, there has been insufficient progress on increasing aid flows and improving their predictability and stability.

DEBORAH HAKES

Former U.S. President Jimmy Carter, chairman of the fourth Development Cooperation Forum.

There appeared to be disagreement between those who believed the aid community should deliver technical solutions to the poor versus those who felt the most fundamental need is building the institutional capacity of developing country governments and other indigenous institutions to deliver services to their citizens. I do not feel that these are mutually exclusive aims. On this point, our developing-country partners made it clear that they had an urgent responsibility to effectively deliver services. Donors must focus on building government capacities and resist allowing aid to become an industry that arguably benefits the provider more than the recipient. In situations where governments are corrupt or too weak to meet basic needs such as health services and potable water, greater reliance on donors, NGOs, and private operators will be necessary in the short term. But this is not an excuse to avoid building national capacity, without which there will be no sustainable results.

Forum participants regularly pointed to the dysfunction of the donor aid system and recognized that, although some progress has been made, meaningful change of the system still escapes us. This dysfunction was seen on two fronts. First, a large proportion of aid money reverts to the donor countries. The thriving industry of foreign consultants facilitated by tied aid was the issue participants mentioned most frequently. Several decades ago, the United States began channeling its aid to American consulting firms, nongovernmental organizations, and charities out of concern over government corruption in recipient countries. While this practice is by no means limited to the United States, it has gone on far too long and has reduced local ownership of aid programs and undermined self-sufficiency. The leadership of the United Kingdom, which has fundamentally overhauled its aid legislation and eliminated many of the ineffective practices, should be examined and emulated. Second, the money that is made available for transformative growth is blocked from making its way to the poor by multiple, burdensome, and sometimes incoherent donor procedures and practices that recipient countries must accommodate. Decisive action is needed by donor countries to make sure that the commitments they make at the global political level are translated into demonstrable changes on the ground.

We also discussed the role that our Global Development Initiative has played as a third-party facilitator of development cooperation. This role emerged for us because donors and developing-country partners agreed that an honest, outside broker could enhance many facets of the aid relationship. In this role, we have helped the ruling and opposition groups in both Guyana and Mozambique to find consensus on their long-term development strategies. We have helped Albanian citizens achieve a greater voice in their government's anti-poverty programs. We are also assisting the Malian government to strengthen its management of external aid and to build government capacity to analyze and develop government policy to spur greater poverty reduction. As with our conflict-mediation and election-monitoring work, we can play this role because of my high-level access to political leaders. In addition, GDI does not have an aid program to disburse, nor do we advocate a particular development ideology. This allows us a privileged role as an impartial adviser and facilitator. I believe the positive reactions we received at the forum to the GDI Approach Paper validated our work to date, as did the agreement by participants that third-party facilitation, if judiciously implemented, can play an important role in improving development cooperation both on the ground and at the global level.

The following is my own interpretation of the consensus points for action that emerged at the meeting, as well as a few of my own suggestions for next steps.

1. The important gains that have been made to ensure that national development strategies are locally owned and participatory are in jeopardy if governments and citizens come to believe that distant organizations and forces maintain a stranglehold on their freedom of choice. All of our country partners accept the challenges of globalization and the need to be transparent and accountable. But too often they are discouraged from implementing development initiatives they feel appropriate for their circumstances because donors are not predisposed to support them.

My suggestion is that each of the countries we work with identify critical areas of their development strategies that they feel have not been given adequate consideration by the donor community: for example, for a less-restrictive macroeconomic program, creation of a development bank, options for restructuring public enterprises and utilities, or the higher spending on practical investments needed to achieve the Millennium Development Goals. Each country could present credible options for advancing such issues and, in those cases where options do not already exist, suggest a mechanism or process for identifying them.

2. Countries need greater capacity to develop their own policies and programs that will gain the confidence of donors. This is where the validity of joint policy work between governments and donors was affirmed. Each country could suggest a set of practical proposals for improving their policy-development capacity in the government and nongovernmental sectors. These could then be presented to the international donor community for long-term support. Assistance in strengthening capacities in the nongovernmental sectors—what Nancy Birdsall calls independent institutions that are endowed, externally linked, and conduct evidence-based analysis—could build on models such as the Center for Global Development in Washington, D.C., or the National Economic and Social Council of Mauritius.

3. There is good work taking place at the Organization for Economic Cooperation and Development to move donors to reform their aid practices so that they impose less administrative burden on developing countries. A typical African country submits about 10,000 quarterly donor reports each year and receives about 1,000 donor missions to comply with donor-funded programs and projects. This is a waste of scarce time and resources for recipient countries. Donors can alleviate this burden by increasing the proportion of their aid that is channeled through the national budgets of well-run and accountable governments and by reducing conditions and improving the predictability of aid flows to allow recipient governments to better plan expenditures and match them to local needs. Recipient governments have a mandate to provide services to their citizens. Donors must therefore recognize that earmarking development projects according to their own sectors of interest, along with the volatility of aid flows, can weaken the democratic link between user needs and government accountability for meeting them.

Mozambique presents an example of how aid effectiveness can be improved. The government has a contract with 17 donors that provide some of their aid as budget support. Under this agreement, the government is strengthening its financial systems so that donors can have confidence that their funds will not be stolen and will meet objectives spelled out in specific performance indicators. While donors regularly monitor the performance of the government, they also have allowed an independent third party to evaluate the donors' performance against their promises. Budget support represents just 30 percent of donor aid in Mozambique and could increase with more ambitious efforts and reforms on both sides. Nevertheless, I believe this model, including the role of independent third-party monitoring, should be applied more widely.

4. Everyone at our forum acknowledged that many of the obstacles to more and higher quality aid can be resolved only in the legislatures of the rich countries. Every country could do more, but the United States, as the richest nation in the world, must show more leadership. Too much of U.S. aid goes to middle-income countries for political or security purposes, and the meager remaining amount often benefits the development industry at the expense of the poor African farmer. I will continue to do what I can through my public statements to encourage the U.S. government to live up to the pledge of more and better aid for the poorest countries—particularly aid that is channeled to untied budgetary support—so that governments can properly use and account for it. I will call on others to become part of a political movement that will elect leaders who support more development assistance to these countries and who are prepared to modernize our grossly antiquated enabling legislation for foreign assistance, the Foreign Assistance Act of 1961, which should be brought in line with today's international standards.

5. The need for impartial third-party actors to help facilitate mutual accountability between aid donors and recipient governments will exist as long as major decisions about global development are skewed in favor of rich countries. Based on our experience with the GDI, I believe it is time to enjoin other organizations to pick up the role we have played and scale up its application. Many expressed interest in this concept at the forum.

Jimmy Carter

Jimmy Carter, Former U.S. President and Chairman of the Development Cooperation Forum

Acknowledgments

GDI's fourth forum would not have been possible without the support of the Kellogg Foundation, the Rockefeller Foundation, and the U.S. Agency for International Development. The success of our meeting depended on the information and feedback provided by our developing-country partners. GDI is especially grateful to President Amadou Toumani Touré of Mali and President Armando Guebuza of Mozambique, who saw the value of taking two days from their busy schedules to share their thoughts and concerns about the development processes in their countries. We are also grateful to our other Malian and Mozambican partners who joined their presidents along with GDI's partners from Guyana and Albania. It was the interventions of our country partners that kept the discussions rooted in the everyday reality of their situations.

Very special thanks are also extended to our two keynote speakers: Dr. Joseph Stiglitz and Dr. Nancy Birdsall. Their provocative and informed remarks set the tone for a meeting that recognized that we can no longer tolerate a business-as-usual approach to development cooperation if we are serious about narrowing the gap between rich and poor, creating greater global equity, and launching a meaningful assault on poverty.

Finally, I want to acknowledge the dedicated efforts of the GDI team and other Carter Center staff. Assistant Director Jason Calder, Assistant Director Vu Dang, and Program Assistant Hannah Feinberg, along with our dedicated interns, made up the Atlanta team. The valuable support provided by GDI Mali field colleagues Modibo Makalou and Elaine Geyer-Allély was critical to making this event a success, as was the support we received from the Carter Center's Events, Public Information, Security, and Volunteer offices.

Edmund J. Cain
Director
Global Development Initiative
The Carter Center

President Carter; Armando Guebuza, president of Mozambique; Abou Bakar Traoré, minister of economy and finance in Mali; and Edmund Cain, director of the Global Development Initiative at The Carter Center; discuss major forum themes at a press conference.

Deborah Hakes

PROLOGUE

The Global Development Initiative was established in 1993 out of a concern that development cooperation was too externally driven, making newly democratic governments more accountable to donors than to their own people and distorting national priorities as a result. For more than a decade since, GDI has sought to improve the effectiveness of development assistance in the fight against poverty and inequality by developing and applying a new model of international development cooperation emphasizing:

- host country ownership of national development strategies,
- broad-based participation in governance, and
- greater coherence in the development policies and practices of donor countries and multilateral institutions.

GDI has pursued its mission through a two-track approach: country-level initiatives and a global-action and learning series chaired by President Carter and known as the Development Cooperation Forum. At the country level, GDI has facilitated the efforts of its partner countries—Albania, Guyana, Mali, and Mozambique—to formulate and implement their own long-term national development strategies. Recognizing that poor countries' development is constrained by problematic global policies and practices, the Development Cooperation Forum has sought to improve global development cooperation by identifying best practices from GDI country work and mobilizing political will behind effective solutions to global problems.

An important feature of the GDI has been its role in development cooperation as an impartial, non-donor, third-party actor. Concern about the highly unequal relationship between developing countries and international donors was behind the idea of an honest broker playing facilitation, mediation, and capacity-building roles. GDI has taken this approach both among stakeholders within its partner countries, where it can work evenhandedly with government and social forces, and between its partner countries and the international community.[1]

Over more than a decade since GDI's establishment, what is known today as the *partnership* model of development cooperation—embodied by the core GDI principles and applied through mechanisms such as the national Poverty Reduction Strategy Papers—has become widely applied. GDI's early pioneering role in defining and testing it has been acknowledged by many, ranging from former World Bank President Jim Wolfensohn[2] to the Overseas Development Institute.[3] As the international community adopted the partnership model, GDI focused its efforts on promoting its successful application.

PARTNER COUNTRY EXPERIENCES

GDI's work has revolved around its country partners' desire to advance their own national development strategies. GDI's approach is flexible enough to address country needs at any point in the strategic policy cycle, from formulating and implementing national strategies to aligning donor assistance with country priorities to strengthening national capacity for monitoring and evaluating public policy.

In Guyana, GDI helped catalyze and facilitate the process of producing that country's national development strategy. This effort was the first major participatory policy-making initiative since the country's return to democracy in 1992, which generated widespread support across social and political divisions and laid the basis for Guyana's Poverty Reduction Strategy Paper. Unanimously endorsed by the parliament, the Guyana National Development Strategy also

1. See GDI Approach Paper (Appendix C).
2. The Carter Center. "Development Cooperation Forum: Human Security and the Future of Development Cooperation." Atlanta, GA, 2002.
3. Hewitt, Adrian. "Assessment of The Carter Center Global Development Initiative." London: Overseas Development Institute, 1999.

reinforced the country's constitutional reform process and remains today a widely accepted reference point for the country's ongoing dialogue about inclusive development and governance.

In Mozambique, GDI supported the formulation of a long-term vision and strategic policy orientations. Mozambique's Agenda 2025 was unprecedented in its effective inclusion of both ruling and opposition political forces, its approval by parliament, and its acceptance by government and civil society as the basis for Mozambique's second Poverty Reduction Strategy Paper.

In both countries, the efforts of citizens to formulate their national development strategies have fundamentally altered national policy dialogue, shifting the terrain on which policy discussions take place.[4] It has widened the scope of the debate, introducing essential development policy questions that previously were not discussed within the country. For example, Agenda 2025 highlighted the need to reorient macroeconomic policy to enable broad-based growth and employment creation, while the Guyana National Development Strategy tackled the country's deep ethnic divisions.

In Albania, GDI facilitated civil-society participation in the development of the Poverty Reduction Strategy Paper, which over time has grown into a more comprehensive strategy called the National Strategy for Social and Economic Development. As this process evolved, the Albanian government, along with the political opposition and with the support of the World Bank, asked GDI to support a national visioning process that would harmonize objectives such as the Millennium Development Goals and those associated with European integration, all within a long-term vision of their national aspirations.[5]

Where national strategies were already in place, GDI has tailored efforts to ensure the alignment of donor assistance with country priorities. In Mali, GDI has focused on strengthening the government's economic planning capabilities around the Poverty Reduction Strategy Paper to target donor assistance more effectively. GDI has helped Mozambique define

Elaine Geyer-Allély

President and Mrs. Carter meet with Mali President Amadou Toumani Touré to discuss the Global Development Initiative's work in Touré's country.

the linkages between its Poverty Reduction Strategy Paper and its long-term national vision and strategy. Country counterparts from government and civil society were trained to utilize the Threshold 21 Integrated Development Model, a tool for strategic multisector scenario analysis.[6]

Where countries have been in the process of implementing national strategies, GDI has supported efforts to promote the harmonization of donor practices with country systems to reduce the burden of external aid. In Mali, for example, GDI supports the government as it formulates a clear and decisive action plan to direct donor harmonization efforts in the country. GDI also is prepared to reinforce government efforts to implement the plan in cooperation with donors and supports institutional strengthening in other areas, such as the reorganization and streamlining of government development management functions.

In addition, GDI emphasizes strengthening the capacity of civil society to monitor and evaluate the implementation of national strategies. In Mozambique, for example, GDI helped enhance the capacity of civil-society organizations to monitor and critique the

4, 5. The World Bank. "Enabling Country Capacity to Achieve Results: 2005 CDF Progress Report, Volume II (Country Profiles)." Washington, DC, 2005.

6. See www.millennium-institute.org.

government's Poverty Reduction Strategy Paper and to educate and engage local-level stakeholders in that process. Similar efforts have been supported in Albania to build a network of regional focal points for civil-society participation in the national strategy process, resulting, in one instance, in citizen mobilization that reversed an unpopular government policy that flaunted local priorities.

The Development Cooperation Forums

During its history, GDI held four Development Cooperation Forums that contributed to and tracked the larger changes taking place in the international development system. The first Development Cooperation Forum in 1992, chaired by President Carter and U.N. Secretary-General Boutros Boutros-Ghali, took place in a hopeful atmosphere for development following the end of the Cold War. The conference examined specific and practical ways to improve development cooperation on an international scale and proposed a new model based on true partnership between rich and poor countries.[7] Following the conference, The Carter Center convened an action-planning meeting of experts, donor officials, and developing-country representatives that led to the establishment of the Global Development Initiative and the launch of pilot initiatives.[7]

Its second Development Cooperation Forum in 1996 focused on GDI's first pilot initiative in newly democratic Guyana. Chaired by President Carter and attended by the president, finance minister, and opposition leader of Guyana, as well as development ministers, aid agency representatives, and leaders from the private sector and civil society, the second forum reviewed the results of efforts to facilitate the participatory preparation of a national development strategy as the basis for international cooperation. Participants at the meetings called the Guyana effort a potential new model of development cooperation emphasizing the principles of ownership, participation, and international partnership. The Center was encouraged at the meeting to expand its country-based initiatives to Africa.[8]

At its 2002 Development Cooperation Forum, GDI and its partners—now including Albania, Mali, and Mozambique in addition to Guyana—took stock of a decade of post-Cold War efforts to reform and transform development cooperation. By this time, the core principles of GDI had become organizing principles for a new partnership between rich and poor countries, as articulated by global agreements such as the Millennium Development Goals and the Monterrey Consensus and through operational practices such as the Poverty Reduction Strategy Papers. The questions were whether these new approaches amounted to more than hopeful rhetoric and aspirations and whether they would prove adaptable and resilient in the face of the complex challenges facing poor countries.

While much attention had traditionally been placed on reform in developing countries, it had become apparent that the policies and practices of donor nations and international development organizations—such as U.S. and European Union agricultural subsidy policy, global trade agreements, and the terms of international debt relief—increasingly constrained low-income countries' development prospects. The 2002 forum concluded that the global development architecture of aid, debt, trade, and finance policies required major changes in order for globalization to become a force for greater inclusion rather than growing disparities. Forum participants also concluded that the Poverty Reduction Strategy Paper process had yet to prove that it could deliver country-owned development models embracing sound market principles that were creatively applied, as opposed to a one-size-fits-all version of the neoliberal model that critics claim poor countries have been forced to pursue over the last 20 years.[9]

7. The Carter Center. "Conference for Global Development Cooperation." Atlanta, 1992.
8. The Carter Center. "Toward a New Model of Development Cooperation: The National Development Strategy Process in Guyana." Atlanta, GA, 1997.
9. The Carter Center. "Development Cooperation Forum: Human Security and the Future of Development Cooperation." Atlanta, GA, 2002.

INTRODUCTION

The issues addressed at the 2002 forum remain prominent on the international agenda today. In 2005, the G8 Summit, review of progress on the Millennium Development Goals by the U.N. General Assembly, and the Ministerial Conference of the World Trade Organization all focused on the challenges facing developing countries, making 2005 a potentially defining year for meaningful advance of the development agenda.

In a recent *Foreign Affairs* article, three prominent economists focused the debate squarely on what poor countries could do for themselves if rich countries would provide them with the space to do it.[10] More aid could help poor countries, but only if donors provide it in a way that builds national capacity rather than undermines it. Greater market access would also be a boost, but only if developing countries figure out how to build the institutions and capacities of the poor to take advantage of them.

Over the last 50 years, countries as diverse as South Korea, Taiwan, Chile, China, Vietnam, India, Botswana, and Mauritius have succeeded by taking a few general economic policy standards—macroeconomic stability, outward orientation, accountable government, market-based incentives—and applying them creatively in a manner appropriate to their national contexts. Those that have attempted "garden-variety" structural-adjustment programs consisting of deep and complex reforms across a wide spectrum of institutions have fared less well. In other words, history and social and political institutions trump outside models. Unfortunately, today's highly indebted and aid-dependent poor countries face a development cooperation environment that is less tolerant of experimentation and more conditionality-driven, restricting their room for maneuver.

10. Birdsall, Nancy; Rodrik, Dani; & Subramanian, Arvind. "How to Help Poor Countries." Foreign Affairs 84 (Jul./Aug. 2005).

The *Foreign Affairs* article authors argue for empowering poor countries with enough space to craft and implement their own national strategies:

> *...the secret of poverty-reducing growth lies in creating business opportunities for domestic investors, including the poor, through institutional innovations that are tailored to local political and institutional realities. Ignoring these realities carries the risk that pro-poor policies, even when they are part of apparently sound and well-intentioned IMF and World Bank programs, will be captured by local elites...Wealthy nations and international development organizations should not operate as if the right policies and institutional arrangements are the same across time and space.*

The relevance of these observations resonates with GDI's partner countries, which to varying extents have formulated and implemented their own long-term national development strategies. Two of these countries, Mali and Mozambique, are revising or preparing to revise their Poverty Reduction Strategy Papers. Guyana is entering into and Albania is emerging from national elections, and both will soon have to reformulate their Poverty Reduction Strategy Papers in the context of their long-term national visions and strategies. How will these countries fare? Has the international community embraced the need for policy autonomy and institutional innovation in these countries? What context-specific approaches to development is each country trying to pursue? How much progress have donors made in aligning their assistance to country strategies and harmonizing aid delivery systems to support, rather than undermine, national capacity?

With such questions in mind, featuring the experience of its partner countries and building on the agenda laid out at the 2002 forum, President Carter convened the 2005 Development Cooperation Forum in Atlanta on Dec. 9, 2005, under the theme "Achieving More Equitable Globalization."

Executive Summary

GDI's fourth Development Cooperation Forum on "Achieving More Equitable Globalization" was held on Dec. 9, 2005, at The Carter Center. Malian and Mozambican counterparts met in Maputo, Mozambique, in October for a preliminary planning session to identify, discuss, and plan their contributions to the forum's broad themes of policy autonomy and aid effectiveness. They were joined by their colleagues from GDI's two other partner countries, Albania and Guyana, on Dec. 7 for a pre-forum workshop, during which they all shared their relevant experiences and further prioritized the issues to be addressed over the following two days. On Dec. 8, GDI's partner countries presented these issues for initial discussion with a small group of representatives from the international donor and NGO community. The discussion was expanded on Dec. 9 to include high-level representatives from many partner countries. Dr. Joseph Stiglitz, Nobel laureate in economics, delivered the keynote address. President Carter presided over the forum on Dec. 9, where he made welcome remarks. President Touré of Mali and President Guebuza of Mozambique made opening remarks, and Nancy Birdsall, president of the Center for Global Development, delivered the forum's second keynote address.

Highlights of Speeches

Joseph Stiglitz, Executive Director, Initiative for Policy Dialogue, 2001 Nobel Laureate in Economics, Keynote Address

Joseph Stiglitz drew upon contemporary events and his experience at the World Bank to illustrate that low-income countries need to shape their own economic destinies. He highlighted the importance of open public dialogue, arguing that it brings out information on policy choices and expands policy alternatives. Since international financial institutions often represent only a single perspective, public dialogue can allow competing ideas to emerge.

Stiglitz contrasted the cases of the United States and Argentina in terms of social security privatization. In the United States, public dialogue revealed information about privatization's potential negative consequences, which included increasing the national debt. In the end, privatization was defeated. In Argentina, on the other hand, public dialogue was negligible. Argentina was presented one perspective, which held that privatization equals "good economics." No policy alternatives emerged and, once privatization was implemented, the country found itself with a drastic increase in public debt. Also, citing the mixed successes of market board privatization in some African counties, Stiglitz argued that lack of dialogue makes adverse effects more likely because local conditions are often overlooked.

Furthermore, because international financial institutions are often unwilling to back down from certain policy positions, such as the pace and desirability of capital market liberalization, Stiglitz argued that they cannot be relied upon for the formulation of development strategies. Instead, third parties should facilitate policy debate so that alternative views can be considered when governments and international financial institutions construct development strategies. He called attention to the inappropriate accounting and budgetary framework that hindered Brazil's land reform and presented evidence that moderate inflation has no significant effect on economic growth. Stiglitz concluded by stressing that there is no uniform way to achieve development and arguing that third parties can expand the scope of policy dialogue to bring greater accountability to governments and international financial institutions.

Jimmy Carter, Former President of the United States, Welcome Remarks

President Carter remarked that the most crucial problem facing the world today is the growing chasm

Mozambique President Armando Guebuza and President Carter address members of the media at a press conference.

between the rich and poor. He described the Carter Center's health programs, which focus on eradicating disease and increasing food production, and how these programs have often led The Carter Center into resolving conflicts and monitoring elections in various countries. He said that his experiences in these countries prompted the creation of the Global Development Initiative, as the need for more efficient development assistance to these countries became obvious.

President Carter emphasized that, even when a country has a sound development vision and program, there are many obstacles to implementation. He stated that African countries generally absorb only 20 percent of available resources due to lack of aid coordination and burdensome restrictions associated with funding. President Carter called on donor countries to harmonize their efforts so that aid intended to promote health, development, or education does not result in a cacophony of separately run projects that overwhelm the limited administrative capacity of the government. While he acknowledged that in some countries, corruption prevents donors from investing in the government, he emphasized that in many countries, governance is not a problem.

President Carter also argued that donors are simply not generous enough. During the International Conference on Financing for Development in Monterrey, Mexico, in 2002, donors made significant commitments of new resources that have not materialized. He noted that the U.S. government is at the bottom of the list in terms of generosity, giving only 16 cents of every $100 of income, while European nations give, on average, 40 cents. The fact that the gross domestic product of 50 of the poorest countries is lower than it was 10 years ago is a testament to the need for this conference and to continued efforts to iron out the problems that prevent more aid from being delivered effectively to poor countries and to the poor within those countries.

Amadou Toumani Touré, President of the Republic of Mali, Opening Remarks

President Touré called for reform of the international aid system so that it might reflect a "true partnership" between donors and recipients. Outlining steps that his country has taken to develop strategies for economic growth and poverty reduction, he asserted that Mali has been willing to cooperate with donors, even when that has meant implementing drastic economic reforms that have "placed us ill at ease."

"When there are efforts to be made," he said, "Mali is ready." Now, it is up to donors to assist Mali in mobilizing necessary resources and to place confidence in the government, thereby allowing a true partnership to emerge.

While Touré expressed gratitude for the generosity of donors, he asserted that more needs to be done to ensure that efficient and effective development takes place. He argued that true partnership "requires a permanent dialogue to identify needs, fix objectives, and mobilize necessary resources." Ultimately, through dialogue, the president expressed hope that his country will see more aid and better aid management. He argued that better aid management requires four basic changes. First, external aid must be integrated into the government budget. Second, the planning and accounting of aid must be improved. Third, donor procedures must be simplified. He held that inefficiency has resulted "not because [Malians] are not intelligent, but rather…because the procedures are so complicated." Fourth, the government's capacity must be strengthened so that it can engage in better management and assume a more direct role in shaping the development of the country. All of these priorities require the confidence associated with a true partnership.

Finally, President Touré drew attention to what he perceives to be a lingering hypocrisy on the part of the developed world. He argued that trade is absolutely essential for Africa's development, yet agricultural subsidies in the developed world render it virtually impossible for Africa to compete for a profit. Holding that it is "unjust" for developing countries to be forced to accept market-driven economic programs while developed countries refuse to follow the same guidelines, he calls for agricultural subsidies to be eliminated so that African countries can enjoy the benefits of international trade.

Armando Guebuza, President of the Republic of Mozambique, Opening Remarks

The dominant message of President Guebuza's remarks was that Mozambique's development strategy must and will be Mozambican. While acknowledging his country's current dependence on aid, he made clear his expectation that donors align their resources around "domestically generated strategies and programs," emphasizing in particular the hope that donors would support, or at least not block, the creation of a development bank. He reiterated that the people of his country are smarter than they are often given credit for and that, since they are the ones who are first to feel their problems, the people need to be heard and respected as the ones who are first to solve their problems. "Africans," he said, "also are able to learn."

He reduced the question of development down to three critical factors: capacity, resources, and cooperation. Although he acknowledged that Mozambique could do more to improve the capacity of its government to absorb aid, he asked that donors refrain from viewing this as an excuse not to scale up resource flows but as a challenge that both donors and Mozambicans can overcome as partners. With 70 percent of its population living in rural areas, Mozambique, he argued, urgently requires increased investments in its rural infrastructure: "Additional resources should be significant, stable, predictable, and available for identified needs of recipient countries." Addressing cooperation, he stressed the need for donors to make more progress on harmonization and alignment.

President Guebuza returned to a recurring theme as he concluded his speech, calling for a re-evaluation of the relationship between donors and countries. The current assumption that the "provision of aid is a matter of charity toward poor countries" spawns a paternalistic attitude that must change. Mozambique needs to be equal in its relationship with donors, who must share the same goals as Mozambique: "social and economic development that contributes to a more equitable globalization."

Nancy Birdsall, President, Center for Global Development, Keynote Address

Nancy Birdsall argued that today's globalization perpetuates inequality; she elaborated upon the implications for development and transformative growth and for the development community. Birdsall said that more integrated, deeper, and richer markets tend to reward certain assets that are unequally distributed—from a university education at the individual level to sound and stable political and economic institutions at the country level. The rich world, possessing the majority of these assets, is able to set the rules of the game at the global level to reflect its interests, reinforcing the tendency of globalization to spread inequality.

Rising inequality creates insecurity and dissatisfaction among the poor in developing countries, making it harder for leaders to enact what Birdsall called the "right" policies. Her contention was that local politics matter. Development practitioners need to understand that, while economic policies embraced by international financial institutions may be sound in principle, the "right" policies often do not fit with local politics. In fact, they may be impossible to implement. This is the reason, according to Birdsall, for the failure of many structural adjustment programs. The rich world must consider policy autonomy for developing countries in this context, as it is the local leaders and local community that have the most information ex-ante about what policies can be effectively implemented at any given moment to generate pro-poor growth.

Birdsall called for a new "global social contract" to address inequalities across countries, much like a social contract that forms the foundation of a country's obligations to its own citizens. She proposed the rich world should first "do no harm" to poor countries and reverse harmful policies and practices such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Further, she encouraged investing in new technologies that yield direct benefits to people in the developing world, making international financial institutions more democratic and representative, and ensuring that development assistance improves critical social and political institutions in the developing world. Birdsall suggested independent, external scrutiny of the donor community, creative new ways to deliver aid, pushing for donor communities to take more risks in areas such as budget support, and endowing "independent institutions," such as independent policy think tanks, in poor countries.

Highlights of Discussion

The major themes explored in the fourth Development Cooperation Forum were whether recent efforts have resulted in greater policy autonomy for poor countries, whether on-the-ground progress was occuring in the area of aid effectiveness as a result of the global harmonization movement,[11] and what role impartial third parties could play in facilitating more effective development cooperation. In general, participants acknowledged that the principles of partnership and mutual accountability that now guide development cooperation are the right ones and that mechanisms such as the Poverty Reduction Strategy Paper, medium-term expenditure frameworks, budgetary support, and the new focus on relieving burdensome donor practices represent improvements over the situation that prevailed even 10 years ago. However, developing countries' experiences suggest that country ownership remains severely constrained in certain areas of economic policy and by the reluctance of donors to relinquish control of aid resources even when good governance is not the driving concern.

11. See www.aidharmonization.org.

On the topic of policy autonomy, forum participants subscribed to the basic tenet that different contexts demand different approaches beyond simply ensuring basic free-market-enabling fundamentals. However, country partners and several other participants stated that the Bretton Woods institutions and other donors do not follow this advice in practice. As several participants noted, the growth strategies donors impose are often completely contrary to successful experiences in other parts of the world, particularly when it comes to **rethinking industrial policy and the role of the state** in the context of growth strategies and private sector development. Mozambique's difficulties generating a transparent and honest dialogue with donors about the creation of a development bank were a case in point.

Another area of widespread concern was the **inflexibility of the macroeconomic framework** supported by the International Monetary Fund's Poverty Reduction and Growth Facility, which is basically the same across most developing countries irrespective of their unique circumstances.[12] There can be many alternative macroeconomic frameworks with trade-offs among growth, employment, poverty reduction, trade balances, and inflation, particularly over the medium to long term, but these are often not openly debated. Several participants pointed out that the Poverty Reduction and Growth Facility has prevented countries from making the vital social investments and generating the kind of economic growth necessary to lift their people out of poverty. Moreover, participants noted that not only do Poverty Reduction and Growth Facilities obscure countries' clear need for additional aid, some international financial institution officials actually discourage countries from raising the matter. This point was contested by other participants, who pointed out that balanced frameworks must be agreed upon based on available resources and that governments lacked the capacity to formulate several budget scenarios.

GDI country partners expressed concern that the combined impact of the Poverty Reduction Strategy Papers, Millennium Development Goals, and Heavily Indebted Poor Countries Initiative had resulted in a **social-sector bias in aid and public investment** reflecting donor priorities at the expense of productive sectors like agriculture and private-sector development, both of which are needed to generate broad-based and rapid economic growth.[13] While participants recognized the important contribution that social investment makes to long-term growth and poverty reduction, they argued that a better balance must be established to ensure the long-term sustainability of today's efforts with less reliance on external assistance. In some countries, the broader agenda is elaborated in national development strategies or national visions but not adequately realized through the Poverty Reduction Strategy Papers, which have a medium-term focus. It was also noted, however, that even among the four developing countries present, there would be diverse experiences. For example, Mali and Mozambique in particular had large, impoverished rural populations in desperate need of basic social services.

To resolve these issues, participants agreed, more can be done to promote the exploration of sound policy alternatives. Participants agreed that resources currently spent on external technical assistance could be invested in the **creation of indigenous capacities for evidence-based research and policy formulation** as it pertains to growth promotion strategies. This includes independent institutions such as think tanks as well as government units that could carry out joint analysis with donors. Third-party actors can play a role in building this capacity and promoting the exploration of alternative or heterodox approaches. However, donors must make more open-minded and honest commitments to country ownership and recognize their own biases. Ultimately, greater developing-

12. This issue was raised at the 2002 Development Cooperation Forum, and its continued existence as a source of contention requires that it be addressed as a priority.

13. This trend has also been borne out by other evaluations of global experience. See, for example, World Bank Operations Evaluation Department, "2004 Annual Review of Development Effectiveness."

country participation in the governance of the international financial institutions would be needed to ensure responsiveness and greater accountability.

On the issue of aid effectiveness, partner-country representatives agreed on the need for a substantial, stable, and predictable **increase in aid resources** to eradicate extreme poverty. As one participant from Mozambique explained, it is not a matter of shifting resources within budgets because the efforts of the last few years have probably addressed intersector issues, but a larger quantum of resource flows is needed.

Forum participants also stressed the **dysfunction of the donor aid system** and recognized that, although some progress has been made, really significant change of the system still escapes us. The dysfunction manifests on two fronts. First, the large proportion of aid money is spent not on transformative development—such as reducing disease, investing in teachers, and building roads—but rather goes back to those who provided the aid. The thriving industry of foreign development consultants was mentioned most frequently by participants as an example of this. Second, the money that is available for transformative growth is blocked from making its way to the poor by multiple, burdensome, and incoherent donor procedures and practices that recipient countries must accommodate. Forum participants affirmed that continued action must be taken at the global political level, as well as the developing-country level, to address these problems and help the poor.

Participants called for donors to **harmonize and align their procedures and practices according to recipient country systems** and to **increase the proportion of aid money that goes to budget support** rather than to a cacophonous array of individual donor pet projects. Partner-country representatives acknowledged that they must strengthen their own public financial management systems and asked for support in increasing capacity in this area. Participants strongly agreed that government and donors must have mutually agreed-upon and concrete **indicators of performance**, emphasizing quality of aid and achievement of specific and measurable results in saving lives. They also agreed that an independent third party such as The Carter Center can play a valuable role in monitoring and evaluating performance of government and donors to ensure accountability.

There was general consensus that, despite the commitment to partnership and mutual accountability expressed in numerous international agreements, **development cooperation is still compromised by fundamental power differences between donors and recipient countries**. Participants supported the role that impartial third-party actors could play in realizing these principles more fully through facilitation, mediation, monitoring, and capacity building. Participants defined third parties as actors not associated with the host government and not members of the donor community. There was general agreement that third-party actors must be respected by all sides and be impartial to the substantive content of policy and aid debates in the country. Their emphasis must be on strengthening deliberative and democratic processes and host-country ownership.

Third-party actors could play a number of roles. They could act as facilitators to ensure the inclusion and participation of diverse groups in dialogue and planning processes, such producing homegrown national development strategies or Poverty Reduction Strategy Papers, as GDI has done. They could mediate agreements on development assistance frameworks between governments and the donor community. They could also monitor the implementation of agreements. Participants felt there was a considerable need for the latter, at both national and international levels, when it came to donors' aid harmonization commitments. Country-level experiments from Mozambique and Tanzania, in which independent experts monitored and evaluated donor behavior on budget support and harmonization, were mentioned.[14]

14. See the Mozambique Program Aid Partners Web site at www.pap.org.mz; Also see: Killick, Tony. "Monitoring the Partnership-based Aid Relationships: A Note." Development Policy Review 22 (2004) 229-234.

Participants agreed that either internal or external organizations could play third-party roles. Among domestic actors, think tanks or independent national councils such as the one in Mauritius were cited as examples. There was general endorsement for the three "Es" for successful domestic third-party actors: an endowment of five to seven years to get these institutions started, evidence-based methods to drive their research and analysis, and external partnership opportunities to plug into global knowledge and capacity building. GDI and Joseph Stiglitz's Initiative for Policy Dialogue were cited as examples of international third-party actors addressing development policy dialogue at the recipient-country level, although the contributions of other organizations at the forum were also noted. All agreed that international actors must always be invited by the host country, ensure that their efforts build the capacity of domestic actors, and themselves be monitored. There was general agreement that the concept of employing third-party actors should be developed and applied more extensively, as it is critical to the conference goal of achieving equitable globalization.

FORUM SPEECHES

JOSEPH STIGLITZ, EXECUTIVE DIRECTOR, INITIATIVE FOR POLICY DIALOGUE, KEYNOTE ADDRESS

Dialogue and Development

The spread of democracy around the world is one of the major positive changes in the global landscape of the past two decades. Democracy is, of course, more than periodic elections. It entails meaningful participation in decision making, and no aspect of decision making is of more concern to those living in the developing world than are those that affect economic livelihoods. And an important aspect of democratic participation is dialogue. I'm going to be talking about the role of dialogue in general as well as the role of third parties in dialogue. The Carter Center has been involved in these matters in international development, as has my organization at Columbia University, the Institute for Policy Dialogue.

I was motivated to initiate Initiative for Policy Dialogue by my experiences at the World Bank, described in my book, *Globalization and Its Discontents*. In many ways, the experience I had at the World Bank was wonderful. It was exciting, and I see many of my friends here like Jim Adams, whom I worked with and visited Tanzania with—he was country director at the time. But as I left the World Bank, there were many questions in my mind. During his tenure from 1995–2005, Jim Wolfensohn made enormous efforts to open up dialogue with developing countries. He talked about the Comprehensive Development Framework, or CDF, an approach to development that emphasizes the interdependence of all elements of development, including social and financial. He recognized that a single magic bullet did not exist. In the past, the magic bullet has been more capital, more markets, and more this and more that. Wolfensohn recognized that part of the problem was this search for a magic bullet and that one needed to take a more holistic approach. The concept is clearly right, yet I don't think one can rely on international institutions for the formulation of development strategies. There is a role for outside parties (that is, outside the country), but the extent to which international financial institutions can play that role is limited, and there is a need for other outside parties to be involved in the discussions. I will explain why.

DEBORAH HAKES

Joseph Stigliz, 2001 Nobel laureate in economics, delivers his keynote address.

Limitations on the International Financial Institutions

First, the World Bank and IMF are enjoined by their charters from engaging in politics. Their mission is economics. Some of you may gasp when you hear me say that. You ask, "Well, aren't they involved in politics all the time?" The answer is "Yes." But they define what they do as economics. This approach itself is very political; that is, all too often the international financial institutions define what is political not in ways to enable them to do what they want but as an excuse for not doing what they do not want to do. Let me give you an example. Before I arrived at the World Bank, Jim Wolfensohn had raised the question of corruption as an impediment to development. At the time, many people at the World Bank said that he had gone beyond his mandate; corruption is a political issue, not an economic issue. And it was only when our research department was able to show that corruption had an effect on growth that it then became acceptable to talk about corruption. Obviously, everyone knew it was an important topic, but the artificiality of the constraints stopped it, and across the street at the IMF, many people remained reluctant to talk about corruption.

It is absolutely imperative in my mind that there be a dialogue on these topics and that leaders hear differing views of possible consequences of policy decisions—including views that may not be liked by some of the powers-that-be in the advanced industrial countries.

I offer another example that illustrates problems of dialogue at the World Bank. There was a change in government in South Korea on the first anniversary of the election of Kim Dae-jung as president. He decided to have a conference on democracy and development, and I was slated to give the keynote speech. The speech had to be vetted, as occurs in these kinds of bureaucracies. I was told that I could not give that speech because we were not allowed to talk about democracy at the World Bank. That policy is beginning now to change, but at the time we couldn't talk about it. I had to do a search-and-replace in my word processor and insert the word "participation" every time I used the word "democracy." We got around the restriction. The audience understood what I meant, but the rules of the game, which were that I could not give a speech on democracy, were satisfied.

Their charter says they're not supposed to be political, but of course nearly every issue they deal with is highly political. Thus, what proscribes the international financial institutions from playing the constructive role in dialogue that one might have hoped is not just their charter. It is politics—the economic and political agenda that these institutions are advancing, which often lies beneath the surface and which they have an interest in keeping that way.

The United States has just gone through a highly political debate on the privatization of social security. It appears the right side has prevailed, and social security will not be privatized. But around the world, developing countries are told by one or the other of the international financial institutions that good economics requires the privatization of social security. The consequences in many countries have been disastrous. Many of you may know about the Argentine economic crisis in 2001. Everybody attributed a large part of the blame for the crisis on the country's huge deficit. Had it not privatized social security, its deficit would have been close to zero. Almost the entire deficit was caused by privatization of social security. In the U.S., a dialogue occurred that indicated that even partial privatization of social security would lead, over the next 20 years, to a $6 trillion debt. That's a lot of money, even for a rich country. This dialogue was one of the factors that led people to say, "Maybe this is not such a good idea." Unfortunately, Argentina didn't have that dialogue. Its leaders were told that good economics says you have to privatize social security. Argentina's citizens paid an enormous price for that mistake.

Even within economic areas, certain policies that have an enormous effect on development are taboo. For instance, in 1997–98, one of the topics that arose was the question of the exchange rate in China, a question that has arisen again recently. At that time, the official position was that China should not have a flexible exchange rate. As you know, today the official position is that China *must* have a flexible exchange rate. I think the lesson is that China must have a *flexi-*

ble mindset about what they are told and what they accept. The economics of exchange rates was as controversial then as it is now. There are enormous consequences of making exchange rates flexible or not. I thought it was important to have a discussion of the consequences. What would it do to inflation, to the rural sector, to various sectors, to other countries in the region? The view, however, of the IMF, and to a lesser extent the World Bank, was different. If they were discussed at all, they had to be discussed behind closed doors; if there were disagreements among the staff of the World Bank or the IMF, those in the developing world should never know it.

There was one occasion where I asked hypothetically, "What might happen if an exchange rate were adjusted?" I did not say if it should or should not be adjusted. Instead, I simply went through the analytics. Nonetheless, phone calls flew across the Pacific at an enormous rate in the middle of the night in response to my question. You would've thought that I had committed treason.

A final example highlights how a topic that today seems almost banal—the importance of transparency—can give rise to problems. The issue of transparency has a special resonance for me because I received the Nobel Prize for my work on the economics of information. Transparency is just another name for "information"—making information available to those who should have it. My own work has evolved in the last few years to focus on the role of information in political processes, which is another way of saying: on the role of transparency. At one point during my service as chief economist of the World Bank, I prepared a speech on the corrosive effects of secrecy in government. Admittedly, I may have been a little out of school, as I illustrated the speech with examples drawn from actions undertaken by the U.S. Treasury. (Given Treasury's official position that East Asia adopt greater transparency, it was understandable why the Treasury might not have been happy with my speech.) The speech was vetted by the bank's vice president for external relations, who asked me whether this was my resignation speech. His view was that if I gave the speech in the form I had written it, the U.S. Treasury would go ballistic. They would not like me being transparent about their lack of transparency, and they would demand that I be asked to leave. I decided there were more important battles to be fought and presented a toned-down version. The speech articulated the economic logic behind the importance of transparency, without some of the concrete examples that would have driven the point home. I mention this story because it shows the limits of what one can say at the international financial institutions, even at a period where there was an attempt to be more receptive.

The point I want to make is that there are areas of enormous importance to developing countries that the IMF and the World Bank cannot talk about or won't talk about. And the unfortunate thing is that the other institutions like the United Nations Development Programme have also become less likely to speak openly. They are dependent on governments for their funds and are sensitive to political pressures. It is absolutely imperative, in my mind, that there be a dialogue on these topics and that leaders hear differing views of possible consequences of policy decisions—including views that may not be liked by some of the powers-that-be in the advanced industrial countries. Without independent third parties participating in these dialogues, there can't be that kind of discussion.

The Value of Dialogue

I was in Venice for a meeting with a group of Nobel Prize winners on the value of dialogue. One of the people there was Gary Becker, an economist with whom I often disagree. We've always had very good dialogue, very good discussions, where the dialogues have helped bring out the areas and reasons about which we agree or disagree. He made a remark, "I don't understand why we're having this discussion. Who could argue against having a dialogue?" Well, unfortunately, there are subjects that are taboo to discuss at the international development organizations. The result is that important decisions are made, sometimes in secret, often without the benefit of dialogue. These decisions often have negative results.

When I was at the World Bank, it was both an alarming and exciting time because the financial crises of ’97, ’98, ’99, and 2000 occurred during my tenure. Crises kept coming, and the rescue policies that the IMF designed to deal with them kept failing. A couple of questions were very much at the core: What is the correct response? Should interest rates be raised to the very high levels that the IMF was recommending? Will that step stabilize the exchange rate? Should expenditures be cut? Every undergraduate and graduate economics course teaches that in a recession, governments undertake three steps: cut taxes, raise expenditures, and lower interest rates to stimulate the economy. During these crises, the IMF was doing exactly the opposite.

I wanted to have a dialogue, a discussion about the consequences of these policies. Will the suggested policies help or hurt? But to adequately answer that question, I wanted to discuss a prior question: What was causing the crises? One of the factors that I and many people at the World Bank thought formed the basis of the crises was excessively rapid liberalization of capital markets. This frequently occurred before the countries’ institutions were prepared for it. Again, I thought there should be a dialogue about the pace and desirability of capital-market liberalization. Would it lead to growth or instability?

Research at the World Bank had shown that rapid capital-market liberalization would probably increase instability but not growth. Therefore, I and my colleagues suggested there be a dialogue. IMF officials said no, they did not want to have any dialogue. If a dialogue were to take place, they added, it had to meet two conditions: The conversations must occur in private, and attendees couldn’t talk about the contents of the dialogue, ever. As somebody who had been inculcated in democratic traditions, I found this very difficult to accept.

I thought that if there was an open discussion, the weight of opinion would be on the side of stimulating the economy, cautiously raising interest rates and taxes, and cutting expenditures. I thought even if an open dialogue did not come down on my side, at least we would have had a democratic and open process. But that was not to be. A dialogue on these issues never happened. And the policies failed miserably. The failures, in part, happened because the policies weren’t thought out as completely as they would’ve been had there been an open dialogue.

The preceding examples helped motivate me, when I left the World Bank, to say that there ought to be more discussion about economic policies, more alternative policies on the table, and more people at the table. It’s important to expand both the substance of what is talked about—alternatives of economic policy—and the number of voices included.

More Voices at the Table

I want to spend a moment talking about the importance of including different voices in policy recommendations. Before I came to the World Bank, I spent four years in the first Clinton administration. One of the wonderful things about the Clinton administration is that we talked a lot—people sometimes say we talked too much—and one thing that was evident from our conversations was that there are very different perspectives on the world. The secretary of the treasury looked at the world very differently from the secretary of education and of health and welfare and from the head of the Environmental Protection Agency. Their interests, their constituencies, and the way they had lived their whole lives contributed to these differences in perspectives. If you worked your whole life on Wall Street, you would see the world differently from the way you would if you lived your whole life in academia. My experience in academia shaped me: It forged strong feelings about open dialogue and research. People from financial markets, meanwhile, feel a lot more strongly about secrecy. Knowledge is money and is therefore shared only for a price, if shared at all. It is not surprising that very different perspectives can coexist in international development circles. It is important as countries debate development strategies among themselves that they have a sound understanding of these different perspectives.

Even in areas of finance, policy decisions would never be left solely to the secretary of the treasury. Even if policy-makers had enormous confidence in his abilities, other views should be introduced. For instance, in Clinton's second term, Treasury did not think that global warming was an important problem and opposed the Kyoto protocol. They worried about the impact on the economy. (The truth may have been that they were more worried about the economic impact on the automobile and oil industries.) This opinion had many critics, including me. The Kyoto protocol is an issue of global environmental importance as well as economic importance. The president recognized the environmental importance of the Kyoto protocol and ultimately decided against the Treasury. Another issue discussed in Clinton's second term was whether to invest a limited amount of the Social Security trust fund in stocks. Treasury opposed the idea. The administration thought there would be higher returns and that, rather than going to the extremes of privatization, this would be a way of dealing with some of the seeming financial shortfall that the Social Security trust fund faced. The president thought this a reasonable thing and sided against Treasury. I can think of many more examples—regarding taxes or intellectual property—where the Treasury's view differed from other agencies. But all the examples boil down to one idea: Economic decisions affect numerous aspects of society. Therefore, a president should hear a range of policy voices and not delegate to the secretary of the treasury. I sometimes say that the IMF's governance represents a wide range of views—all the way from the perspectives of a central bank governor to that of a minister of finance. There may be some diversity of views within the world of finance, but that is relatively small compared to that within the wider world. The culture and mission of the World Bank encourage views from finance ministers and aid agencies. The aid agencies tend to be more liberal, and the finance ministers tend to be more conservative. This is true whether you have a Republican or a Democratic administration. I think the World Bank has benefited enormously from the fact that a wider diversity of views exists in the governance of the World Bank than exists, say, at the IMF.

There's more to democracy than just going to the polls every four years. Deliberative processes are a critical component of participatory democracy. At the very least, citizens of countries need to be involved in the decisions that affect their lives, to talk about the impact of economic decisions that affect them and future generations, perhaps more than any other decisions that are made.

This issue of diverse views arises not only in areas that touch upon finance, monetary, and fiscal policies. It comes up in every policy area and arises all the time in trade.

One of the big issues discussed at the World Trade Organization development round in Hong Kong has been intellectual property. The intellectual property provisions of the Uruguay Rounds, also known as the Agreement on Trade-Related Aspects of Intellectual Property Rights, or TRIPS, were not a balanced intellectual property regime. Because of this imbalance, lifesaving medicines for diseases such as AIDS have been made less available, and thousands of people will die as a result. To put it overly graphically but probably accurately, when that agreement was signed in Marrakesh in April of 1995, they were signing the death warrants for thousands of people in sub-Saharan Africa.

Interestingly, both the Council of Economic Advisers, of which I was a member, and the Office of Science and Technology Policy opposed TRIPS. We thought the intellectual property provision was unbalanced, that it was bad for American and world science. We thought it was bad for developing countries because of this problem of access to medicines. But we weren't in Geneva in the secret negotiations that decided the trade agreement. We were in Washington. While we expressed our views to the U.S. trade representative, I think he heard them, but he certainly didn't listen. So the final agreement reflected the interests of the U.S. pharmaceutical and entertainment industries.

The negative impact of TRIPS—the problems that only became clear years later—emphasizes why it is important to get different voices at the table. Unfortunately, we did not feel at the time that we could openly criticize the U.S. government's position because we were in the government. This was a hard decision, I recall, but we had hoped NGOs would vocalize their dissent on the issue. Unfortunately, they didn't or didn't speak loudly enough. If they had spoken, if there had been other parties out there pointing out these consequences, perhaps something would've been done about it.

Democracy and Dialogue

So far I've tried to argue three points. First, dialogue is important: It enhances the likelihood that good decisions get made; second, countries cannot rely on international institutions alone for policy dialogue and framework; and third, it makes a great deal of difference who is at the table and what issues are on the table. I want to spend a few minutes talking about why these matters are important, not just for economics but also for democracy. I think that development strategies that are decided without the benefit of open dialogue are less likely to be successful.

Democracy ought, however, to be viewed as an end in itself and not just as the means to a stronger economy. Open dialogue is essential for successful democracy, and that's one of the reasons why I think it's so important for The Carter Center to be engaged in these kinds of issues. We all understand that democracy is not defined simply by periodic elections. It is obviously an important part, but there's more to democracy than just going to the polls every four years. Deliberative processes are a critical component of participatory democracy. At the very least, citizens of countries need to be involved in the decisions that affect their lives, to talk about the impact of economic decisions that affect them and future generations, perhaps more than any other decisions that are made.

One example of the current debate about democratic institutions is the institution of the independent central bank. It's a contentious issue, and it ought to be debated more precisely because of that. We tell countries they ought to be democracies and to be responsible for their own destinies, but as soon as we tell them that, the next thing we say is, "By the way, the thing that is most important, your macroeconomic performance, is too important to leave to democracy. We're going to take that and put it in a central bank that is going to be run by some technocrats." That's not a persuasive or consistent message. It may be that, in the end, a democracy can't be trusted to make decisions—that is a question for debate. I don't think so. If you don't trust democracies with making decisions about interest rates, maybe you shouldn't trust them with making decisions about taxes. Should we have an independent set of bureaucrats making decisions about tax structure? We certainly have had some peculiar political decisions made in the United States about tax structures recently. I don't like those recent decisions. But those are part of the political process. But I also think interest rates ought to be part of the political process.

There are institutional frameworks that partially include interest rates in the political process. The United Kingdom has a framework in which the government sets the inflation target, looks at the situation of the economy—what the employment rate is, if the employment rate is too high—and decides to increase or decrease inflation in a given year. So the inflation rate is a political decision, and the implementation is a technical decision. The U.K. has distinguished between a technocratic decision of how to operate monetary policy and a political decision of the macroeconomic direction of the economy, how to balance trade-offs between inflation and unemployment. That seems to me a reasonable framework. But even if a country had an independent central bank, the bank would ideally be accountable and representative. The decision makers would hopefully consider not just how interest rates affect Wall Street but also how they affect workers, not just how interest rates affect bond prices but also how they affect unemployment and real wages. And yet, in the way we constitute our central banks in many countries, we don't try to get representation. Central banks are dominated by financial markets. A few countries have said that Wall Street and financial markets are special interests, and we cannot allow them to dictate monetary policy. Those countries have looked for impartial people to run monetary policy. I hesitate to recommend that plan because the only people who tend to be knowledgeable about this are academics—that would be recommending my own special interests.

I think conditionality as it has often been implemented in the past undermines democracy. It can have the effect of politically undermining elected officials who appear as if they are carrying out the wishes of international institutions rather than responding to the wishes of their own people.

Nonetheless, the question of impartiality illustrates the point I want to make. There are alternatives out there, they ought to be discussed, and they have a profound effect on the nature of our democracies.

Dialogue and National Cohesion

There is another reason that I think the role of dialogue is important to participatory democracy. A number of people have become increasingly concerned about the polarization of political thought in U.S. society. There have been some interesting social psychology experiments in which people who tend to be on the left or right of the political spectrum are separated into groups to discuss an issue. The experiments found that those on the left or the right tend to polarize their views when surrounded by like-minded people. Consequently, the two poles move further apart. On the other hand, the experiments found, if people are placed in a mixed discussion group, their views are propelled toward the center. So in a participatory democracy, dialogue has the social dynamic of bringing people together, and, if not reaching consensus, then at least reaching broader understanding and making society less divisive. One of the concerns about what has happened in the United States is that the left and right are not talking to each other and, hence, our society becomes more and more polarized.

Dialogue and Asymmetries of Information

This kind of dialogue and discussion is more likely to lead to better economic performance. There are several reasons for this. One is a simple observation about information. People in Zimbabwe, for instance, know more about the country than people outside. This is true, no matter how long outside observers are there, and certainly true if they are there for only a brief period. If you live in a village, you know more about people's daily patterns and therefore know where to locate the water well. Someone who does not live there is unlikely to know where to locate the well. Outsiders may not even know how important the well is to the people in the village. So dialogue has the important function to reduce the asymmetries of information, allowing people to understand the consequences of the very complex policy choices developing countries face.

I want to emphasize that some international development processes in the past have not involved this kind of open dialogue. Instead, the IMF or the World Bank grants financial aid based on a developing country's ability to meet conditions. These organizations would come into a country and demand leaders meet conditions within 30, 60, or 90 days. For instance, the IMF or World Bank may insist that a developing country pass a bill through parliament. The international financial institutions basically say, if the bill does not pass parliament, then the country won't get aid. We can say countries like this have a choice. They can either put their economy at risk or they can do what the international financial institutions want. They feel the gun at their head. Technically, they have a choice, but if you're desperately poor, the demands may feel like an ultimatum, not a choice. I think conditionality as it has often been implemented in the past undermines democracy. It can have the effect of politically undermining elected officials who appear as if they are carrying out the wishes of international institutions rather than responding to the wishes of their own people. Even if they are the right conditions—although often the problem is that they're not the right conditions—the fact that they come from outsiders has an enervating effect on democracy.

Dialogue and Ownership

The importance of ownership cannot be overemphasized. It is not just the acquisition of better information that is at stake but also how people respond to development projects. Behavior is altered. Recently, economics has shifted to investigating behavioral models that take into account psychological phenomena, such as "ownership." It has a value in its own right, but it also means that it's more likely the project will be successful.

In short, participation and dialogue are important both for successful development and for strengthening democracy.

These are some of the reasons why I think dialogue, participation, and discussion are so important for sustaining democracy in developing countries.

Sharing Knowledge

What we know from the last 50 years of development is that development is possible. There've been some enormously successful cases—countries whose incomes have grown eightfold in 30 years. But we also know development is not inevitable. There has been a lot of failure. The question is to interpret the evidence of the successes and failures. If the interpretation of that evidence were simple, we could look at the cases of East Asia, distill, say, five recipes of success from them, and apply them to African countries. But extracting universal lessons from success cases and adapting them to countries that have not yet been successful are extremely difficult. There are so many factors, and they vary greatly from country to country.

Successful policies are very contingent on circumstances, and it is only through the exchange of information that we are able to extract the contingencies that are the relevant ones for a particular country.

Having dialogue is important both to provide better information and knowledge but also as an important check against the role of ideology in development, which has been a real source of problems.

Example: Marketing Boards

Let me give you an example that is relevant to many African countries. Many of them had marketing boards—government boards that bought agricultural commodities—and the boards tended to be both inefficient and corrupt. As a result, the prices that farmers were getting for their crops were much lower than they should have been. The natural response from the international financial institutions was, "Let's get rid of those and privatize marketing." But if the financial institutions had talked to the people in the countries, they would have said, "But there are some problems here. If we get rid of them, maybe the private market won't be able to operate; maybe a local mafia will take over the market." We have found that different countries had very different responses to the elimination of the marketing boards. In some countries, things worked as hoped, but in others, there was a shift from an inefficient, corrupt government to an even worse situation, in some cases a mafia-controlled distribution channel for farmers' goods. People were even worse off, and the government wasn't receiving any of the money. In other cases, competitive markets did not develop, and so the distribution channel was dominated by a local monopoly—and again the farmers were not better off. The bottom line was that if the international financial institutions had initiated a dialogue, risks such as the ones I mentioned would have been recognized, and strategies would have been able to adapt appropriately.

The Role of Outsiders

I want to conclude by spending a few minutes on the role of outsiders. Having talked so much about the importance of local knowledge and ownership, it obviously raises the question, "What can somebody from the outside contribute?" This question makes those of us who are in the development business very uneasy. I believe we have a role. I wouldn't be here if I didn't believe that. The role is very limited but still very important.

The most important function of outsiders is to share knowledge. People in a particular country know the local knowledge. An institution like the World Bank has amassed a wealth of knowledge by operating in many countries around the world. They have interpretations of what has succeeded and what has failed, based partly on an enormous number of experiments. They are not controlled experiments, they are not perfect experiments—so it's often difficult to extract lessons—but they still hold valuable information. It is important that that information be shared.

It's also important that this information be shared by a party that is not viewed to have an interest, that does not have a particular agenda. The international public institutions, because they reflect the interests of the G7 and financial markets, are inevitably viewed as reflecting a particular world view and representing, at least to some extent, those interests. So it is important to have not only that view represented but also to have other views represented.

The second important function of outsiders is to help open up the space for policy debate and lend legitimacy to alternative views. I hope I have already done that in giving you some illustrations during this talk.

If you've listened to the party line of some of the international institutions, you would have thought that everybody believes that an independent central bank run by financial markets is the only way to run a central bank, with a sole responsibility of keeping inflation in check. Actually, in the United States, the Fed doesn't just look at inflation. We look at unemployment and growth as well as inflation.

Inflation and Independent Central Banks

If you've listened to the party line of some of the international institutions, you would have thought that everybody believes that an independent central bank run by financial markets is the only way to run a central bank, with a sole responsibility of keeping inflation in check. Actually, in the United States, the Fed doesn't just look at inflation. We look at unemployment and growth as well as inflation. There is a role for an outsider, raising the question, "Is it the case that countries with independent central banks have grown substantially faster? Have they grown fast enough to give up the sense of democracy that you give up when you turn over your control?" The answer, I think, is "No."

There are other issues that have come up in the discussion in the last two days that illustrate where outsiders can lend legitimacy to other views. For instance, we just talked about inflation. Obviously, high inflation is an economic problem, and it can be a very difficult political problem. But the evidence is that inflation, when it's moderate or low, has no significant effect on economic growth. Hundreds of economists have data-mined for more than 15 years and have been unable to show that inflation has a significant effect on economic growth at the levels of inflation that we have been experiencing. So, if inflation goes from 2 percent to 4 percent, does it make any difference? Almost surely not. If it even went up to 6 percent, it would not have any difference. In fact, George Akerlof, who shared the Nobel Prize with me, has argued very strongly and persuasively that the real risk is getting inflation too low. If inflation gets below some number like 2 percent, it starts having a negative effect. We know that deflation has very negative effects, worse than moderate inflation. And in a world of high volatility, if you get near 1 percent inflation, you have a risk of going down to deflation. So, clearly there is a respectable view that when inflation gets at a moderate level, you don't need to worry about it. You do need to worry about it if it gets too low.

Governments have used credit to stimulate important sectors with enormous success. To be sure, there have been some failures, but what's remarkable among the successes is that most have had either a development bank or heavy government involvement in the provision of credit in one way or another. There are risks, but there are risks in anything—but these risks can be managed and have been managed. The risk is not undertaking these kinds of policies. Countries that have not done so have not grown.

Accounting Frameworks

Another issue that has come up a number of times is accounting or budgetary frameworks. Should foreign aid be included in a budget that assesses the budgetary stance of a country? In my book *Globalization and its Discontents*, I tell a story about Ethiopia. During my first trip as chief economist of the World Bank, Ethiopia was facing a tremendously difficult situation. Ethiopia's leaders had been given foreign aid. They were told, though, that they could not spend it, because it would cause a deficit. I said, "I don't understand. People are giving you foreign aid so that you can spend it. If you don't spend it, it will just add in reserves, and I don't think any of the donors believe that they want their money just to go to build up reserves." At the time, the response of the IMF as to why they were demanding that Ethiopia not include foreign aid in their budget was that one can't rely on foreign aid because it's too unstable. When we went back to Washington, we did an econometrics study. It showed that tax revenue is also very unstable, so if you use that logic, the Ethiopian government shouldn't rely on tax revenue either. Subtract foreign aid and tax revenue, and every government has trouble. The logic of it just wasn't there. Of course, countries have to worry about inflation. The real question is: What is the right way of looking at the budget? What is the right accounting framework? The problem in Ethiopia was that the accounting framework that was being imposed was not the right accounting framework.

These distinctions are important. Right now, this problem of accounting frameworks is hindering an important land reform in Brazil. Land reform, the way it is often today, involves the government buying land and then selling it. It borrows money to buy the land, and then it sells the land and gets a mortgage. But in the international financial institutions' accounting frameworks, they count the borrowing when they buy the land as a liability, but they don't count the mortgage they get when they sell the land as an asset. So the transaction, in which the government is nothing more than the middle man, shows up as an increase in the deficit of the government. The Brazilian government has a commitment to have a primary surplus of a specified percentage of GDP. This means the government can't engage in land reform—simply because of a faulty accounting framework. (There are legitimate issues to be debated: There may be more risk on one side of this transaction than the other. If so, then the appropriate response is to adjust the way one deals with these assets; one discounts them at perhaps different rates.)

These are not just technical details; these are details that have enormous consequences for the lives of citizens and for development policies. It is important for there to be a discussion of this. We went down to Brazil, and we had a discussion about this. I think the discussion clarified the issues. Everybody except one person agreed that the IMF accounting framework was inappropriate.

The Importance of Credit Availability

I want now to turn to an issue where traditional development discussions, by the IMF for instance, have put too little attention. As they worry about inflation too much, they worry about credit availability too little. Any dialogue within a country, and especially a dialogue involving the business community, would have brought this out.

Availability of credit is essential for developing countries. It is absolutely essential for the success of the private sector. Poor people in a poor economy can't start a business without credit. Or if they can, it takes them years and years longer than they otherwise could. So it's important to figure out how to get credit to all kinds of people in society: microcredit to very small farmers, small- and medium-sized credit to small and medium-sized businesses, larger credit to larger enterprises. And providing credit needs a comprehensive framework.

Credit is really a problem of information: figuring out who is going to repay you and monitoring the loans to make sure you get repaid. A lot of my research has been on that topic.

The private sector in developing countries needs to be encouraged to give more loans in a whole variety of areas that are underserved. We do that in the United States. We have a very important bill, called the Community Reinvestment Act, that requires banks to lend a certain fraction of their portfolio to underserved communities. Developing countries should do the same. In India, they have a very important and successful regulation requiring banks that open branches in Delhi or Mumbai to also open branches in underserved parts of the country. The regulation strives to make credit available throughout the country. So government regulation can be used as leverage to get the private sector involved. In the United States, the private sector has not provided adequate small- and medium-sized loans to small businesses. That's why the Small Business Administration exists. The SBA provides credit and credit guarantees. Some of the United States' leading businesses started as small businesses with an SBA loan. Federal Express started with an SBA loan. In several countries around the world, there have been very successful development banks: the Andean Bank, Cathay, BNDS in Brazil. In these cases, governments have used credit to stimulate important sectors with enormous success. To be sure, there have been some failures, but what's remarkable among the successes is that most have had either a development bank or heavy government involvement in the provision of credit in one way or another. There are risks, but there are risks in anything—and these risks can be managed and have been managed. The risk is not undertaking these kinds of policies. Countries that have not done so have not grown.

Not only would more open dialogue involving people within the developing countries have brought out the importance of credit availability, more dialogue with outsiders on the experience of the successful countries would have provided a sharing of the successful experiences of how credit can be made available. These discussions themselves would have provided a check on the ideological presumption that government should not be involved in the provision of credit.

I hope these examples illustrate my argument: the value of these dialogues, and of third parties, in highlighting new issues, in opening up the scope for a wider range of ideas in a policy discussion. There is not one way; there is a not a single solution. One-size-fits-all policies do not work. The world is more complicated than that. We cannot allow technocrats by themselves to set economic policy. To put it into economic jargon, there's not a single Pareto dominant policy; there are trade-offs, and there are limitations in our knowledge. And that is why it is absolutely imperative not only that there be dialogue but that it's important to bring in outsiders so that the space of the dialogue is increased, so that alternatives can be discussed.

Dialogues Have Made a Difference

In conclusion, sometimes I'm asked, "Has this process of dialogue worked? Has it made a difference?" Of course, if you believe in democracy, the process is a value in itself. But I actually think the process of dialogue has not only opened up the debate and been successful in the process, but it's also been successful in the results. Some of the dialogues we have had have successfully opened up the discourse in a much broader and sustained way. The dialogue we held in Colombia, for instance, helped change the economic debate in that country. The dialogue was catalytic; after we left, the discussions continued, and in a way that the dialogue had helped shape.

We also had a very interesting dialogue in Nigeria. A number of concrete actions were taken as a result of these discussions. Policies were changed in some cases; in others, new options were put on the table. The full effects may not be felt right away but will be realized eventually. Let me just give you a couple of examples. One of the things that we emphasized was that even if there is successful development, the agricultural sector will be a dominant part of the economy for a very long time. Therefore, any development strategy—especially any development strategy that was to make significant inroads in reducing poverty—had to have an important agricultural component. The result of that is that the government decided to allocate more resources to agriculture. The dialogue also had effects in promoting transparency, including giving currency to the idea of a freedom of information act, in altering some of the discourse on privatization, and on the setting of monetary policy.

The Role of The Carter Center

I conclude by thanking The Carter Center for this opportunity to dialogue with you. I congratulate you on your work. I think the Global Development Initiative, as a third party to stimulate dialogue in developing countries, bringing new stakeholders into the discussion, and expanding the scope of discussions, has played a crucial catalytic role. The countries that have been fortunate enough to have its involvement have benefited enormously, and it has provided a set of examples for others to follow. I hope you will continue this very important work. Thank you.

PRESIDENT JIMMY CARTER, WELCOME REMARKS

My comments will be fairly brief, but I want to let all of you know the background of what these sessions comprise and the purpose for them. The Carter Center now has programs in 65 nations in the world, 35 of which, not surprisingly, are in Africa, and we have a wide range of programs. Two-thirds of our budget is devoted to health issues. We are trying to eradicate Guinea worm in many countries, and we've reduced the incidence of Guinea worm from 3.5 million—more than 99.5 percent—to where we now have about 10,000 cases left. We also deal with river blindness, with trachoma, diseases with which most of you are familiar, along with schistosomiasis and lymphatic filariasis, which is otherwise known as elephantiasis. We've also had agricultural programs in 15 countries in Africa. In each country, we generally deal with 40,000-60,000 small-farm families that each have an average of only two acres of land, and we are able, with the help of experts, to increase the production of basic food grains. We don't deal with cash crops like cotton or tobacco, but we just deal with basic food grains, primarily maize, rice, sorghum, millet, and wheat.

While we are in the countries in which we are providing these services, we have made our Carter Center facilities available. We are an NGO—as you know, fairly small compared to most others—but as we work with ministers of health and agriculture and finance, with the prime ministers and presidents, and with the villagers in the desert areas and in the jungles, we become quite familiar with the country, and they become familiar with us. So quite often when a nation has a serious problem, with an ongoing civil war or with a threatened conflict, we make our services available to mediate the dispute, to try to have cease-fires of an extended nature, or even to prevent or end a civil war. Sometimes we have been quite successful.

More prevalent, however, has been the call on The Carter Center to help with election procedures. Quite often there have been authoritarian governments that for the first time decide to try to have a democratic election. In those cases, we have gone in and helped them even write a new constitution and laws and set up election procedures. And more often, we go into a country to help monitor an election in an existing democracy to make sure it's honest and fair and hopeful and safe. You might be interested in knowing that we just finished with our monitoring services in Liberia. The election results were finally made known this past month [November 2005]. This was the 61st election in which The Carter Center has been involved, and we now believe that, with the election of a new and first woman president in Africa, we will see great strides forward in this devastated country. Our next assignment on election monitoring will be in the Palestinian community, where we will go to help the Palestinians for the third time with elections. The first time was in 1996 with the election of President Arafat and the parliamentary members. Last January we were there when Abu Mazen was elected president of the Palestinians, and next month the members of the Palestinian Authority will be elected for their parliament.

As we have been deeply involved in the internal affairs of countries—that is, out in the villages and working with individual families, primarily on agriculture and health programs—we have seen the devastating need for increased assistance of a development nature to these countries, the poorest and most destitute and forgotten and ignored and needy people on earth. And this has been a matter of great excitement to us, as we have seen successes but also great concern and challenge, as the successes, have not been realized despite the good intentions of many donors—some of whom are represented around this table—and also the eagerness with which the recipient countries have sought and received either direct grants or loans or debt forgiveness.

Back in 1992, however, I became personally concerned about the incompatibility between donors on the one hand and recipient countries on the other. I'm oversimplifying a complex issue, as you can quickly see. So the secretary-general of the United Nations, Boutros Boutros-Ghali, and I sponsored here at The Carter Center the first forum of its kind. We had the 32 most important donor groups represented along with leaders of three or four of the most destitute countries. And we evolved a procedure, which we have now used and which others have now expanded, including the World Bank with their Poverty Reduction Strategy Papers, to make sure there was an improvement at least in the compatibility between donors on the one hand and recipient countries and people on the other.

There are still some serious problems involved. Most recently, for instance, I was in Mali. We had been on a tour around the northern part of Mali, to Timbuktu and other places, and we came back to Bamako and met with the donor leaders there. The World Bank was present, along with individual countries. USAID was present. I was taken aback to be informed by them that, at the beginning of the year, when theoretical assistance was available, say at a $100 level during an average preceding year, Mali had only been able to utilize effectively $15—only 15 percent. Some of that money was defaulted at the end of the year, and Mali never had the opportunity again, and some of it, of course, was carried over to the next year. When I questioned the statistics, the World Bank representative told me the entire continent of Africa, on the average, only utilized 20 percent of the available development assistance funds at the beginning of the year by the end of that same year.

The causes of this tragedy, in my opinion, are multiple. One of the major causes that ought to be addressed most easily by the powerful, influential, and rich countries is to coordinate the donor communities in their offers of assistance to countries that are in need. But there is very little, if any, real progress in getting the World Bank, the IMF, USAID, Canada, Japan, Norway, Sweden, Great Britain, Germany, and the Netherlands to make sure that when they make an offer of development assistance for education or health or transportation to a recipient country that it is not a cacophony of offers. And quite often the restraints placed on individual countries' contributions are extremely difficult and burdensome.

My country is certainly one of those at fault because of the effort of all presidents—there hasn't been much opposition from this particular president—to attach restraints on the use of money for family planning because of an intense aversion to any kind of use of condoms, for instance, or the possibility of abortion. It's almost impossible for funds offered for AIDS to be utilized, and there's great pressure placed on countries' leaders—Uganda is a perfect example—to not use condoms. Everybody knows that if you don't use condoms to control AIDS, the AIDS epidemic will increase. And in Uganda, since they quit distributing condoms, the AIDS incidence among women has gone from 6 percent to 9 percent in just three years. So these restraints that are placed on aid by individual countries—which may seem innocent at home—when they finally reach capital cities in Africa, for instance, make the impediments almost insuperable.

My country is certainly at fault because of the effort of all presidents to attach restraints on the use of money for family planning because of an intense aversion to any kind of use of condoms. It's almost impossible for funds offered for AIDS to be utilized. Everybody knows that if you don't use condoms to control AIDS, the AIDS epidemic will increase.

Another obvious problem is the embryonic character of some of the African governments. I've been to the Central African Republic, for instance, on a trip around Africa with Bill Gates Sr., who operates the Gates Foundation. They didn't have any capability of even filling out an application to get money from the Global Fund for AIDS, Malaria, and Tuberculosis. They didn't know it was available. That's an extreme example. But quite often in a poverty-stricken country, the infrastructure of the government is not adequate to fill out all the necessary forms and to be accommodating to the multiple challenges. And in a system of government where corruption exists—I won't name the countries, as you can go on the Internet and look at the report from Transparency International—much of the funds that go from donor countries are not reaching the recipients who are in need, and some of the funds are channeled off into Swiss bank accounts of corrupt officials. There's no doubt about that.

But the problem is that donor countries quite often are not adequately generous. I was one of the key people who went to Monterrey in 2002 for the Millennium Conference that was sponsored by the U.N. The United States was there, and I think it was one of the largest conferences in history. More leaders from different countries came, and very generous pledges were made. Most of those pledges have not yet been honored, and there's an attempt made by many people—Jeff Sachs can speak to this when he gets here—to increase the contributions of the rich countries to development assistance. My own country is at the bottom of the list. If you take $100 of national income, my country, through its government, gives only 16 cents. The average for Europe would be about 40 cents for $100. The goal to be reached in the future is 70 cents per $100. You see, this is still less than 1 percent of the wealth that comes into the developed countries to go for development assistance. That's just one indication of the need that still exists. And the needs are much greater than that.

The other problem is that promises made are not realized. The money doesn't get to the people who are actually in need. So the purpose of this conference is to try to iron out some of these problems. I was looking at statistics yesterday. Fifty of the less-developed countries have GDPs that are lower than they were 10 years ago, despite the good statements of the rich countries and the eagerness of the recipient countries to use the funds. This illustrates the dramatic need for this particular conference.

The Carter Center has dealt with—I'm not exaggerating—literally millions of people in Africa who are suffering from Guinea worm or river blindness. Last year, we treated 11.5 million people for river blindness with free medicine given to us by Merck, and I've already described the progress on Guinea worm. In agriculture, I've been in the fields with small farmers who I've said have an average of only one hectare of land, and I've seen them double or triple their productions. And my experience personally is that the people of Africa in the poorest villages imaginable are just as intelligent, hard-working, and ambitious as me, and their family commitments and moral values are just as good as mine.

I've seen extraordinary changes taking place, but there need to be some coordination of donors and some improvement in the structure within the recipient governments themselves to guarantee that the money promised is contributed and the money contributed actually gets to the people in need and not be subsumed by American contractors who take USAID money. An overwhelming portion of this goes for administrative purposes, and a very tiny percentage actually gets to the people who need better education, health care, housing, job opportunities, and transportation and more hope in life, more self-respect, and more expectation that their afflictions will be alleviated. That is the purpose of this conference. Thank you very much.

Deborah Hakes

In his opening remarks, Mali President Amadou Toumani Touré said, "When there are efforts to be made, Mali is ready."

Amadou Toumani Touré, President of the Republic of Mali, Opening Remarks

Mr. President, ladies and gentlemen, distinguished guests, let me say how happy I am to take part in this important meeting at The Carter Center, which is about one of my most important concerns: achieving more equitable globalization. The Carter Center's name is recognized throughout the globe and represents for millions of people a glimmer of hope. The Carter Center for me is my home, and every time a Malian comes to Atlanta, I tell them to go to The Carter Center and that will make me happy. I thank President Carter for having made Mali a part of this forum and for his steadfast interest in Africa and in Mali in particular. President Carter, for many years, has devoted his experience, time, and leadership to the service of Africa. I have worked with him, and I have learned a great deal. I accompanied him in the fight against Guinea worm. I accompanied him on elections because we were aware of Togo at the time—and history has proven us right—and to the Great Lakes region in Africa. For 10 years, I was busy away from the politics of my country.

The Carter Center is definitely taking care of everything—the preservation of peace, the consolidation of democracy, the promotion of human rights, and support to economic development efforts. I was particularly happy to see my friend observing elections in Liberia, which went very well. It has been a few days since we greeted in Bamako the first female president in Africa, who was elected by a wide margin. You participated in this great adventure, and Africa will always be grateful. I would like, in the name of the Malian people, to say to you again, "Thank you, Mr. President." I would like to communicate also to your kind wife my appreciation and tributes.

The impact of aid is not always easy to evaluate, because the multiplicity of sources of financing has been, in certain cases, an obstacle to aid effectiveness. Moreover, it is difficult to perceive the impact of aid because it is so removed from the needs of recipient countries.

The theme of this fourth forum, to realize a more equitable globalization, is particularly important to me, because the 23rd Africa-France Conference that was just held in Bamako and devoted to the concerns of African youth addressed what is necessary for us to better manage globalization. The themes of this conference were vitality, creativity, and aspiration. African youth is our greatest asset, but in order for this hope to be realized, we have to win the battle of development. In Africa today, more than 60 percent of the population is under 25 years old. This is an asset but also a potential threat—a threat if we do not succeed and if we lose sight that these millions of youth could represent a threat to the stability of our societies in the absence of real opportunities for their future.

A few weeks ago, you saw groups of young Africans going through Spain to reach Europe where they believe their opportunities are much greater. If we do not give them opportunity, it is in your countries that the problem could explode. The conference in Bamako showed that African youth are willing and dedicated to take decisive part in the solution to these problems. What are these problems? They are employment and professional training, education, quality and infrastructure of schooling, health, AIDS, which mainly affects youth, and malaria, which kills many more than AIDS. The concern of youth today is mainly employment. Mali doesn't have factories like in the United States, but we can provide opportunities, we can provide work, if development takes into account this concern. The responsibility is upon us, then, to commit to this through the adoption and implementation of vigorous and coherent development policies and programs strongly supported by our development partners, who have done a great deal, but not enough.

In Mali, the state, in collaboration with NGOs and civil society, adopted a Poverty Reduction Strategy Paper (PRSP). It expresses our willingness to commit to development work that is better organized, more consensual, and thus more effective and able to rapidly reduce poverty in a sustainable manner. I am certain that the Mali delegation has shared with you, through describing the PRSP process, the state of development cooperation in Mali. The second-generation PRSP, which is in the process of being elaborated, will take into account the first PRSP, the Millennium Development Goals, and the necessity of accelerated economic growth.

In doing so, this second-generation PRSP will permit us to increase our momentum in fighting poverty through three areas. First, support for creating basic road, transport, energy, and communication infrastructure, which are all indispensable if we want to achieve viable development. Second, aid in modernization of productive sectors, notably agriculture. The potential of agriculture is enormous in Africa. In Mali, we have more than 2 million hectares of land ready to be exploited for agricultural use, and the great Senegal and Niger rivers pass through Mali, practically half of which are on

Malian territory. Finally, support in the social sectors. In health, for example, the incidence of AIDS in Mali is around 1.7 percent. This is not acceptable. It is necessary to be vigilant, and efforts have to be strengthened. Also, support to education, and especially the reinforcement of capacities. Since I have been president, the biggest problem I have seen is capacity. This is one of our great weaknesses. The Carter Center understands this and supports us in the strengthening of our capacities.

Pertaining to aid management, we must recognize that the experience of the last 40 years has not been conclusive—I would say simply, it has been bad—for sub-Saharan African countries in particular. The impact of aid is not always easy to evaluate, because the multiplicity of sources of financing has been, in certain cases, an obstacle to aid effectiveness. Moreover, it is difficult to perceive the impact of aid because it is so removed from the needs of recipient countries. This is a situation we can deplore.

An increase in development aid, its coordination, and the simplification of procedures for its mobilization are as indispensable as the definition of participatory and appropriate development policies and strategies. The Monterrey Consensus recognizes development is a shared responsibility that starts from the efforts of the developing countries themselves, supported by the commitment of its partners. When there are efforts to be made, Mali is ready. But responsibilities are poorly shared. Donors don't always respect their commitments and put us in a very difficult position.

Mali, like other countries, has taken enormous efforts to undergo economic reforms that are sometimes drastic, so that it often puts us ill at ease with our partners. Participatory sector programs and strategies were adopted in priority areas in the fight against poverty, such as education, health, rural development, and justice. But it remains that donor countries and international financial institutions must honor their commitments to aid poor countries in mobilizing necessary resources to obtain their objectives. In this sense, donors must make the disbursement of aid more efficient and effective—that is to say, ensure that aid levels are adequate, stable, and predictable over time. We do not need any kind of aid. We have a proverb in my country that says the hand that gives is always above the hand that receives. We need aid that will enable us to rid ourselves of the need for any aid. This is the aid that Africa needs.

We do not need any kind of aid. We have a proverb in my country that says the hand that gives is always above the hand that receives. We need aid that will enable us to rid ourselves of the need for any aid.

Thus, emanating from the Heavily Indebted Poor Countries Initiative and the recent decision taken by the G8 to cancel the multilateral debt of certain countries including Mali, our partners must increasingly move toward a substantial increase in development assistance to obtain the goal of 0.7 percent of GDP. You can count the number of countries that have obtained this goal on the fingers of your hand. I have to salute and especially recognize the generosity of these countries and their respect to their commitments.

But it is necessary for both sides to go further in reaffirming and especially implementing certain principles. True partnership supposes autonomy of beneficiary countries in requesting aid and in determining its objectives; it implies equally an aid delivery system where donors neither substitute for the beneficiary nor marginalize the beneficiary in the setting of objectives and the implementation of projects and programs. Often programs are imposed on us, and we are told it is our program. This is not just, and when we implement the programs, they are consequently not implemented well. People who have never seen cotton come to give us lessons on cotton. Sometimes there are dysfunctions that we have to have courage to point out. True partnership requires further that donors respect national policies and strategies and that they harmonize and align their procedures. No one can respect the conditionalities of certain donors. They are so complicated that they themselves have difficulty getting us to understand them. This is not a partnership. This is a master relating to his student. This puts us in a very difficult place as it regards our pride.

The experience of the National Agency for Investment in Territorial Collectives shows very well that it is necessary to place confidence in national government agencies and to assist them in building their own capacity. The first phase of the program to provide financial support to the territorial collectives managed by this agency permitted the implementation in five years of more than 4 million projects that benefited the most vulnerable populations in Mali, especially in the rural environment. This proves to us how much flexibility could guarantee the effective and efficient use of aid.

It is evident that trade is an essential tool for development. Africa, which has enormous resources at its disposal to profit from world markets, cannot, unfortunately, do so because of subsidies that bend the rules of international trade. These practices strongly handicap the development of our countries. It is therefore imperative to eliminate these subsidies and ensure international trade functions in a just and equitable manner, as those who control international trade say. It is sad for us to talk about this injustice. One talks to us about fair trade. One talks to us about programs we must accept. But is it reasonable that we must cultivate cotton for a deficit while on the other side of the ocean they do so for a subsidy? This is unjust.

The true partnership that I have been referring to requires a permanent dialogue between partners to identify needs, fix objectives, and mobilize necessary resources. In this regard, I am happy with the assistance that The Carter Center brings to Mali by way of the Global Development Initiative. This assistance is founded on a new approach to relations between donor and aid beneficiaries. The usual relationship between two parties becomes a relationship between three parties. First is the state, which elaborates development strategies and programs, without always having all the financial means for their realization. Second are the donors, who are the technical and financial partners. Third is the facilitator, which is The Carter Center. It is to the credit of The Carter Center, which is represented in Mali through its Development and Cooperation Initiative, that this work is focused on ensuring better aid management.

Thanks to the support of partners, Mali has achieved significant results in the sectors of education, health, justice, territorial collectives, and labor-intensive work. However, to consolidate these achievements and to accelerate sustainable development, Mali requires more resources and investment.

Within this framework of dialogue with partners, we are working to promote the following priority actions. First is budgetary support, that is to say the integration of external aid in the state budget. Donors must have confidence in us. Second is improvement in the planning and accounting of external aid. Third is simplification of procedures. President Carter, you mentioned that Africa on average can only use 20 percent of aid available to us. This is not because we are not intelligent, but rather it is because the procedures are extremely complicated. Fourth is the strengthening of capacities of structures responsible for coordination and management of aid. In Mali, we have made all arrangements so that the government can fill this capacity gap.

The strategic choices of Mali consist in investing massively in human capital and in basic infrastructure that creates an environment where roads free us from the constraint of being landlocked, where agricultural production ceases to be dependent on climatic hazards, and that facilitates access to water and commodities, such as energy and means of communication. Agriculture in Africa today is a mine of growth and employment. But in Africa only 9 percent of its land is developed, compared to 40 percent in Asia; 1.6 percent of water is exploited in Africa, compared to 14 percent in Asia; 9 kilograms of fertilizer is utilized per hectare in Africa, compared to 120 kilograms in Asia.

In essence, we want to ensure conditions for economic development, but equally conditions for harmonious and sustainable development.

I would like to thank you and say also that last year we had a difficult situation that allowed us not to develop but merely to survive. We had the migratory locusts that eat everything in their path, the rains stopped early, all our crops dried up, and then the crisis in the Ivory Coast, through which 70 percent of our imports and exports flow. Then there is cotton. Ours is of a better quality, and we are the largest producer of cotton in Africa. But not a single T-shirt is made in Bamako. We only transform 1.8 percent of our cotton in Mali. And then there is oil. We don't produce oil. From 2002 to now, the price of oil has gone up three times. The port closest to us is 980 kilometers away in Conakry, but its port has limited capacity. We are situated between Dakar and Abidjan, which are 1,228 kilometers and 1,225 kilometers away. It is not that we aren't intelligent or don't want to work, but we run into extreme constraints that the donors need to recognize and understand.

I am sorry for the length of my speech, but it isn't a speech—it is an expression of faith.

"Debt relief is a very welcome development, but its effectiveness can only be obtained if additional new resources are provided," said Mozambique President Armando Guebuza in his opening remarks. "These should be significant, stable, predictable, and available for identified needs of recipient countries."

Deborah Hakes

Armando Guebuza, President of the Republic of Mozambique, Opening Remarks

For me it is an honor to be here today, especially with you, Mr. President, as a good friend of Mozambique also. We take that as an important issue. You've been helping us in agriculture, observing elections, and helping us define a vision for the year 2025 that brought together all different sectors and interests into a common and coherent vision for the well-being of Mozambicans. We consider you as our advocate. That's why when one talks about the role of third parties, the way The Carter Center has been working with us shows that it is possible, respecting the identities and interests of each individual country, to have somebody who will understand us and try also to make those outside Mozambique who are interested in development and helping our development cooperate with us. So thank you for this opportunity.

My brother, President Touré, we were just recently together in Bamako during the conference on the young ones. I was impressed by the way he organized the young ones there, which gives us hope that Mali is preparing itself, because the solution to problems is not to depend on what other people think but to consider what other people think or see that can be complementary to our own efforts. Our own efforts are determinant on this issue.

We would like to start by placing on record our great appreciation for the kind invitation extended to us to attend this important forum. We are happy to be party to an event that is seeking to contribute to achieving more equitable globalization. The Carter Center must be congratulated for having brought this important theme forth and for its perseverance for fostering a needed debate among those interested in global, social, and economic development. Globalization as we know it today has its advocates and its critics. The debates of its merits and demerits are subject to scholarly treatment, conferences, and publications. We are pleased to note that the theme of this meeting is not to be an academic exercise. Rather, it is meant to deal with practical issues, aimed at making globalization a vehicle for socioeconomic development for all.

If our assumption is correct, then we will argue for a paradigm shift, which will result in greater coherence between discourse and practice, which will entail expansion of provision of concessional resources by developed countries. It will also entail mobilization of more investment for developing countries, thus laying the foundation for commercial flows, technology, credit, and trade. Also, it will result in greater determination in support of social and economic development of poor countries.

I usually hear people say, "What do you prefer? Aid or trade?" This is not the issue. We need both. But it will be important only if they are complementary, if aid is a vehicle to create conditions so that we can be in better conditions to trade.

With this attitude guiding our relationship and way forward, the attempt to artificially separate aid from trade issues becomes redundant for a meeting like ours today. I usually hear people say, "What do you prefer? Aid or trade?" This is not the issue. We need both. But it will be important only if they are complementary—if aid is a vehicle to create better conditions for trade. Otherwise our market will be completely insignificant, as it is today. The assumption that the provision of aid is a matter of charity toward poor countries also becomes immaterial. A new type of effective partnership based on mutual respect and understanding among the partners is the goal: bilateral and multilateral experiences have shown that interested parties derive greater benefits from such partnerships.

We in Mozambique have been working hard for social and economic development. We've been conceiving and refining and implementing policies and strategies and programs aimed at combating poverty. The new five-year plan strives to build a sound economy that has to be fast growing, private sector led, broad based, competitive, and integrated in the world market. This approach is particularly supported by human resource development, institution building, and infrastructure expansion. Accordingly, special attention is placed in the following areas: education with emphasis on technical and vocational. If we do not succeed in creating education in rural areas of a technical and vocational type, then we are not going to respond to the challenges of today and the future, and we are not going to be competitive. In a globalized world, for us to survive and play a positive role, we must be competitive. There are health areas covering health care and fighting such diseases as malaria, TB, and HIV/AIDS; there are water and sanitation projects in rural areas where drought is being addressed with medium- and long-term measures.

On the issue of drought, we see that we need to take that calamity as an opportunity for us to be able to see it as a challenge, to see whether those people living in those conditions can find other ways for their livelihoods, using resources around them. We understand this is possible. One way to do that is creating vocational training schools and infrastructure in those areas; energy, road, and communication infrastructures; applied research and extension, especially in support of rural, small-holder producers. Good governance, equality, and justice, including decentralization of public service provision, and reduction of excessive bureaucracy and enforcement of intellectual property rights and respect for contracts. Economic management and financial and international trade policies allowing adequate level of openness in the economy will facilitate the needed flow of knowledge, technology, other resources, investment, and trade. We take full cognizance that over 70 percent of our people live in the rural areas; thus, integrated rural development features high on our development agenda. The decision to decentralize further and to make the district the center from which development planning takes place is to be read in this context.

Our program also places a great emphasis on broad-based private initiative. This includes family, small, and medium enterprises operating alongside megaprojects in an interdependent fashion. We also include mobilization and encouragement of domestic and foreign investment. Usually when one talks about the private sector, the experience we have been going through up to now is mostly that privatization means privatizing for the foreigner, and the domestic entrepreneurs do not have the resources, they are not given the chance to have the resources, and they are not part of those that should play an important role in creating wealth in the country and providing jobs.

We are the ones who suffer when we have hunger, when we have floods and cannot protect ourselves, when we have AIDS or malaria, when we have a corrupt justice system or police system, when we have problems. So we are the first ones interested in solving our problems.

The effectiveness of national policies, strategies, and programs is to some extent very much dependent on the following factors: capacity, resources, and cooperation. Capacity relates to the ability of public and other domestic institutions in developing countries to effectively exercise ownership of the programs to be conceived and implemented. We are all aware that expatriates can only provide a transitory and short-term solution for the capacity problem. Domestic capacity has to be built through relevant training and retention of skilled personnel in public institutions and with the support of these expatriates. Another dimension of capacity relates to what has been termed absorptive capacity. On this issue, we are of the view that the lack of such capacity should be regarded as a challenge and addressed as such with the support of the cooperating partners. For example, sometimes we are told that we cannot have a development bank in Mozambique because we had problems with the development bank we had 10 years ago, problems related to management and other serious questions. That means that Mozambique, if it had something wrong some 10 years ago, cannot be given the chance to transform these experiences into something that will be able to benefit more of our people. I think what went wrong in the past is a lesson for ameliorating it in the future. In Europe, people have created institutions that prevent wars on their continent because they have gone through serious wars in the last century and, because of this bad experience, they don't want to repeat it. So whatever happened that is incorrect in the past should be taken as a lesson, and we Africans also are able to learn.

Availability of resources is critical for our country to develop. The responsibility of raising and efficiently utilizing the resources needed to promote development lies in our own hands. In Mozambique, for instance, we are taking efforts to expand domestic tax collection. We have also introduced reforms, both to inject more efficiency in the tax system and to strengthen the tax administration. Accountability and expenditure management are receiving our attention as well. These steps include improvement in auditing and greater transparency in the utilization of public resources. We recognize, however, that for the medium and long term, what is being collected from within the country will not meet our needs. This will have to be complemented by the resources of our cooperating partners, including aid and credit.

The other sector that we would like to come back to is cooperation and look at three specific issues very briefly. The first is alignment of foreign resources with domestically generated strategies and programs.

Successful alignment should contribute to increasing ownership of the project by the recipient country. We are the ones who suffer when we have hunger, when we have floods and cannot protect ourselves, when we have AIDS or malaria, when we have a corrupt justice system or police system, when we have problems. So we are the first ones interested in solving our problems. We feel them every day, and that is why we need to own our own development program. We need it to be understood, also, especially by our cooperating partners, that we know what we want to do and what we can do in order to overcome our problems. As an example, if we are to solve the problems of rural areas, we need to have in all districts and all rural areas a telephone, energy, good roads, and, in higher producing agricultural areas, a bank. We know that's what's necessary. But usually when we present these ideas, problems of viability studies come up and make it practically impossible for us to go to those areas, which means we are not solving the problems as we intend to do. We know what we want to do, but we understand the donor community, which is helping a lot, is concerned about how we're going to spend their funds. So let us combine them, listening a little bit more to us, since it is our project, our concern, our main preoccupation.

The second is the need for harmonization among our cooperating partners alongside the recipient country. This will result in simplification and adaptation of commonly agreed rules and procedures. However, the point must be made that harmonization and alignment will have greater impact on the development of countries only if they result in the expansion of the net foreign inflow of resources into developing countries. It's in this context that debt relief is a very welcome development, but its effectiveness can only be obtained if additional new resources are provided. These should be significant, stable, predictable, and available for identified needs of recipient countries.

The third point is market access. We are all hopeful that the forthcoming trade negotiations in Hong Kong will result in favorable agreements for poor countries. It will be problematic when our delegation going to Hong Kong from Mozambique finds that there is nothing there that helps ameliorate the situation of Mozambique. We have the problem of cotton, too, but we don't produce that much. We have another problem, which is sugar, that is with the European Union, where we have a favorable price. A decision is being made to respond to the problem of subsidies in Europe, meaning that farmers in Europe who get subsidies will receive compensation, but the farmers in Mozambique and other sugar-producing countries will not get as much. In Mozambique some years ago, we had an investment of about 100 million U.S. dollars for a sugar factory. If this decision is applied, it means this investment will be lost, because it will not be competitive in two or three years' time. But more than that, in that area we have more than 8,000 new workers who will be losing their jobs. And if someone from Hong Kong [the WTO Ministerial] comes and says we will not find ways of solving your problems, or at least we're not going to listen to you in the way that you think will help to solve these problems, then we're in trouble. We are going to ask ourselves, "Is this process to help us or is this process all made just to harm us?"

Mozambique has been involved with multi- and bilateral partners who have been part of the successful efforts of our country to reform and recover our economy. There is an improvement of the relationship with partners over time, leading to greater openness in the dialogue in the context of harmonization and alignment efforts. This doesn't mean all the issues I've addressed, nor does it mean that all the solutions have been found. However, the fact that we are all open to dialogue and ready to address those outstanding issues is an important gain, and we must all cherish and preserve. Together, in the true sprit of partnership, we will broaden our resource base for the fight against poverty through social and economic development that contributes to a more equitable globalization.

NANCY BIRDSALL, PRESIDENT, CENTER FOR GLOBAL DEVELOPMENT, KEYNOTE ADDRESS

It's a great honor to be here. I'm a bit intimidated having so many distinguished colleagues from the development community here and, of course, by the presence of our presidents: President Carter (I am very pleased to be here, President Carter), President Touré, and President Guebuza.

I am going to talk about three subjects and try to link them together. First, that globalization as we know it today is inherently disequalizing. Equitable globalization is the theme of The Carter Center, and I think it is the right one. Since today's globalization is disequalizing, equitable globalization is a daunting challenge. Second, why the disequalizing tendency of today's globalization matters for development and for transformative growth. And third, the implications of that reality for the development community—in particular, for the question of how enlightened outsiders can help enlightened insiders most effectively.

Let me start with globalization being disequalizing. I am going to suggest two reasons why it is so. The first is straightforward: More integrated, deeper, richer markets—a good thing since they generally bring higher economic growth—by their nature reward certain assets, assets that are usually unequally distributed. At the individual level, markets in today's economy reward mostly individuals with university education. That's true in every country in the world. Despite what textbook economics predicts, it is true even in the poorest developing countries. At the country level, it is also true that deeper, richer markets reward a particular asset that is also unequally distributed across countries: sound and stable political and economic institutions. By institutions, I mean not only organizations like the central bank and the ministry of finance but the norms and customs and rules—property rights, a free press, judicial independence, and so on—that constitute the social as well as the political capital of a country. So the right endowment or the right asset that countries need to exploit the benefits of this richer global market is "institutions"—something that economists finally are coming to see as critical to development.


DEBORAH HAKES

"It is time to stop fiddling around at the edges with TRIPS [Agreement on Trade-Related Aspects of International Property Rights] and to end it altogether," said Nancy Birdsall during her keynote address. Birdsall is the founding president of the Center for Global Development.

We know that inequality across countries has been growing, and I just want to drive home this point in case there are doubters in the room. Inequality may be falling across all people in the world, but a lot of good economic work suggests that this is essentially because of the success in China and India in bringing millions and millions of people out of poverty. They were very poor, and now they are less poor, so on the whole, their rise in income is reducing global inequality across the world population. But across countries, inequality is growing. The ratio of the average income of the world's 10 richest countries and the 10 poorest was about 9-to-1 at the beginning of the 20th century, and now it is closer to 100-to-1 and growing. Inequality is also increasing within countries. This general trend comes, in part, from globalization's tendency to reward some people more than others in the absence of effective compensatory programs that emphasize, for instance, equal opportunity through progress toward universal education.

It is also true that countries can have the wrong asset. Though I won't go into too many details, I will say that it is not a good thing in today's global economy to be specialized in oil or in diamonds, or mineral wealth in general, or in certain primary agricultural commodities, such as cotton and sugar. Natural-resource wealth is not the "right" asset for development, as we see in the case not only of the poorest countries of the world—Nigeria and Angola and Sierra Leone—but for middle-income countries as well, such as Venezuela. Natural-resource wealth without the right political and democratic institutions can be a curse rather than a blessing.

The rules of the game at the global level, inherently and always, will tend to reflect the interests of the rich world. So, those of us in the development community have to think of the development challenge as a constant struggle against the tendency for those who have more economic power to capture more political and social power.

The second reason that globalization is disequalizing, as Ed Cain mentioned in his introduction, is that the rules of the game at the global level, inherently and always, will tend to reflect the interests of the rich world. So, those of us in the development community have to think of the development challenge as a constant struggle against the tendency, across countries as well as within countries, for those who have more economic power to capture more political and social power. We see this problem in the case of the global trade regime. President Carter mentioned this morning the influence of cotton subsidies, and we know from the Mali case how damaging they can be. And last night Joseph Stiglitz described how TRIPS, the arrangement for patent rights and intellectual property rights across countries, is unbalanced. I have said, in the article with my co-author Arvind Subramanian, that it is time to stop fiddling around at the edges with TRIPS and to end it altogether.

Besides trade, we see the global rules of the game being unreasonable and unfair in the migration regime as well. Rich countries welcome talented people and even develop policies aimed at attracting them. But for the most part, rich countries minimize immigration of unskilled workers and their families who, from the simple act of moving from a poor country to a rich country, could enjoy as much as a sixfold increase in their income as an immediate consequence.

The international community also has failed, since the Asian financial crisis, to deal effectively with the international financial architecture. The new round of emphasis on surveillance puts additional burdens on developing countries, although they accept these changes and they are good for them. But the fact is that we really haven't addressed anything about the international financial architecture that would require tough political decisions in the rich countries—such as the IMF having a meaningful function in handling sovereign bankruptcies.

For 150 or more years after Marx published the Communist Manifesto, economists didn't want to talk about inequality. We could only talk about the problems and the inefficiency of transfers and redistribution. I think we have to end that taboo in the economics community and recognize that with globalization comes a critical need to find ways to compensate for the initial unequal endowments of assets, both across people and across countries, and find ways to resist the natural tendency for the more rich and powerful to reinforce, rather than compensate for, those initial unequal endowments.

Let me now go to my second major subject: why this issue of inequality matters so much for the challenge of development, that is, to build better institutions and encourage more pro-poor and progrowth policies in the developing countries. The tendency for globalization to create new inequalities can cause major problems for enlightened leaders within countries. The first comes from the reality that, with the return to a market system in countries like Mozambique and Albania, some people are getting ahead faster, and others are being left behind. This reality creates frustrations. Even in the United States, the view that globalization is behind job losses and new inequalities has led to a new wave of protectionism. The resulting insecurity and dissatisfaction in both rich and poor countries in turn lead to perverse policy outcomes. For example, workers fiercely resist job losses, even though what countries need to exploit an ever-changing dynamic global market is a labor market and a social safety net that encourage workers to change jobs—since it is the ability and willingness to change jobs that protects families' incomes while allowing some firms and industries to fail and others to succeed in Schumpeter's classic process of "creative destruction."

When people are insecure and feel powerless, it is difficult for any political leader to implement textbook market policies—no matter how sensible they are. Workers resist job losses; high-income households resist introduction of public university fees. Local politics then matter. Policies brought in from outside that look good on paper and follow the textbook (such as implementing labor "flexibility" and introducing university tuition), for all their merits, may well be impossible to implement—at least in the textbook manner proposed in the short run. Or worse, what look like pro-poor policies on paper, if implemented, are easily hijacked by political and other forces over which the enlightened government that tried to implement them has little control—with the opposite result from that intended. In democracies especially, no government can perfectly predict the outcome once it starts a process of reform and change.

This is the context in which outsiders in the rich world have to consider policy autonomy for insiders in their own countries more carefully. It is the local leaders and local community that have the most information ex-ante about what policies can be effectively implemented at any given moment to generate growth and help the poor. In fully functioning, rich settings like the advanced Western economies, it is often the middle class that plays that role through the business sector, through independent think tanks, through the press, and through the back-and-forth that occurs as bureaucrats become business people and vice versa. It is a very Jeffersonian viewpoint, the idea that in a democracy where institutions are strong, voters eventually—perhaps with errors—discover policies and practices that work for them. In the Western advanced economies, I believe, the demands of these middle-income groups for policies that benefit them have allowed the free-riding of the politically voiceless poor. That's why we have at least a modicum of equal access to education in Western advanced economies. The middle class wants and demands it, and that makes it more accessible to the poor, too.

The point is that outsiders are not particularly good at understanding the politics and the social setting in which ideas have to be implemented, whether or not they look good on paper. To me, that is the reason for the failure of many structural adjustment programs in developing countries. It's not only, or even mostly, that those policies were completely misguided and wrong, or were likely, if reasonably well implemented, to increase inequality. In many cases they were, in principle, right—good for growth and good for the poor, too. It is that in many cases the policies were never actually implemented—they were too politically radioactive you might say. In other cases, they were hijacked or distorted, becoming victims of the larger tendency for the economically powerful to be politically powerful as well.

Let me go into my third subject: the implications of this kind of analysis—of the pressures, including rising inequality, that globalization brings to developing countries—for the development community, the enlightened outsiders. I want to refer to some of the issues raised in the *Foreign Affairs* article that you have on what the rich-world outsiders can do without adding to the "cacophony" (President Carter's term) of donors and other outsiders operating inside the developing countries. Basically, I believe we in the rich world should pay much more attention to the rules of the game at the global level in three specific ways.

First, we need to lobby for the rich world to "do no harm." We currently do harm in the way we have organized the trade regime. We do harm with TRIPS. We are doing harm, particularly in the United States, by imposing current and future costs on poor people with our greenhouse gas emissions. So the first task on the development agenda of the rich countries should be: Work on your own problems and try to fix them, which is the idea behind the Center for Global Development's Commitment to Development Index.

Second, we should invest in new technologies that will have direct benefits for people in the developing world. There has been some progress in this area already. There's been investment over many years in very high-return research and development for tropical agriculture, for instance, and there have been advances in health technology that have led to dramatic reductions in mortality. There's more we can do in this area—we have a proposal from my center on how we could structure a program that would, I think, greatly accelerate the development of a malaria vaccine and an AIDS vaccine. These are global public goods for which we can do more. Another example is what The Carter Center does on election commissions from outside when requested; election monitoring is an example of a nice interaction between a rich-world asset and the needs of developing countries.

Third, after doing no harm and investing in global public goods, the rich countries have the responsibility to find ways to make international institutions more fundamentally democratic and representative. Joseph Stiglitz talked about the idea of dialogue. Ultimately I think the right distribution of power is a prerequisite for the right kind of dialogue. And until, for example, we have more than two African members on the World Bank's board, each representing more than 20 countries, that particular institution can't support the right kind of meaningful dialogue. These two African executive directors have so many responsibilities and so few resources compared to the German, British, and U.S. executive directors who occupy their own chairs that there is no practical basis for dialogue. This is only one example of the need for more balanced representation.

So the development community should focus on getting the rich countries to fix the rules of the game at the global level.

Let me end with the question of how, through development assistance, the rich world can help improve those critical social and political institutions in the developing world. Let me say something in particular about the role of development assistance in the kind of developing countries represented here today—those for which aid makes up a hefty portion of GDP (as much as 5 or 6 percent in some cases) and where up to half of government spending is financed from outside. It is very difficult to imagine these countries having policy autonomy when their political and economic leaders have to spend so much time being accountable to the outside aid community that they can't find ways to be accountable to their own citizens. What can be done about this? I have four ideas, and I know you have more.

The first is more independent, external scrutiny of the donor community. Let's make the official donor community more accountable. At the Center for Global Development. we are thinking of developing a more specific measure of the quality of aid that would rank the rich donors by how good their aid is: whether it is tied, how much of it goes through multilateral institutions, how coordinated it is, and so on.

The second idea is developing creative new ways of delivering aid. One idea that is afloat, with some experiments going on, is paying for results. Don't pay for policies. Forget the discussion about privatization or not, trade liberalization or not. Pay for results; pay for Millennium Development Goal results. The idea of the Millennium Development Goal in education is to get to universal primary education by 2015. Why not say, every year, we will give your government $50 for every child that finishes primary school over and above the number that had finished in 1990? We could structure it so that the parents can hold their schools and their governments accountable; perhaps the parents would have to turn in a voucher to the government, which the government could redeem for $50. The resulting flows would be more automatic and predictable in a way foreign aid now is not. There would need to be independent monitoring, which could work much the same way we already have independent monitoring of elections.

The third idea is pushing the official donor community, including the Millennium Challenge Corporation and the World Bank, to take more risks in countries with able and honest leadership. That means, for example, more emphasis on budget support. It is outrageous that my government is not allowed to join other donors in providing budget support to, for instance, Mozambique. Even the Millennium Challenge Corporation, the new idea of the Bush administration based on putting money where governments are well run, feels the need to figure out exactly what the recipient governments are doing and follow all the disbursements and follow all the rules of procurement and so on. It's an embarrassment and just adds to the burden of officials in the developing world.

Fourth, and finally, I have a pet idea to mention here. It's come up in different ways already this morning. It is for the donors, the outside community, to invest in a double "i." The double "i" stands for "independent institutions" within developing countries. I like that language better than "capacity building" because I think many countries already have the capacity and that is not the problem. They have the people with the talent and the skills, but those people have found they are not in a setting where they can channel their efforts and their commitment productively. So improvement is a matter, among other things, of finding ways to focus on independent institutions. Instead of just training people in government for five days here and four days there, put the money together to endow, at least in 10 or 15 poor countries, independent think-tank policy researchers. And, I say endow so they are not reliant on constant renewals, at least give them money for five or 10 years. They could then hire the best people and generate real dialogue and discussion with independence and credibility. They could focus initially on monitoring governments' use of resources, both the budget expenditure side and the tax side, and could thus help make governments that want to be accountable more accountable. And they could provide a productive setting for government officials when they leave government and aren't ready yet to go into opposition or leave the country—as is the case in the United States now, where government officials go to academia and think tanks to continue contributing to public policy dialogue.

Let me end by returning to the Carter Center theme, and actually to the theme of my center as well: equitable globalization. In the development community, if we want the benefits of globalization in the aggregate, then we have to think more in terms of a sort of global social compact. Just as we have domestic social contracts that address unequal endowments of citizens, we need something closer to a global social contract to address unequal endowments across countries and peoples. That compact has to do not only or mostly with transferring more aid, as necessary as that is, but with attacking the inequality that results from unequal initial endowments and opportunities among countries and peoples. We need to find ways to work with countries so their people can eventually enjoy the opportunities we have in this country and in Western Europe and Japan: namely, our sound institutions backed by the bulwark of a middle class in a democratic setting.

Thank you very much.

Forum Discussion

The major themes explored in the fourth Development Cooperation Forum included the following: whether recent efforts have resulted in greater **policy autonomy** for poor countries, whether much progress is being made on the ground in the area of **aid effectiveness** as a result of the global harmonization movement,[15] and what role impartial **third parties** could play in facilitating more effective development cooperation. In general, participants acknowledged that the principles of partnership and mutual accountability that now guide development cooperation are the right ones. Furthermore, they agreed that mechanisms such as Poverty Reduction Strategy Papers, medium-term expenditure frameworks, budgetary support, and the new focus on changing donor practices represent improvements compared to the situation that prevailed even 10 years ago. However, developing countries' experiences suggest that country ownership remains severely constrained in certain areas of economic policy, particularly by the reluctance of donors to relinquish control of aid resources even when good governance is not the driving concern.

Policy Autonomy

Forum participants subscribed to the basic tenet that different contexts demand different approaches beyond adherence to basic free-market-enabling principles. Much of the policy autonomy discussion revolved around the limited choice of growth strategies permitted to low-income countries through the actions of the international financial institutions and donors. Many country participants noted that restrictive international financial institution (IFI) policies often prevent growth and do not allow them to take the steps needed to lift their people out of poverty. While participants acknowledged that the question of policy autonomy is distinct from industrial policy or the role of the state in development, the two are interconnected, as it is this area of policy content that is most contested.

Some of GDI's partner countries expressed frustration over not making more progress in their development as middle income, and industrialized countries continue to outpace them. They argued that the kind of growth needed to make substantial reductions in extreme poverty is just not happening in their countries. According to a Mozambican representative, his country has worked over the past 20 years with the IFIs. Although Mozambique has certainly seen some positive results, as countries coming out of political and economic crises often do, another Mozambican representative stated, "We need to take more steady and firm steps toward somewhere else." Mozambique, for example, has had a growth rate of approximately 7 percent the last few years but remains one of the least-developed countries in the world. He stressed that, if

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Jennifer Westford, minister of public service in Guyana, addresses the challenges Guyana has faced in implementing its national development strategy.

15. See www.aidharmonization.org.

one looks into how and what has made the economy grow, then one begins to see structural problems. While 7 percent growth might seem very good, that figure is based on a limited number of megaprojects and excessive dependency on external flow of funds, mainly aid and foreign direct investment. In Mozambique, there is little promotion of domestic entrepreneurial activities and investment and an undiversified export base, which contradict the growth experiences of today's successful countries.

Country partners and other participants agreed that the ability to diversify the economy, especially in areas where the poor are concentrated, through domestic industrial (particularly agro-industrial) and productivity growth must be integrated into the process of development and poverty reduction. Mozambique was particularly vocal on this issue, using its own experience as evidence. Although 70 percent of the population is involved in agriculture, very few resources have gone into building the physical, scientific, and innovation infrastructure of this and other potentially important sectors or into actively supporting emergent domestic companies and industry to become competitive, particularly for entry into the global economy.

Some participants, particularly those representing Mozambique, also called for institutions offering higher-risk financing, another element in the success of developed countries and countries such as Brazil and China, which are quickly catching up. One representative from Mozambique articulated, "We've been told to follow the example of successful countries like China, India, and Brazil, but all these countries have development banks." He expressed strong frustration that international donors have denied Mozambique a development bank that would provide private-sector financing and technical support to increase the quality of loan demand, even though Brazil has expressed support for providing professional managers.

The consensus among many forum participants was that the current international development policy agenda neither prioritizes nor allocates enough resources to spurring significant private-sector activity. In other words, government has a role to play in setting public policy in the productive sphere—policies that complement market forces and counteract market failures to promote development. The market alone is not a panacea.

Mali, for example, focused on current problems with the privatization of its key public enterprises and services, particularly in the provision of water and electricity. A Malian representative explained that the country has not seen the promised benefits of privatization, that there have been too few policy options from which they could choose, and that they needed a range of feasible options that are better adapted to the Malian context. While one participant, pointing to successful country cases from around the world, stated that "the idea that state-owned enterprises don't work flies in the face of the historic record," other participants cautioned that one should not rush to accept state-owned enterprises as the answer. The consensus among participants underscored Mali's position that autonomy requires real options with which to experiment and from which to draw lessons. In this way, country governments can make necessary corrections and ultimately take courses of action appropriate for their people and their countries' development.

Beyond the need to look at a wider range of policies for growth, another area of widespread concern was the **inflexibility of the macroeconomic framework**. Many countries are forced to act within the strict macroeconomic framework of the IMF's Poverty Reduction and Growth Facility. Policies dictating very high interest rates, low single-digit inflation rates, and tight spending have rendered countries unable to obtain the kind of economic growth and make the vital social investments necessary to lift their people out of poverty.

Mali was very vocal on this issue. While the country has made and still makes great efforts to work within the framework and be a good partner with the IMF, it is also frustrated with the inflexibility of the policies imposed. Mali experiences many predictable shocks to

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Mohammed Diallo (left) coordinated the development of his country's national prospective study, called Mali 2025; Salif Diallo (center) is coordinator of the Capacity-Building Project for National Implementation in the Ministry of Foreign Affairs in Mali; and Sékouba Diarra is coordinator of the Poverty Reduction Strategy Paper Unit in Mali.

its economy, such as climatic variations and declining terms of trade, but the macroeconomic framework is so narrow, with such tight caps on spending, that it does not adequately take into account these shocks ex-ante nor adjust for them ex-post. Instead, high growth rates are projected, and Mali, not surprisingly, is often unable to meet them. One representative stated that the IMF "forecast and set a growth rate for us of 6.7 percent, but this growth rate is too high, too ambitious. To be realistic for us, we need to have an extrapolation of trends, and from this we see that growth simply cannot be this high." Furthermore, when the country does not meet this growth rate, spending is further restricted, leaving the country unable to make necessary investments in their people. A representative from Albania, as well, expressed concern over the framework, saying it is too oriented toward the short term and too narrow, focused only on a few macro indicators such as fiscal deficit and inflation.

One international NGO representative commented that many other economists, academics, and the economic literature find questionable the elements of the Poverty Reduction and Growth Facility that make up the macroeconomic framework (e.g., growth rates, money supply, deficit reduction targets, inflation reduction targets). In fact, participants noted, the very policies that helped developed countries get to where they are today are being denied to the developing world. For example, many policies call for cuts in public investments, but past lessons have shown that raising agricultural productivity and fighting disease require increased public investment.

Several forum participants questioned whether extremely low inflation rates are necessary for robust growth. They cited research in peer-reviewed academic journals showing that countries can achieve consistent growth with moderate inflation rates; it is when inflation gets above 20 percent that countries run into trouble.[16] Some studies, one participant pointed out, suggest that inflation as high as 40 percent is not detrimental to development. The point of this discussion was not to set a new standard for inflation targets, but to suggest that there is room for debate of the trade-offs. The debate, however, is simply not happening, according to participants.

A country representative from Albania pointed out one such trade-off. He stated that investment, a vital part of development, does create some inflation in the short term, but it brings dividends in the long term, and this fact must be acknowledged. All country delegations concurred, asserting that they are unable to make needed investments to cut poverty substantially and quicken the pace of their countries' development. A representative from Guyana expressed that, under the IMF framework, the country is unable to invest in its people, which greatly restricts its ability to recruit, train, and retain staff, teachers, and doctors within the country. A representative from Mali pointed out that 70 percent of its civil service workforce will retire within 10 years and that the government must invest in this area to replace the aging workforce. They are find-

16. See, for example: Fischer, Stanley. "The Role of Macroeconomic Factors in Growth," Journal of Monetary Economics 32 (December, 1993) 485-512.

ing it very difficult, however, to do so under the current macroeconomic framework, which restricts civil service salaries to 5 percent of GDP. According to another Malian representative, donors expect the government to lead and make more progress on ambitious

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Jose Sulemane, national director of research and policy analysis in the Mozambique Ministry of Planning and Development, presents a summary to forum participants of the key points from discussions on policy autonomy during pre-forum workshops.

reforms while not investing in the very people who are responsible for conceiving, planning, and implementing those reforms. This serious disconnect has led to a current state of impasse that must be overcome if Mali is to move forward with its development.

Participants linked the lack of transparency with the Poverty Reduction and Growth Facility and the Article IV consultations[17] with the issue of transparency and accountability that was supposed to be advanced by the Poverty Reduction Strategy Papers. Although a country's future fiscal and monetary policy options are discussed during Article IV consultations—with enormous implications for the welfare of the country's citizens—the consultations are held behind closed doors. One participant called for the Article IV consultations to be incorporated into the Poverty Reduction Strategy Paper process or for the consultations to at least be made more transparent and participatory. One participant stated that many of the international NGOs that welcomed the Poverty Reduction Strategy Paper process when it was unveiled, expecting macroeconomic issues to be put on the table as part of the discussions, are losing faith in the process because this has not happened.

This discussion led to a discussion of concerns that **conditionalities are compromising democratic institutions and processes**. A representative from Mozambique, for example, expressed great frustration that, although Mozambique's Agenda 2025 is a development vision designed from the ground up by the Mozambican people with active civil-society involvement, supported by The Carter Center and the United Nations Development Programme, approved unanimously by parliament and endorsed by the president, donors are actively discouraging one of its key recommendations—that Mozambique needs a development bank—through surreptitious means. He and other participants felt the proposed development bank is at least worthy of an honest and open debate, but donors are already financing one-sided studies to denigrate the idea.

Participants also complained that IFIs compromise the authority of countries' legislatures. Country participants from Albania, Mozambique, and Guyana said that their governments are pressed to push IFI mandates through their own legislatures to satisfy aid conditions and keep necessary resources flowing into the country. They argued that these policies interfere with legitimate checks and balances within their systems. An NGO participant supported these claims,

17. This refers to Article IV of the IMF's charter, which spells out the IMF's obligation to monitor member countries' exchange rate policies. Article IV consultations take place between the IMF and each member country, usually annually, and cover the member's economic and financial policies.

citing a survey in which leaders from five aid-recipient countries reported that their governments are more accountable to donors than to their own people. As a result, he stated, the people of the country do not know where donor authority ends and where their own government's authority begins. IFI representatives said, however, that they are moving away from requiring the passage of legislation as a condition for aid and acknowledged that they can afford to be more flexible to allow countries to build greater consensus.

While all parties agreed that more can be done to prevent conditionality from interfering with the democratic process, country partners from Mali, Mozambique, and Guyana continued to express concern that IFIs are unwilling to accept and even discourage alternative views. One expert argued that IMF country-level representatives intensely discourage governments from requesting more resources because the IMF does not want to reveal that there is a donor funding gap. He acknowledged that this dysfunction may not make its way up to IMF headquarters.

Sékouba Diarra is counselor to the minister of economy and finance of Mali.


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Meanwhile, IFI representatives at the conference maintained that their organizations are receptive to countries' needs and concerns, but that the question is ultimately one of available resources with which countries must then develop realistic budgets.

Country participants complained that, while donors claim to be receptive to country ideas, they often enter discussions with country officials with firm preconceived notions of what the results should be. One Mozambican representative said that this is frustrating, particularly when IMF missions, predisposed to focus on macroeconomic stability, spend hours discussing with them precise interest rates or whether inflation is 10 percent or 12 percent. Although these issues are important, the exorbitant amount of time spent focusing on a percentage point is not productive, especially when the discussion inevitably ends with what the IMF wanted all along. As another example, a representative from Guyana spoke of the arrogance of IMF officials who come into the country for a few days and essentially disregard local knowledge, saying that country officials' analyses are wrong. This, he claimed, is how the Guyanese were treated after their country experienced massive flooding. Their assessment of the impact of the floods on GDP growth, which IMF officials dismissed, is turning out to be correct. He concluded that these attitudes must change in order for the donor community to respect policy autonomy and promote aid effectiveness. A Mozambican representative went so far as to complain that IFIs want countries to say what the IFIs want them to say before they are told to say it.

Addressing the same topic of whether countries really can determine their own policies, participants discussed other shortcomings, beyond the macroeconomic framework, of the Poverty Reduction Strategy Paper process. Although this process is currently the main framework for discussion between donors and aid recipients, country participants felt that it does not grant them an avenue for articulating the aspirations of their countries. They expressed concern that the combined impact of Poverty Reduction Strategy Papers,

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Prakash Ratilal, executive member of Mozambique's Agenda 2025 Committee, with members of the Mozambican delegation.

Millennium Development Goals (MDGs), and Heavily Indebted Poor Countries Initiative has resulted in a **social-sector bias in aid and public investment**. Governments have very little ability to dispute the allocation of donor resources. In Guyana, for example, 60 percent or more of aid is allocated to the social sector, based on donor priorities. While partner countries strongly agreed that social spending is important, of equal importance is spending on productive sectors, such as agriculture, and on private-sector development necessary to generate high and broad-based economic growth. These must receive equivalent consideration in the process.

Participants stressed that a country cannot move toward achieving ambitious aims, such as Millennium Development Goals, without the growth process, but this process is often overlooked. A representative from Guyana remarked pointedly: "MDGs are outcomes—something would have to happen to produce those outcomes—and we are pretending they are the development mechanisms themselves. They are not; they are outcomes." Local industry, employment, and income generate the capacity and local resources necessary to achieve these goals in the long term. Therefore, increased investment must balance social spending and spending on activities that generate growth. Guyana and Mozambique elaborated their countries' broader agendas in overarching national development strategies or national vision statements, but these agendas are not adequately realized through Poverty Reduction Strategy Papers, which have a medium-term focus.

Donor representatives reminded forum participants that the Poverty Reduction Strategy Paper process is the agreed-upon framework for dialogue on aid between the international community and poor countries, and that it remains an evolutionary process, one in which improvements are continually being made. They pointed out that Tanzania, Zambia, and Mozambique are all involved in developing second-generation papers that are more locally driven and leave greater room for national leadership and ownership of the process.

In the end, country partners agreed that the point is not to debate the merits of one mechanism versus another. The point is that, in the final analysis, countries' views of their own needs are not reflected in the policies implemented. Whatever policy framework document is utilized, it must allow country partners greater influence over the content. "Inside that document, we have to have a macro-framework," a Mozambican representative stated. "We have to talk about resources, we have to talk about expenditure—these are the essential components."

However, in such a situation, the question then arises of whether countries have or are able to build the capacity needed to discuss and influence the content of their policies and Poverty Reduction Strategy Paper processes. One representative from Mozambique brought up an illustrative example, suggesting countries are often unable to build the needed capacity internally. He spoke of a poverty and social impact assessment that was done in Mozambique, which cost around 100,000 U.S. dollars and took six months with three outside foreign experts to complete. He claimed that, with that amount of money, nine new ministry staff with bachelor's degrees from within the country

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Marta Cumbi, president of the board for the Mozambican Debt Group and director of cooperation and advocacy for the Foundation for Community Development, speaks about the ways in which Mozambican civil society has engaged in the country's policy debate.

could have been hired for an entire year, enabling professionals from Mozambique to learn and develop the capacity to run and handle such processes. If donors were more flexible, countries could build such capacity. Participants agreed that resources currently invested in external technical assistance could be better invested in the **creation of indigenous capacities for evidence-based research and policy formulation**.

Many participants then went on to emphasize that not only the government but other local institutions such as think tanks, universities, and civil-society organizations must be strengthened to independently formulate and analyze policies to strengthen the capacity of the country. The emphasis, more specifically, must be on developing capacity within these institutions to perform evidence-based analysis. Participants stressed that there are an increasing number of civil-society groups and NGOs in developing countries that perform advocacy and service work. What's missing is independent, evidence-based analysis, which is nonideological and provides constructive critiques of both the governments and donors in a mutually beneficial way.

Some forum participants stressed the necessity of moving toward joint analytical work, with governments and local institutions in the lead, as a way of strengthening domestic capacity, including that of civil society, and holding both governments and donors accountable. Policy analysis is a dynamic process, which requires an understanding of country conditions and of the links between short- and long-term issues and the ways in which they are integrated. Too often, IFIs perform policy analysis and make recommendations that become conditionalities for policy loans. Joint policy analysis could better empower developing countries and build local capacity to manage donor projects and resources.

AID EFFECTIVENESS

Forum participants stressed that, in order to achieve equitable globalization, international donors and the developed world must make greater efforts to provide the promised and needed resources to countries burdened by poverty. It is no longer a question of recipient governments shifting resources within budget categories, but a question of obtaining additional resources from outside combined with generating more domestic revenues. Once the resources are in the countries, they must actually get to those who need them, which is why aid effectiveness is so important.

Participants noted that, although some progress has been made, really significant change of the aid system still escapes us. Although countries have committed themselves to harmonization and alignment in international agreements, **there is still a large gap between rhetoric and reality**. In fact, participants stated that the very structure of the donor aid system is still project oriented, with a cacophony of different donor priorities and agendas.

A main theme of discussions was that many donor aid projects are conducted outside of the government


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Michael Baxter, World Bank country director for Angola and Mozambique, points out the need for national strategies to take account of wider regional dynamics.

budget cycle—and therefore outside of national democratic accountability—by international NGOs. One result is that a large proportion of aid money is spent not on transformative development—such as reducing disease, investing in teachers, and building roads—but rather goes back to the countries that provided the aid. Participants most frequently mentioned the thriving industry of foreign development consultants as an example. One Mozambican country participant provided an illustrative example. Donor projects are begun in the name of reducing poverty. But, he asked, when only $124,000 of a $6.4 million project is spent in country and the rest on foreign consultants, where is the accountability? Unsolicited donor projects, he added, are debited to the country, resulting in governments being indebted for projects they did not ask for and money their people never saw.

Additionally, country partners emphasized that the money available for transformative growth is blocked from making its way to the poor by multiple, burdensome donor procedures and practices that recipient countries must accommodate. Participants agreed that governments are still inundated by a multitude of donor projects, managed by different project implementation units and monitored at different times using different evaluation criteria. Donors often duplicate each other's efforts, wasting valuable time and energy that could be directed to areas in need of more attention and making huge demands on the governments themselves. For example, a Malian representative stated that his government must spend a total of three months out of every year dealing with visiting aid missions.

In addition to being uncoordinated and burdensome, donor investments are not always aligned with country priorities, participants said. A representative from Guyana complained that his country does not receive enough resources to combat its 10 most deadly diseases because donors want to pour their resources into fighting AIDS. This is not just an example of aid being driven by donor priorities but also of aid being focused on the eradication or treatment of a single disease, as opposed to focusing on building the capacity of a national health system, which is what countries often call for and need.

What needs to be done, therefore, is to harmonize and align donor procedures and policies behind those of recipient countries. Participants called in particular for **channeling more aid toward budget support**, because governments would have more freedom to choose where and how to allocate resources as part of the budget and political process. This will begin to prevent wasteful duplication of effort and ensure that money is spent on country priorities. As one multilateral agency official noted, the goal is not to get a country government to manage 20 to 30 different donor systems but to get a government system in place that 20 to 30 donors can reinforce and strengthen. In addition, this means strengthening the systems of legislative oversight of the executive branch.

Mozambique's successful experience with budget support was highlighted as a case study for others to examine. The government and 17 donors have signed a memorandum of understanding on budget support.[18] Under this agreement, the government has strengthened its financial and oversight systems, giving donors greater confidence that their funds will not be stolen and will be used to meet objectives measured with specific performance indicators. In addition, donors have committed to increasing the share of their aid going to budget support and reducing practices that tax the limited administrative resources of the government. While donors regularly monitor the performance of the government, they also have allowed an independent group to evaluate the donors' performance against their promises. Budget support represents just 30 percent of donor aid in Mozambique and could increase with more ambitious efforts on both sides.

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Shari Spiegel is managing director of the Initiative for Policy Dialogue and adjunct professor at Columbia University's School of International and Public Affairs; Inhaye Ag Mohamed is technical counselor to the minister of planning in Mali.

Coby Frimpong, coordinator of the Policy Coordination and Program Management Unit of the Office of the President of Guyana, presents conclusions of pre-forum workshops on aid effectiveness.


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Some participants stressed that **progress on aid effectiveness is highly dependent on individual country circumstances**. The mechanisms that proved a success in Mozambique, for example, cannot necessarily be replicated and made to work elsewhere, since different countries have different priorities and work in different fashions. The progress in Mozambique, one donor representative said, is due to the government making it "clear what they want" and "pushing us in this direction." In this way, government leadership and credibility can be decisive in overcoming reluctance or resistance among donors to harmonize and align project support and to move more toward budget support.

Governments also face the challenge of overcoming internal resistance. Since changing budget support entails shifting political power within the government, certain ministries stand to lose their current authority, including their ability to negotiate directly with donors

18. For more information on this experiment, see the Mozambique Program Aid Partners Web site at www.pap.org.mz.

over sources of sector funding. As for donors, they must reform their own aid structures and incentive systems, particularly regarding the relationship between headquarters and field offices. Some participants from the headquarters of multilateral organizations expressed disappointment over the disconnect between global principles and agreements, or what is announced at headquarters, and what actually happens on the ground. Field representatives often have enormous influence, exercising their own discretion as to whether and how progress is made toward harmonization and alignment in the countries where they are assigned. Furthermore, the rapid turnover rate of field representatives places an additional burden on governments to deal with constantly changing personalities and priorities. Both country and donor representatives expressed concern that turnover makes continuity in donor policy, and sustained coordination and partnership among donors and governments, difficult to achieve.

Still, there are good approaches that have met with some success, such as Tanzania's sector-wide aid program in which more than three-quarters of the donors pooled resources and engaged in joint dialogue and joint missions. Participants also expressed enthusiasm for silent partnerships, whereby donors agree to add financing to other donors' projects to scale them up. Forum participants agreed that such approaches need more support, representing an area where additional progress could be made. For aid money to be spent more effectively, donors and governments must agree to a set of measurable aid-effectiveness indicators. Some participants argued that the Paris Declaration indicators were too broad and difficult to measure. They called instead for a set of indicators that not only measure the quality of donor aid but also specific outcomes—revealing, for example, which aid dollars translate into mouths fed, roads built, teachers and health professionals trained, and so forth. In other words, **rather than monitoring a multitude of inputs into the development process, donor investment should pay for results**. The donor community, one forum participant argued, has lost its way, becoming too self-serving and detached from its ultimate purpose of improving lives. Governments and donors must refocus on this purpose by adopting a set of concrete targets they can monitor jointly.[19]

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Aleksander Mita (left) is head of the Civil Society Development Center in Vlora, Albania; Albert Gajo serves as deputy minister of integration in Albania.

THIRD-PARTY ASSISTANCE

The final session focused on the role that third-party actors could play in enhancing development cooperation. The issue was framed by the GDI Approach Paper (see Appendices), which had been circulated, discussed, and broadly endorsed during the preparatory sessions of the previous two days. The overview noted that the third-party role played by GDI was not new for The Carter Center, as the idea of an "honest broker" had informed the Center's approach to conflict mediation and election monitoring. The new twist lay in applying this concept to national dialogue and development planning and, more specifically, to

19. See http://www1.worldbank.org/harmonization/Paris/FINALPARISDECLARATION.pdf.

development cooperation. The third-party role was defined vis-à-vis host governments and international donor organizations but was also relevant to the nexus between host governments and local stakeholders from civil society and the private sector, which was played out in GDI's facilitation of national visioning and Poverty Reduction Strategy Paper processes in Guyana, Mozambique, and Albania.

GDI's creation, for the purpose of offering third-party assistance, was motivated by a number of basic concerns about the nature of the relationships between developing countries and international donors, namely:

(Left to right) Hans R.Herren, president of the Millennium Institute; Rick Rowden, senior policy analyst with ActionAid International USA; Jan Tuit, senior policy officer of the Netherlands Institute for Multiparty Democracy; and Koenraad Van Brabant, head of Reflective Practice and Learning at War-Torn Societies.

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- power differentials between donors and developing countries;
- political, commercial, and other interests that motivate development assistance;
- unhealthy competition among many donor agencies for influence over host governments;
- strong incentives for host governments not to "bite the hand that feeds them"; and
- weak capacity of host governments to engage donors on an equal footing.

The existence of such circumstances compromise the goals of country ownership, partnership, and mutual accountability. As one participant remarked, until more democratic decision-making mechanisms exist, at the global level and within the international financial institutions, there will be a need for third-party facilitation to help level the playing field.

There was general agreement that honest brokers could be helpful. To be credible, the third-party actor must have certain characteristics: It must be respected by all sides, be impartial to the outcome on substantive issues, and not have conflicts of interests. The actor's emphasis must be on strengthening process—democratic process as broadly understood—and not on imposing its own agenda.

Third-party actors could be either domestic or international organizations. Participants supported **various roles for third-party actors, including supporting dialogue processes, strengthening institutions, promoting the generation and discussion of policy alternatives, and monitoring the behavior of both donors and governments**. Among domestic actors, independent think tanks or national councils such as the National Economic and Social Council of Mauritius were put forward as examples.[20] The council is an institutional forum established by the parliament with broad stakeholder participation. It supports research, dialogue, and consensus building to help Mauritius realize its national vision and respond to the challenges of globalization in ways that promote social

20. For more information, see http://www.nesc-mauritius.org/.

cohesion. Representatives from Guyana and Mozambique both expressed interest in the Mauritius model. There was general endorsement for what was presented as the three "Es" for successful domestic third-party actors: an endowment of five to seven years to get such institutions started, evidence-based methods to drive their research and analysis, and external partnership opportunities to plug into global knowledge and capacity building.

GDI and Joseph Stiglitz's Initiative for Policy Dialogue were examples of international third-party actors addressing dialogue on development policy and cooperation, although other organizations at the forum were also involved in various, relevant dialogue and capacity-building efforts. All agreed that international actors must always be invited by the host country, ensure that their effort builds the capacity of domestic actors, and themselves be monitored. A third-party actor must not become a crutch or source of dependency but rather an agent to help a country get to the point where it no longer needs third-party support. The cost of such interventions should also be carefully weighed against the potential benefit of allocating those resources to national actors.

Ed Cain (left), director of the Global Development Initiative, moderated the fourth Development Cooperation Forum. Jason Calder (right), assistant director of GDI, facilitated discussion of the role of third-party actors in development cooperation.

Deborah Hakes

Country participants from Albania frequently mentioned a need to hear an independent voice on policy alternatives. Representatives from Mali and Mozambique also called for assistance in local capacity building for policy determination and analysis.

An area where third-party monitoring is in particularly high demand is the implementation of aid harmonization agreements. Participants felt that there is a considerable need for a third-party role at both national and international levels, because host governments often lack the capacity to monitor or apply pressure to the large field of donors. In Mozambique, where 17 donors are part of a budget support agreement with the government, a local and an international consultant were hired to assess the quality of donor assistance against the general framework of the Paris and Rome Declarations[21] and determine whether the donors were living up to their commitments. Tanzania undertook a similar initiative, forming an independent monitoring group that examined the behavior of both the government and the donors and recommended changes in the aid relationship. At the request of both the governments and donors, the group then monitored the implementation of the recommended changes.[22] As one multilateral official said of aid harmonization efforts to date, "when it's all said and done, much is said and little is done," so further experimentation with these models, particularly in Africa, should be a high priority.

21. www.aidharmonization.org
22. For more information, see: Killick, Tony. "Monitoring the Partnership-based Aid Relationships: A Note." Development Policy Review 22 (2004) 229-234.

Appendix A
Forum Agenda

The Carter Center
Global Development Initiative

FORUM PREPARATORY WORKSHOP

Wednesday, Dec. 7, 2005

9 a.m.–5 p.m. Chapel *Open to country delegations*	**Proposals for Policy Autonomy and Aid Effectiveness Based on Country Experiences**

Thursday, Dec. 8, 2005

9 a.m.–5 p.m. Chapel *Open to country delegations and invited guests*	**Advancing National Priorities and Improving Aid Effectiveness**

THE FOURTH DEVELOPMENT COOPERATION FORUM

Achieving More Equitable Globalization

Thursday, Dec. 8, 2005

5–6:15 p.m. Museum Lobby	**Cocktails and Registration**

6:30 p.m. Cyprus Room	**ADDRESS & DINNER** ***Joseph Stiglitz,*** *Executive Director, Initiative for Policy Dialogue, Columbia University*

THE CARTER CENTER
Global Development Initiative

Friday, December 9, 2005

8:30–9:15 a.m Delta Lobby	**Registration (for day registrants) and Continental Breakfast**
9:30 a.m.– 10:15 a.m. Chapel	**WELCOME & OPENING REMARKS** ***President Jimmy Carter*** ***President Amadou Toumani Touré***, Republic of Mali ***President Armando Guebuza***, Republic of Mozambique
10:15 a.m.– 11:45 a.m. Chapel	**DISCUSSION SESSION I** "Realizing Policy Autonomy Through National Development Strategies"
noon–1:30 p.m. Cyprus Room	**ADDRESS & LUNCH** ***Nancy Birdsall,*** President, Center for Global Development
1:45– 3:30 p.m. Chapel	**DISCUSSION SESSION II** "Making Aid Work: Experience with Alignment and Harmonization"
3:30 p.m.– 3:45 p.m. Delta Lobby	**Break**
3:45–5 p.m. Chapel	**DISCUSSION SESSION III** "Meeting Conclusions and Future Actions"

APPENDIX B
FORUM PARTICIPANT BIOGRAPHIES

James W. Adams is vice president and network head for operations policy and country services at the World Bank. Since joining the bank in 1974, he has held a variety of operational positions in East Asia, Latin America, and sub-Saharan Africa. Most recently, Adams served as country director for Tanzania and Uganda. Before joining the bank, Adams was a loan officer for Merchants Bank in Syracuse, N.Y.

Inhaye Ag Mohamed has been technical counselor to the minister of planning in Mali since 2002. Immediately prior to that post, he served as head of the Program and Financing Division of the National Planning Department. Ag Mohamed has participated in recent evaluations of the implementation of Mali's Poverty Reduction Strategy Paper and Millennium Development Goals. He holds degrees in economics and banking and finance.

Tamara Agolli was a Carter Center project manager in Albania from 2003 through 2005. Prior to her work with The Carter Center, Agolli worked closely with the business and NGO communities while employed by KPMG Albania from 1996 through 2003. She also worked in the UNHCR Liaison Office in Tirana as an office manager from 1992–1996.

Mark Allen has been director of the Policy Development and Review Department of the IMF since 2003. His fund career has mainly been in policy development and review, where he has worked on a range of issues, including trade, international capital markets, debt restructuring, financial crisis management, and IMF reform. He also has served in the fund's Geneva office and the African Department and has been resident representative in Poland and Hungary.

John Anderson is a natural resource policy adviser for the Economic Growth, Agriculture and Trade Bureau of USAID. Previously, Anderson worked in the Forestry Department of the FAO in Rome. Prior to his work with the FAO, Anderson spent approximately 17 years in West Africa working on a World Bank forestry project and acting as project manager for rural development and river basin management for USAID. He also teaches rural development at Johns Hopkins University.

Michael Baxter is the World Bank's country director for Angola and Mozambique. His development work experience is mainly in the rural and infrastructure sectors in the South Pacific, South Asia, Latin America and Africa, primarily with the World Bank. He received his education in Australia; Papua, New Guinea; and at the University of California, Berkeley.

Victor Bernardo is vice minister of planning and development, Mozambique.

Nancy Birdsall is the founding president of the Center for Global Development. Prior to launching the center, Birdsall served for three years as senior associate and director of the Economic Reform Project at the Carnegie Corporation, focusing on issues of globalization, inequality, and IFI reform. From 1993 to 1998, Birdsall was executive vice president of the Inter-American Development Bank, where she oversaw a $30 billion public and private loan portfolio. Before joining the IADB, Birdsall spent 14 years in research, policy, and management positions at the World Bank.

Robert Blake is sector manager for West African countries in the Poverty Reduction and Economic Management Unit at the World Bank. During his 16 years with the World Bank, Blake has held field assignments in Cameroon and was a country program manager in Uganda. For 15 years, Blake worked for the U.S. Treasury Department, both in a Paris post with the U.S. delegation to the OECD and in the Office of Developing Nations Finance.

Richard C. Blum is on the Carter Center's board of trustees and is chairman of Blum Capital Partners. He also currently serves as a director on a number of boards, including CB Richard Ellis (chairman), Glenborough Realty Trust Inc., and Newbridge Capital (co-chairman). Blum is founder and chairman of the American Himalayan Foundation and is honorary consul to the Kingdom of Nepal. In addition, Blum serves on the board of regents of the University of California and is a member of the advisory board of the business school at the University of California at Berkeley.

Ed Cain is director of the Carter Center's Global Development Initiative. Prior to joining the Center, Cain had a 30-year career with the United Nations, where he held senior positions in both the U.N. Secretariat and the United Nations Development Programme. His assignments in New York have contributed to shape UNDP's human development policy and the secretary-general's reform process of the United Nations. His last post overseas was as a U.N. resident coordinator in Egypt.

Jason Calder is assistant director of the Carter Center's Global Development Initiative. Calder has designed and managed GDI's national dialogue and development planning initiatives in Albania, Guyana, and Mozambique. He has also developed and supported GDI work in Mali and organized three of the four GDI Development Cooperation Forums. In addition, he has served on Carter Center election observation missions to Mexico, Nicaragua, Venezuela, Nigeria, Mozambique, and Guyana.

Jimmy Carter, the 39th president of the United States, co-founded The Carter Center with his wife, Rosalynn, in 1982. Actively guided by President Carter, the nonpartisan and not-for-profit Center resolves conflict, promotes democracy, protects human rights, and fights disease.

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

Ha-Joon Chang has taught economics at Cambridge University, served as a member of the editorial board of Cambridge Journal of Economics, and held short-term visiting teaching positions in Korea and Japan. Chang has also worked as a consultant for numerous international organizations, including various U.N. agencies, the World Bank, and the Asian Development Bank. Chang has written nine books, including "Kicking Away the Ladder: Development Strategy in Historical Perspective," which was awarded the 2003 Myrdal Prize by the European Association for Evolutionary Political Economy.

Pedro da Conceição Couto is vice minister of finance and director of the Studies Department in the Ministry of Finance and Planning, Mozambique.

Roy Culpeper joined The North–South Institute in 1986 and was appointed president in 1995. Before joining the institute, his work experience included positions in the Manitoba government's Cabinet Planning Secretariat, the federal Department of Finance, and the Department of External Affairs and International Trade. From 1983 to 1986, Culpeper was adviser to the Canadian executive director at the World Bank in Washington.

Marta Cumbi is president of the board for the Mozambican Debt Group and director for cooperation and advocacy for the Foundation for Community Development. She is also the vice president of the board of the Forum for African Women Educationalists, Mozambican chapter, and president of the board of the Mozambican Education Network. An economist and development planner by training, she has been involved in development work since 1994.

Vu Dang is assistant director of the Carter Center's Global Development Initiative. Dang advises, develops, and administers GDI's national development strategy initiative in Mali. Before joining the Center, he consulted for the government of the Democratic Republic of the Congo, the World Bank, and the Peace Corps. He was also director of an indigenous NGO and a Peace Corps volunteer in Guinea.

Mohammed Diallo is coordinator of the National Capacity-Building Program for the Strategic Management of Development in Mali. An economist and statistician by training, he earlier served as national director of planning and counselor in the ministries of Planning and of Economy and Finance and as cabinet director in the Ministry of Planning. Diallo coordinated the development of Mali's national prospective study, Mali 2025.

Salif Diallo is coordinator of the Capacity-Building Project for National Implementation in the Ministry of Foreign Affairs and International Cooperation in Mali. A macroeconomist and planner by training, he earlier served as division head in the Department of Planning, research director at the Bureau of State Enterprises, deputy director for methods and procedures at the Department for Public Tendering, and as an expert on business economics at the Center for the Analysis and the Formulation of Development Policies.

Sékouba Diarra has been counselor to the minister of economy and finance of Mali and coordinator of the PRSP Unit since March 2000. A demographic statistician by training, he previously served as counselor to the minister of economy, planning, and integration, where he directed the preparation and implementation of the national Poverty Reduction Strategy, and as assistant director of the national Department of Statistics and Computer Sciences. Diarra has been active in research and teaching in Mali and the subregion.

Abdoulaye Diop is the ambassador of Mali to the United States. Prior to his assignment in Washington, D.C., Diop was the diplomatic adviser to President Alpha Oumar Konaré and President Amadou Toumani Touré. Diop has served as a delegate to regional and international conferences focusing on regional integration, economic development, and peace and security and oversaw Mali's participation in the Security Council of the United Nations in 2000 and 2001.

Issa Doumbia is chargé de mission in the Communications Unit of the Office of the President of the Republic of Mali since July 2002. Prior to that position, he was press adviser in the cabinet of President Amadou Toumani Touré. Doumbia holds a degree in journalism and is the author of several studies on political communication that are used in training courses for journalists in Bamako.

Vincent J. Farley is a former U.S. State Department senior foreign service officer and was director of the department's Office of Research and Analysis, retiring with the rank of minister counselor. Farley was a diplomatic adviser to former U.S. President Jimmy Carter at The Carter Center from 1994 to 1997. He lectures and writes on current developments in Africa and provides political commentary for CNN and other Atlanta-based media. He serves as adviser on Africa to the Southern Center for International Studies and on the board of MedShare International.

Homa Fotouhi has been working as operations officer in the Caribbean Unit of the World Bank since 2000. Previously, Fotouhi managed the preparation of the Poverty Reduction and Public Management Operation in Guyana. Prior to joining the World Bank, she worked at the International Atomic Energy Agency in Vienna, Austria.

Coby Frimpong is a coordinator for the Policy Coordination and Program Management Unit of the Office of the President of Guyana. He is also head of the Poverty Reduction Unit, where he oversees the implementation of the country's PRSP. A former World Bank technician, Frimpong has also served as an adviser to the president.

Albert Gajo is the current deputy minister of integration, Albania. His previous work includes serving as executive director of the Center for Research and Development, Tirana. He spent 1999 to 2001 as a

NATO research fellow at Maastricht University, where he conducted research on the role of international organizations in integration processes.

Elaine Geyer-Allély is the Carter Center's country representative in Mali. Before coming to the Center, she worked in Mali as a freelance consultant for non-governmental, international, and bilateral organizations from 2001 to 2002. She also worked in Paris as a policy analyst on environment and sustainable development for the Organization for Economic Co-operation and Development from 1991 to 2001.

Heather Grady is director for policy and partnerships of the Ethical Globalization Initiative. Previously, she was global lead on rights and institutional accountability for Oxfam Great Britain. She also served as Oxfam Great Britain's regional firector for East Asia from 2002 to 2004 and as country representative in Vietnam. Previously, she worked for seven years with Save the Children in the Gaza Strip and Sudan.

Armando Guebuza is president of the Republic of Mozambique. In 1966, he became private secretary to President Mondlane and was later appointed secretary for education and culture. In his capacity as political commissar during Mozambique's first independent government, Guebuza established grassroots political and administrative structures. During the 1980s, he held other ministerial positions and was Frelimo secretary-general in 2002. Notably, Guebuza played a formative role in the Rome Peace Agreement with the Renamo rebels in 1992.

R. Pablo Guerrero is senior adviser to the vice president, Operations Policy and Country Services at the World Bank. Previous to joining the World Bank in 1989, Guerrero was an economist at the Inter-American Development Bank in the health, education, hydroelectric, irrigation, and agricultural credit sectors, among others. He has also taught economics at the University of the Andes in Colombia.

David Hamburg served as the Carnegie Corporation's president from 1982–1997. Under his leadership, the work of the corporation focused on education, health, and international security issues. Previously, Hamburg was a member of the United States Defense Policy Board and co-chair of the Carnegie Commission on Preventing Deadly Conflict. As a medical doctor, Hamburg has been a professor of health policy, human biology, and social medicine at Harvard and Stanford universities.

John Hardman is executive director of The Carter Center. Before joining the Center, Hardman held prominent positions in psychiatry and pediatrics, including most recently at the Atlanta-based Emory University Medical School.

Hans R. Herren is president of the Millennium Institute. Previously, Herren was director-general of the International Center for Insect Physiology and Ecology in Nairobi, Kenya. As an expert in pest management, Herren conceived of and implemented the highly successful biological control program that saved the African cassava crop, averting Africa's worst-ever food crisis. Over the years, Herren has moved his interest toward integrated sustainable development issues.

Terence Jones has served as resident representative/resident coordinator of United Nations Development Programme (UNDP)/United Nations in Bhutan, Malawi, and Philippines. He currently directs the Capacity Development Group of the Bureau of Development Policy in UNDP headquarters in New York. In the context of the Outcome Statement of the 2005 World Summit, the Capacity Development Group is rolling out a series of capacity development diagnostic instruments to mainstream capacity development into national development strategies.

Modibo Makalou is personal adviser to President Amadou Toumani Touré of Mali and coordinator of the Development and Cooperation Initiative, which is a joint program between the Office of the President of Mali and the Carter Center's Global Development

Initiative. He previously worked in Mali as a financial manager with a multinational mining company, commercial manager for a large petroleum company, and administrative and financial coordinator in a USAID livestock export project. He also managed his own international business consulting firm in Mali.

Arben Malaj was formerly the finance minister of Albania. Previously, he held the position of minister of economy in Albania and served as governor for Albania at the World Bank. Earlier, he had been engaged in the parliament of Albania as a chief of the Parliamentary Commission for Economy, Finance and Privatization. Currently, he is a senior fellow at Harvard University's John F. Kennedy School of Government, where he is working on long-term, sustainable economic development determinants, specifically pertaining to Albania.

Calvin McDonald is currently adviser and mission chief for Malawi at the IMF, where he previously served as deputy division chief for the Fiscal Affairs Department, fiscal economist for Russia and Moldova, desk economist for Uganda, deputy mission chief for Nigeria, and mission chief for Mauritius and The Gambia. Prior to joining the IMF, he was assistant professor at Iona College and State University of New York.

Aleksander Mita has been head of the Civil Society Development Center in Vlora, Albania, since 2001. Prior to this work, Mita spent five years at the Foreign Relations Office in Vlora, first as chief of public education, and later as chief of culture, sports, and foreign relations. Formerly a schoolteacher, Mita has focused much of his career around education.

Nadir Mohammed is the country manager of the World Bank office in Tirana, Albania. With the World Bank, Mohammed has been a country economist in Washington, D.C., and had two field-based assignments as country economist for Egypt and Yemen. In addition, Mohammed has written for more than a decade on issues of military spending, the economics of war, and post-conflict issues. Previously, he worked at the African Bank for Development and the Islamic Development Bank.

John Moores is chair of the Carter Center's board of trustees. He founded BMC Software in 1980 and served as chairman until 1992. Currently, he is chairman of the San Diego Padres, which he acquired in 1994. Moores founded the River Blindness Foundation, which was absorbed into The Carter Center in 1997.

Winston Murray is a member of Guyana's parliament and chair of the Central Executive Committee of the People's National Congress Reform Party. He is a former deputy prime minister and minister of trade, tourism, and industry.

Shoji Nishimoto is assistant administrator and director, Bureau for Development Policy. Prior to joining the United Nations Development Programme, Nishimoto held the position of director-general of the Asian Development Bank Strategy and Policy Department. Prior to that, Nishimoto served as an associate economic affairs officer at the U.N. Economic and Social Commission for Asia and the Pacific and as an economist at the Food and Agriculture Organization.

Roger Norton has been a regular adviser for GDI since 1995. A development economist with more than 35 years of experience, Norton specializes in analysis of economic policy for agricultural development and natural resource management, formulation of legislative recommendations, and development of macroeconomic policy. Previously, he was a professor of economics at the University of New Mexico and director of a research division at the World Bank.

Michael Nowak is deputy director of the African Department at the IMF. Since joining the IMF in 1979, Nowak has headed missions to a range of countries, including Ghana, South Africa, Uganda, and Zimbabwe. Previously, he was an economist at the Reserve Bank of Australia and at Forex Research Ltd., London.

Moussa Ouattara is the millennium challenge account coordinator for Mali in the Ministry of Economy and Finance. Since 2000, he has also been the Malian representative of the London-based West Africa Business Association. He has been director of FINWATT Brokerage Firm for International Trade and Finance. As an international consultant, he has conducted studies for the World Bank, Multilateral Investment Guarantee Agency, USAID, and private international companies.

Armando Alexandre Panguene is the ambassador of Mozambique to the U.S. His professional appointments have included ambassadorships to South Africa, Great Britain, and Portugal. Prior to 1987, he held numerous political positions in the government of Mozambique.

Borany Penh is a political economist on the Poverty Analysis and Social Safety Nets team in the Office of Poverty Reduction at USAID. She is responsible for advising on the role of institutions and political processes on economic growth and poverty, with particular attention to conflict and fragile states. Prior to joining the Economic Growth Agriculture and Trade unit, Penh worked as a consultant for seven years with USAID's Policy and Program Coordination Bureau.

Michael Phelan serves on the Senate Foreign Relations Committee, working for Chairman Richard Lugar, where his portfolio includes African affairs, Afghanistan, and post-conflict stabilization/reconstruction. Prior to his current position, Phelan completed his master's degree at the Fletcher School of Law and Diplomacy at Tufts University in 2002 and worked as a fellow at Conflict Management Group developing grassroots peacebuilding programs. Prior to his graduate work at Tufts, Phelan spent 15 years in the U.S. Navy as a carrier-based pilot.

Prakash Ratilal was an executive member of Mozambique's Agenda 2025 committee. As governor of the Bank of Mozambique, he negotiated the joining of Mozambique to the international financial institutions and the first rescheduling of Mozambique's external debt. Ratilal is a member of the Panel of Eminent Persons on United Nations Relations with Civil Society.

Michel Reveyrand is currently chair of the Working Party on Aid Effectiveness and Donor Practices, OECD-DAC. Prior to his current position, Reveyrand acted as finance adviser to Africa in the French Ministry of Economy and Finance.

Claude Ricaud is a world specialist in sugar cane diseases, working for 50 years in the sugar industry. He was director of the Mauritius Sugar Industry Research Institute from 1984–1995. After retirement, he became chief executive of the National Economic Development Council and helped to create a multipartite forum promoting participative democracy through government policy formulation and social dialogue among economic stakeholders. He was in charge of the Science and Technology working group of the National Long-Term Perspective Study for Mauritius.

Rick Rowden has worked for ActionAid International USA since 2003. Previously, he worked as a policy researcher and advocate with several Washington, D.C.-based international economic justice advocacy NGOs, including RESULTS and Jubilee USA. Recently, his policy work has focused on the linkages and policy coherence agreements between the IMF, World Bank, and the World Trade Organization to gain a better understanding of how the overlapping policy agendas of these institutions impact global economic development and poverty eradication efforts.

Jeffrey D. Sachs is the director of the Earth Institute and professor at Columbia University. He is also director of the U.N. Millennium Project and special adviser to U.N. Secretary-General Kofi Annan on the Millennium Development Goals. Prior to joining Columbia, Sachs spent more than 20 years at Harvard University, most recently as director of the Center for International Development.

Charles O. Sethness is vice president for the Department of Accountability at the Millennium

Challenge Corporation. For 14 years prior to joining MCC, Sethness was the chief financial officer at the Inter-American Development Bank. He has also been director of the Capital Markets Projects Department at the International Finance Corporation, assistant secretary for domestic finance at the U.S. Department of the Treasury, an associate dean at the Harvard Business School, a managing director of Morgan Stanley Inc., and U.S. executive director at the World Bank Group.

John D. Shilling is retired from the World Bank, where for 27 years he held various senior positions. He has headed the bank's effort in sustainable development and laid the basis for a new environment strategy and a World Development Report on sustainable development. He has worked extensively in economic analysis and policy assessments in macroeconomics, environmental sustainability, capital flows and financial markets, and risk assessment, especially in North Africa and Asia.

Mark Simpson is currently working with the United Nations Development Programme in Harare, Zimbabwe, as senior recovery adviser. From 2001 to 2004 he worked as the Carter Center's representative in Mozambique, facilitating the Agenda 2025 project. Prior to his work with the Center, he worked in Angola for the U.N. Department of Peacekeeping Operations as special adviser to the secretary-general's special representative to Angola, for the U.N. Office of Project Services in Mozambique, and in the U.N. peacekeeping operation in East Timor.

Naresh Singh is currently the director-general of the Governance and Social Development Directorate at Canadian International Development Agency's Policy Branch. He was principal adviser, poverty and sustainable livelihoods, in the Bureau for Development Policy, United Nations Development Programme (1996–2001) and director of the Poverty and Empowerment Program (1993–1996) at the International Institute for Sustainable Development. He worked in the Caribbean Environmental Health Institute from 1986 to 1993. He is also adjunct professor at Boston University.

Shari Spiegel is the managing director of the Initiative for Policy Dialogue (IPD) and an adjunct professor at Columbia University's School of International and Public Affairs. Spiegel joined IPD from Lazard Asset Management, where she was a director of Lazard LLC and the senior fixed-income portfolio manager in charge of emerging market debt and foreign exchange. Prior to joining Lazard in 1995, Spiegel worked in Hungary as an adviser to the National Bank and as chief executive officer of Budapest Investment Management Company, a subsidiary of Budapest Bank.

Joseph Stiglitz has taught at Yale, Princeton, Stanford, and Oxford universities and Massachusetts Institute of Technology. He was a member of the Council of Economic Advisers (CEA) from 1993 to 1995 during the Clinton administration and served as CEA chairman from 1995 to 1997. He then became chief economist and senior vice president of the World Bank from 1997 to 2000. In 2001, he was awarded the Nobel Prize in Economics. He is now professor at Columbia University in New York.

Gordon Streeb is a former associate executive director for peace programs at The Carter Center. An economist by training, he directed the Global Development Initiative at the Center for several years. Streeb came to the Center near the end of a 30-year career in the U.S. Foreign Service, which culminated in his appointment as ambassador to Zambia.

Arvind Subramanian is a division chief in the IMF's Research Department and worked on the TRIPS agreement as a member of the GATT secretariat during the Uruguay Round.

Jose Sulemane is national director of research and policy analysis at the Ministry of Planning and Development, Mozambique. Before assuming his post, Sulemane was national director for planning and budget. He is also a senior lecturer of international economics at

Mozambique's University Eduardo Mondlane. He is also chair of the steering committee under the Joint Review Process (Government/Donor Memorandum of Understanding for General Budget Support).

Ousmane Tandia is head of protocol at the Office of the President of the Republic of Mali. He previously served as chargé d'affaires at the Malian Embassy in South Africa and as counselor in the Malian Embassy in the Federal Republic of Germany.

Amadou Toumani Touré, president of the Republic of Mali, started his career in the military, where he rose to the rank of brigadier general. He led the military operation that put an end to the tyrannical rule of the former regime and successfully led the 14-month transition. During this time, a democratic forum drafted a new constitution, an independent judiciary was established, and a free private press was permitted. Until he was elected president in 2002, Touré devoted himself to the realization of social actions to promote public health and welfare of marginalized people throughout Africa.

Boubacar Sidiki Touré has been director of the Department of International Cooperation of the Ministry of Foreign Affairs and International Cooperation of Mali since September 2004. In this capacity, he oversees the technical and administrative preparations of negotiations of Mali's agreements and conventions with its development partners. Prior to assuming this position, Touré was minister of state property, land affairs, and housing.

Abou Bakar Traoré is minister of economy and finance in Mali. Since 2000, he has served as commissioner to the Banking Commission of the West African Monetary Union. He is also director of a Malian consulting firm specializing in public finances. Traoré was director of the Cabinet of the Ministry of Economy and Finance from 1992 to 1994 and assistant national director of taxes from 1990 to 1992.

Jan Tuit began his career with a number of Dutch NGOs before joining the United Nations in 1986. Two assignments of two years each took him to Jamaica and Guinea Bissau. Subsequently, he moved to Mali on assignment for the Netherlands Development Organization. After a comprehensive evaluation assignment in Yemen, he joined one of the major Dutch funding NGOs, Novib, in 1994. His current position as senior policy officer of the Netherlands Institute for Multiparty Democracy started in September 2002.

Koenraad Van Brabant is head of reflective practice and learning at the War-Torn Societies Project (WSP), an international Swiss peacebuilding association that supports national capacities for dialogue and consensus building in divided societies, typically after a war or even during low-intensity conflict. Prior to WSP, he trained and did field work as an anthropologist but for the following 16 years worked in the humanitarian sector, half of that time in conflict areas, followed by years working as a policy analyst, trainer, evaluator, editor, and consultant.

Kamoji Wachiira just ended a stint as head of aid for Guyana and Suriname, where he represented the Canadian International Development Agency (CIDA) in Poverty Reduction Strategies discussions. He serves as a senior specialist in environment at CIDA, where he is responsible for climate change technical advice to operational programs. Wachiira has extensive field experience in development programming in Eastern Africa, South Asia, and the Caribbean/Americas regions.

Jennifer Westford was elected to the National Assembly of Guyana and appointed as the minister of the public service in 2000. Her responsibilities include the management of the civil service. She performs the duties of minister of health in the minister's absence. She also has responsibility for developmental projects in several hinterland and depressed communities. She is currently heading the Public Sector Modernization Program and is the chairperson of the Governance Thematic Group, which is comprised of government and donor organizations.

Tao Xi is director of the Research Center for Law and

Economics at the Chinese University of Politics and Law. He is also secretary-general of the Association of World Economic Studies. Additionally, he serves as executive assistant to the vice chairman of the Standing Committee of the National People's Congress.

Agostinho Zacarias is the resident coordinator for United Nations Development Programme (UNDP), Zimbabwe, and U.N. resident/humanitarian coordinator. He previously held a position in the U.N. secretary-general's Office of the Special Adviser on Africa. He holds a doctorate in international relations from the London School of Economics and has lectured in the United States, South Africa, and his home country of Mozambique. Prior to joining the Office of the Special Adviser on Africa, he worked in the UNDP Department of Political Affairs as a governance adviser.

Baosheng Zhang is vice president of the Chinese University of Politics and Law. Zhang has worked in the Chinese Ministry of Education since 1987 and has been in charge of political economy curriculum in institutions of higher learning in China. He was the Chinese representative on the steering committee of the China–E.U. European Studies Project. Zhang was also a visiting scholar at the Kent University Law School and at Northwestern University Law School, where he conducted research on international economic development and relevant legal frameworks.

APPENDIX C
THE CARTER CENTER'S APPROACH TO EFFECTIVE DEVELOPMENT COOPERATION

...the most serious and universal problem is the growing chasm between the richest and poorest people on earth...not only between nations but also within them. The results of this disparity are root causes of most of the world's unresolved problems.

—Jimmy Carter, Nobel Peace Prize Lecture

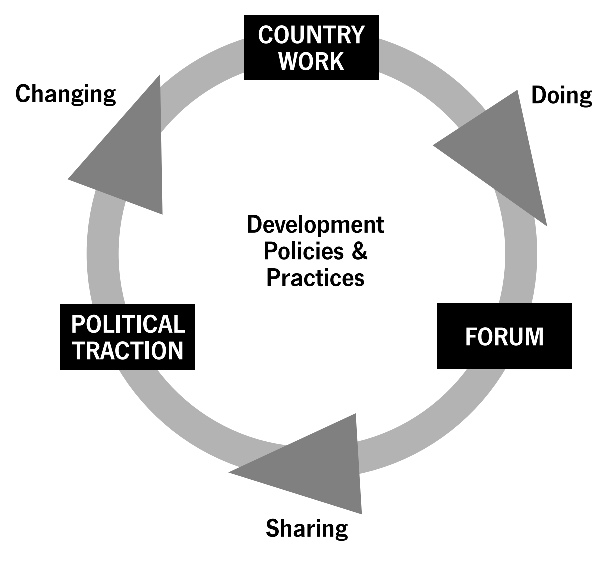
1. INTRODUCTION

The Carter Center's Global Development Initiative (GDI), motivated by the vision of President Jimmy Carter, strives to contribute to a world that is free of poverty, inequality, despair, and conflict. The commitment to advancing human rights worldwide is integral to all of the Carter Center's work and serves as the basis for fulfilling President Carter's vision. The Carter Center also recognizes the indivisibility of all aspects of human rights: civil, political, economic, social, and cultural. As the development arm of the Carter Center's Peace Program, GDI seeks to advance human rights by promoting sustainable human development.

GDI was established in 1993 out of a concern that development cooperation was too externally driven, making newly democratic governments more accountable to donors than to their own people and distorting national priorities as a result. Since then, GDI has built on the Carter Center's worldwide reputation for impartiality and integrity to promote country ownership of development policies and programs, broad-based participation in governance, and more effective development cooperation. A prominent feature of GDI is that of an impartial, non-donor, third-party actor playing facilitation, mediation, and capacity-building roles within its partner countries and between its partner countries and the international community.

GDI pursues its mission through country-level initiatives and a global-action and learning series known as the GDI Development Cooperation Forum. At the country level, GDI facilitates the efforts of developing and transition countries to formulate and implement their own long-term national development strategies, consisting of clear long-term visions and comprehensive and consistent strategies and policies. Its experience cooperatng with national stakeholders in partner countries has shaped a multifaceted and flexible approach that GDI continues to apply and refine. Recognizing that poor countries' development is constrained by problematic global policies and practices, GDI also convenes its periodic high-level Development Cooperation Forum to improve global development cooperation by identifying best practices from its coun-

GDI AND CORE PRINCIPLES IN ACTION



try work and mobilizing political will around effective solutions to global problems.

GDI's fundamental objective is to promote more effective development policies and practices, which will lead to a reduction in poverty and human suffering. In order to achieve this, GDI's broad aims are to contribute to greater social cohesion, stronger and sustainable institutions, and more equitable growth in which all citizens are able to fully exercise their political, economic, social, and cultural rights. GDI recognizes that countries must own their national development strategies, that the international policy environment must enable those strategies, and that sustainable human development is not possible without political will at the national and international levels. GDI partners with others to bring change to the current paradigm of global development policy and practice, which continues to exacerbate the growing chasm between rich and poor.

2. The Role of the Global Development Initiative

GDI is the component of the Carter Center's Peace Program that deals with sustainable human development. GDI believes that development is fundamentally a process of transformation, of major changes not only in the form and function of institutions but also in how people think, behave, and interact with one another. GDI strives to lay the basis for sustainable human development by promoting country-driven and country-owned policy-making and governance processes that bridge and link social, economic, and political actors and institutions into more socially cohesive relationships. This vision of transformation guides GDI's approach.

2.1 The Role of Third-Party Assistance

GDI was established to play a special role within the realm of international development cooperation. Emerging from an international conference on development cooperation in 1992, GDI was charged with working collaboratively with developing countries and international donors to experiment, pilot, evaluate, and disseminate practical new approaches for enhancing aid effectiveness.

The initial inspiration for GDI playing this role was the view that a non-donor third party, acceptable to the major stakeholders, could bring a fresh perspective to old problems and help overcome obstacles. This was due in no small part to the perception of the Center's general impartiality, its track record in mediating political and electoral disputes, and its access to senior leadership in developing countries and the international donor institutions. GDI has since built a track record providing third-party facilitation, mediation, and capacity-building assistance to countries formulating and implementating national development strategies.

A number of basic concerns about the nature of the relationship between developing countries and international donors motivated the idea of third-party assistance. While there has been wide agreement over the past decade on broad development aims and goals, the means and processes for achieving those goals has remained problematic. Progress toward stronger partnerships between developing and developed countries, guided by the principle of "mutual accountability," have often been compromised by the following constraints.

Power differentials: The relationship between developing countries and international donors is fundamentally unequal, given the weakness of developing-country institutions relative to those of the donor community and international organizations and the countries' severe aid dependence.

Interests: Many donor countries have political or commercial interests that motivate their development assistance programs and affect their positions on the economic policies of developing countries. For their part, the multilateral financial institutions have long espoused neoliberal economic strategies and have become tied to their success, which effectively limits the space for serious consideration of alternative approaches.

Competition: At the country level, unhealthy competition among donor agencies for influence with the government and recognition for their programs often compromises host country leadership. Not only is this an inefficient use of resources, it often redirects government attention from more productive pursuits.

Incentives: There are strong incentives for host governments not to challenge or question fundamental tenets of economic policy held by major donors and international financial institutions or to question certain donors over practices and procedures that compromise aid effectiveness.

Capacity: The lack of capacity on the part of developing countries to conduct independent analysis as it concerns the formulation of credible policy alternatives and the evaluation of quality of donor aid undermines their ability to take leadership and ownership of their development.

As a result of these constraints, developing countries have limited leverage over their donor counterparts to ensure accountability to the principles espoused in recent international aid compacts emanating from Monterrey, Rome, and Paris. It follows that there is a role for third-party actors, acceptable to the major players, to provide various types of assistance, ranging from facilitation to capacity building to mediation and monitoring.

2.2 GDI Capabilities and Expected Results

GDI's work is distinguished by the following:

- President Carter's leadership
- Impartiality
- Convening capacity
- Expertise in consensus building and participatory processes
- High-level and broad access to all actors:
  - Top levels of government and political parties
  - Civil society
  - Donor agencies
- Integrated development approach

While many other international entities share some of these strengths, GDI is able to bring all of them to bear on the country-level initiatives it supports.

GDI works in an unobtrusive, supportive manner, attuned to national concerns and respectful of national priorities. GDI's primary role is to organize and support participatory dialogue and policymaking processes that span all stages of the policy cycle, from formulation of national visions and strategies to institutional reform and harmonization of donor assistance around national priorities. It can help convene diverse national and international actors. GDI also provides long- and short-term technical support, including capacity building, policy mediation, and experts who act as sounding boards for the ideas of national counterparts, helping them refine their analyses, policy proposals, and implementation plans.

Specifically, GDI is able to support: 1) broadly participatory formulation of long-term national visions and development strategies, 2) alignment of development cooperation frameworks such as the Poverty Reduction Strategy Paper with these strategies, and 3) development of institutions and capacities for implementation, monitoring, and evaluation of national strategies. This support includes assistance in training on the use of policy modeling and in analyzing different development scenarios before a country decides on a strategic policy framework. Building on this work, GDI can facilitate dialogue between countries and donors to help align external programs with national strategic priorities and policies. One of the roles it can play is helping define linkages between a national development strategy and a Poverty Reduction Strategy Paper—requirements of the donor community for most low-income countries—to enhance the operational effectiveness of both.

GDI helps achieve the following results:

- **country ownership** of development policies and strategies;
- **country leadership** of development policy dialogue with the international community;
- **national management** of development processes;
- deepening of national and political **consensus** on strategic development objectives;
- strengthened mechanisms of **good governance** and more responsive **institutions**;

- space to build mutual **trust** and networks among key actors across different segments of society;
- greater **capability** of individuals and **capacity** in civil society to help shape and monitor national policy;
- better-informed **national debates** over fundamental development policy issues and trade-offs;
- greater **coherence** between the international development architecture and sustainable human development objectives;
- improved **alignment** between donor programs and national development priorities and increased **harmonization** of donor procedures;
- better understanding of social and economic costs, benefits, and risks of strategic **policy alternatives**;
- better definition of frameworks and mechanisms for **policy implementation**;
- improved **linkages** between countries' short- and medium-term policies and their long-term strategies; and
- **consistency** among macroeconomic and sector policies.

The particular selection of outcomes will vary from country to country, depending on the areas to which national counterparts wish to direct GDI assistance. At the international level, GDI disseminates illustrative experiences and lessons learned in the undertaking of national development strategy processes in its partner countries.

3. GDI'S APPROACH TO THE DEVELOPMENT AND IMPLEMENTATION OF NATIONAL DEVELOPMENT STRATEGY

3.1. A National Development Strategy as Catalyst of Development

A national vision and strategy can be expressed in different forms and at levels such as the macroeconomy or specific social and economic sectors. It is rooted in a country's historical experience and shaped by the interplay of national ideologies and social and political institutions. Particularly in countries that are heavily dependent on external assistance and where democratic institutions are developing, it is often useful to make a strategy explicit in order to communicate a national vision and draw out its principal operational implications to guide implementation and the identification of resource requirements. A national development strategy can be the platform from which strategic public-private partnerships for development emerge.

Such an exercise also can be valuable for countries recently emerging from violent conflict or characterized by deep internal divisions. In some cases, it can help consolidate a peace process by launching a wider process of civic and social dialogue aimed at forging a national consensus. This can help to broaden and deepen the areas of agreement on how the country should move forward.

3.2 What Is a National Development Strategy?

A national development strategy (NDS) is a foundation document that provides a country with guidance to society and policy-makers in successive government administrations over time. While an NDS is not a requirement for international financial institution lending, the World Bank's Comprehensive Development Framework philosophy calls for a long-term vision and strategy to guide shorter term operational plans. Unlike Poverty Reduction Strategy Papers, an NDS is a long-term strategy, is ultimately approved by parliament, and it goes beyond economic development issues by dealing explicitly with questions of political governance, social inclusion, and environmental considerations.

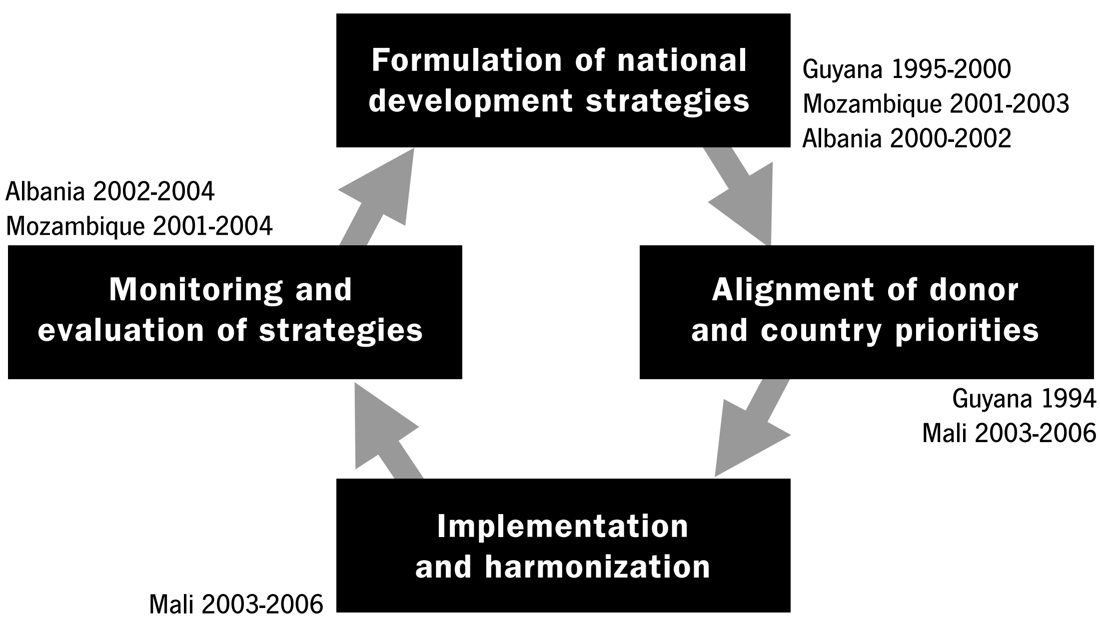
An NDS is not a one-off effort but becomes an integral part of ongoing policy-making processes and is translated into short- and medium-term action plans. An NDS also places the Millennium Development Goals within the larger context of national long-term goals and aspirations, making it more likely they will be achieved. Finally, NDS formulation requires that the international community respect national governments' need for policy autonomy and that these governments provide space for a process that takes a fresh look at policy approaches and their underlying assumptions. Therefore, while national governments provide the overall legitimacy and leadership of an NDS process, as described here, an independent grouping of civic and political leaders that reflects the society's diverse polity should actually manage the formulation of an NDS.

An NDS process enhances its participants' and the general public's understanding of policy issues and catalyzes a national dialogue on strategic policy objectives for the country. For an NDS process to be successful, meaningful inclusion and public participation must be ensured. Although this is a challenging undertaking, it is a valuable and necessary way of generating policies for broadly shared development within a country.

An NDS process also presents an opportunity to consider development in the wider regional and global context and to assess the impact of the international policy environment on national development prospects. Global economic and environmental integration has expanded significantly the influence of external actors over areas of national decision making, which can severely constrain the ability of countries to determine and pursue their preferred development path. A country-owned NDS process can provide a much-needed opportunity to evaluate the appropriateness and efficacy of dominant and orthodox development paradigms. It must not only work to foster debate on heterodox development options and approaches within the democratic processes of countries but also to communicate agreed-upon national priorities to external actors. As the overarching document that frames national and international development efforts, it can play a crucial role in ensuring the accountability of international organizations to national democratic political processes.

The process surrounding a national vision and strategy in any country will be different depending on the historical context and the nature of its institutions. GDI believes in building on existing initiatives, plans, and strategies. It does not prescribe a particular methodology for formulating an NDS but instead works with local counterparts to examine alternative choices and select the most appropriate approaches. As a result, GDI's assistance can concern any part of the policy-making cycle: visioning and strategy formulation, alignment with donor programs, implementation, harmonization of the operational systems of govern-

GDI COUNTRY WORK THROUGH THE NDS CYCLE



ments and donors, or monitoring and evaluation efforts. The following sections briefly present this process and explain how GDI works to strengthen the process in its partner countries.

3.3. GDI Support of NDS Formulation, Implementation, Monitoring, and Evaluation

NDS Formulation

Formulating an NDS represents a significant commitment for a country and requires broad support from the outset. Domestic stakeholders, beginning with the government, must be fully committed to the process.

In addition to high-level and sufficiently broad-based support, a minimally enabling environment must exist to support an NDS process. This includes basic freedom of speech, assembly, and movement, access to information, and an environment in which local actors do not fear for their basic security. In addition, in most developing countries, a basic level of support must exist in the international community for an NDS process that can be translated into both political and financial support.

GDI engagement begins only upon invitation by the host country. At an early stage in the process, GDI consults with other national stakeholders, including political parties, the business community, social groups, and the donor community, to determine that its role is welcome and considered useful. Only then can detailed terms of reference for an NDS process be developed that provide the basis for resource mobilization and the subsequent launch of the policy dialogue and NDS formulation.

A terms-of-reference document is created to pinpoint where a country's needs fall on a spectrum that ranges from a broad societal vision to a comprehensive and detailed national strategy and plan. As noted, GDI's advice and support will be tailored to these particular needs.

A national visioning exercise can utilize various methodological approaches and tools, but dialogue will generally focus on a critical examination of lessons learned from the past, the philosophy of the socioeconomic system, and assumptions about the factors affecting the country's future that are relevant to shaping a vision. While this reflective process is intense and often contentious because competing stakeholder viewpoints on such matters can prove to be difficult to reconcile, it is a crucial step in establishing the common ground needed for addressing policy issues. This is particularly important in divided societies or countries in transition. Similarly, when circumstances call for strategic planning, methodologies are varied, but attention focuses on defining goals and objectives, strategic orientations, and more detailed policy frameworks at the macro and sectoral levels.

Regardless of specific circumstances, or whether the emphasis is on visioning or strategic policy planning, it is important to identify and build upon local networks and initiatives and to tap into existing social capital as part of a participatory process. A hallmark of GDI's approach is to seek ways of bringing stakeholders together to bridge differences across divisions that are obstacles to development. It is important to strengthen existing organizations and work through democratic institutions. This approach is carried up to and through the process of debating and approving an NDS in the national legislature.

President Carter is available to personally assist the NDS process at high levels, and GDI has the opportunity to marshal resources, as required, from the Americas, Conflict Resolution, and Democracy programs of The Carter Center. GDI also brings to bear on NDS formulation the Millennium Institute's Threshold 21 integrated development model. T21 is a transparent, computer-based decision-support tool that integrates the economic, social, and environmental aspects of development, allowing stakeholders from government and civil society to explore a wider range of development policy alternatives, assess their impact over a 20- to 50-year horizon, and draw clear comparisons of their relative benefits in terms of reaching specific national goals. The Threshold 21 model provides a consistent and transparent means of translating the national vision into the medium-term expenditure framework, an essential step for donor alignment, monitoring, and evaluation.

In Guyana, GDI helped catalyze production of an NDS. This effort was the first major participatory policy-making initiative since the country's return to democracy, which generated widespread support across social and political divisions and laid the basis for Guyana's Poverty Reduction Strategy Paper. It also reinforced the country's constitutional reform process and remains today a widely accepted reference point for the country's ongoing dialogue on inclusive governance. In Mozambique, GDI supported formulation of a long-term vision with a set of strategic policy thrusts. Mozambique's Agenda 2025 was unprecedented in its effective inclusion of both ruling and opposition political forces, its approval by parliament, and its acceptance by government and civil society as the basis for the future revision of Mozambique's Poverty Reduction Strategy Paper. Agenda 2025 notably suggests the need to reorient macroeconomic policy to enable broadly based growth and employment creation.

The efforts of citizens in Guyana and Mozambique to formulate an NDS with the assistance of GDI have fundamentally altered national policy dialogues for the better, shifting the terrain on which policy discussions take place. It has helped bring many new participants into the national policy debate and shifted its locus out of the narrow confines of the Ministry of Finance and that ministry's dialogue with international development agencies. It has widened the scope of the debate, introducing essential development policy questions that previously were not discussed within the country.

In Albania, GDI facilitated civil-society participation in the Poverty Reduction Strategy Paper process, which over time has grown into a more comprehensive strategy known as the National Strategy for Social and Economic Development. However, the government, civil society, and the donor community acknowledge that these processes did not permit Albanians to explicitly consider their long-term national vision. They have asked GDI to provide support in this area as part of the ongoing National Strategy for Social and Economic Development process. These efforts will allow Albanians to harmonize objectives, such as the Millennium Development Goals and those associated with European integration, within a vision of their national aspirations.

NDS Implementation, Monitoring, and Evaluation

While formulating a consensus NDS is challenging, ensuring that a strategy and set of policies are effectively implemented can be even more daunting. A transparent and consistent relationship must be established between a long-term vision and strategy, existing sector plans, and instruments such as a medium-term expenditure framework and the annual budget. Ministries should formulate action plans that define the results to be achieved, the means to achieve them, and the indicators of success. In many countries, the Poverty Reduction Strategy Paper is the nexus linking the medium-term strategies with the annual budget process and, as such, will be the focal point for translating an NDS into operational policies and programs. There is an important role for the Threshold 21 tool during this phase of an NDS.

Donor assistance programs should be reviewed and aligned with country priorities while operational practices and procedures are harmonized with the country's development management systems. Strengthening government systems for policy analysis and decision making, reporting and monitoring of public actions, as well as public financial management are key areas of focus. An impartial actor can facilitate reforms and ensure that donors develop the confidence to rely on government systems. This is critical to sustaining ownership of the policy agenda through implementation, reducing the transaction costs associated with aid delivery, and enhancing the legitimacy of democratically elected governments.

Strengthening government systems is a high priority but cannot alone ensure the successful implementation of an NDS. Considerable investment must be made in ensuring that civil-society institutions, including those associated with the private sector, can play a consequential role in implementation and ensuring accountability.

With these needs in mind, GDI offers support to:

- promote alignment and harmonization of international cooperation with the country's national vision and strategy process;
- strengthen government institutions for more effective development management;
- strengthen civil society capacity to monitor public policy and encourage accountability; and
- create lasting mechanisms for civic dialogue to continue long-term analysis, dialogue, and planning.

For instance, in Mali, where a national vision and a Poverty Reduction Strategy Paper already exist but lack a prioritized plan of action, GDI uses the Threshold 21 model to clarify the national government's development priorities in order to target and align donor assistance more effectively. In Mozambique, GDI has promoted the definition of linkages between the country's Poverty Reduction Strategy Paper and its long-term national vision and strategy, while, as noted, Guyana's Poverty Reduction Strategy Paper was formulated on the basis of a pre-existing NDS.

GDI supports efforts to promote the harmonization of donor practices so that available aid money is used more efficiently to reduce poverty. In Mali, for example, GDI supports the government as it formulates a clear, decisive action plan to direct donor harmonization efforts; GDI also will reinforce government implementation of the plan in cooperation with donors.

In the area of dialogue with donors, GDI is prepared to mediate disagreements between countries and the donor community, drawing on the international credibility of The Carter Center. Such mediation can refer to an NDS as a whole or to specific development policy issues.

Implementing an NDS that contains policy reforms might require changing institutional frameworks and ways of thinking. Therefore, a program of implementing policy change usually will contain support for institutional strengthening. This is an area in which policy reform design often falls short. In Mali, for example, GDI is working to support institutional change, from the reorganization and streamlining of government development management functions to instituting systems to better track aid flows, to improve government efficiency and effectiveness in directing external aid toward national development priorities.

A successful national strategy requires that collaboration between government and civil society be continued through the implementation and monitoring stages. Although formulating and carrying out implementation plans is classically a government responsibility, when civil society plays a significant role in developing an NDS, the knowledge it has gained in the process can be useful to the implementation and monitoring process. While governments take overall responsibility for monitoring results, civil society should play a critical role. For this reason, one of the aims and outcomes of GDI work in a country often is a strengthened capacity of civil society to monitor and evaluate the implementation of an NDS. In Mozambique, for example, GDI has helped enhance the capacity of civil-society organizations to undertake these efforts and to educate the public on them. In Albania, GDI has helped build a network of regional focal points for civil-society participation in the national strategy process. GDI's efforts to enhance open governance and public access to information, as it is doing in Mali, are vital to the aim of promoting strategic policy reforms and government accountability that will improve development prospects. This is part of a larger process of invigorating existing democratic institutions and processes and strengthening accountability of these institutions to the needs of the public.

In addition, the exact ways in which policies are implemented often affect the content of the reforms, so those who proposed the reforms, along with the general public, should be involved in helping oversee implementation. Putting this into practice may necessitate the creation of institutions that spur public involvement and continued engagement in important issues impacting their future.

The efforts of The Carter Center and its partners in Mozambique and Guyana have created demand for new institutions and permanent public forums for maintaining nonpartisan and participatory research, dialogue, and debate on the strategic choices facing countries. This is often a gap in the institutional landscape of developing countries, because governments may exclusively focus on immediate challenges, while domestic think tanks are short of resources and dependent on short-term donor funding. The Carter Center is prepared, with its partners, to help create institutions and mechanisms for strategic policy analysis and dialogue.

3.4 Enhancing the Coherence of the Global Development Architecture

The international development community has increasingly come to recognize that an NDS-style process should serve as the cornerstone of nationally driven development. International agreements such as the Millennium Declaration, the Monterrey Consensus, the Rome Declaration on Harmonization, and the Paris Declaration on Aid Effectiveness explicitly underline the right and responsibility of countries to define for themselves the policies and institutional forms that best suit their unique development needs and circumstances. However, these agreements also acknowledge the need for greater coherence in the international financial architecture to provide a truly enabling environment for national development efforts. GDI believes that, without greater progress on this agenda, efforts to achieve Millennium Development Goals and ultimately sustainable human development will falter, and the international community's professed commitment to country ownership will ring hollow to countries struggling to compete on an uneven playing field.

GDI works actively in the international development community to advocate for greater coherence of the international development architecture, defined as the policies and practices of industrialized countries and global institutions pertaining to trade, aid, finance, migration, technology, investment, security, and environment. The impact of such policies on the development prospects of poor countries has come into greater focus in recent years. A well-known example is the case of Mali, whose economy lost $43 million, or 1.7 percent of GDP, in 2001 due to the price-suppressing impact of U.S. cotton subsidies. By contrast, Mali received only $38 million of foreign aid from the United States the same year. In another example, Guyana is forced to overinvest in health and education worker training to counter the impact of active teacher and nurse recruitment programs of North American municipalities. While developing countries must find creative ways to take advantage of global opportunities, rich countries must also acknowledge the impact of their policies on the fragile economic and fiscal resource base of developing countries. Development mediation applied to such global, systemic issues is facilitated through GDI's Development Cooperation Forum.

4. Promoting Change Through the GDI Development Cooperation Forum

GDI leverages the impact of its country programs and partnerships through its periodic, high-level Development Cooperation Forums, which are convened at The Carter Center under the chairmanship of President Carter. The forums draw lessons from partner-country experiences and generate consensus and political will needed among decision makers to reform policies and practices that constrain the ability of countries to escape poverty and realize their own development goals.

Past forums laid the basis for the establishment of GDI, defined the core principles it would promote, reviewed and validated its pioneering pilot work on Guyana's NDS, and led to an expanded circle of GDI partner countries. At its forum in 2002, the core principles GDI has promoted for more than a decade were validated as the basis of contemporary best practice in development cooperation. At the forum, World Bank President Jim Wolfensohn commended President Carter and The Carter Center for recognizing and acting on the fundamental importance of country ownership of national development strategies long before many in the international community did.

The forum provides a venue for government leaders and international policy-makers to explore contemporary development challenges, communicate directly with developing country leaders, benefit from the lessons learned from GDI's work, and define pragmatic solutions for action. Aside from governments and international organizations, the forums bring together representatives of civil society, opposition political parties, and the private sector from GDI's partner countries, as well as scholars and representatives of nongovernmental organizations. The forums generate public attention, motivate individuals and groups to return home to apply new ideas, create new networks, and generate new initiatives leading to more effective sustainable development policies and practices. Forums are often timed to take advantage of other official gatherings to provide a less formal venue in which to explore critical topics.

The Carter Center at a Glance

Overview: The Carter Center was founded in 1982 by former U.S. President Jimmy Carter and his wife, Rosalynn, in partnership with Emory University, to advance peace and health worldwide. A nongovernmental organization, the Center has helped to improve life for people in more than 65 countries by resolving conflicts; advancing democracy, human rights, and economic opportunity; preventing diseases; improving mental health care; and teaching farmers to increase crop production.

Accomplishments: The Center has observed 67 elections in 26 countries; helped farmers double or triple grain production in 15 African countries; mediated or worked to prevent civil and international conflicts worldwide; intervened to prevent unnecessary diseases in Latin America and Africa; and strived to diminish the stigma against mental illnesses.

Budget: $49.1 million 2005-2006 operating budget.

Donations: The Center is a 501(c)(3) charitable organization, financed by private donations from individuals, foundations, corporations, and international development assistance agencies. Contributions by U.S. citizens and companies are tax-deductible as allowed by law.

Facilities: The nondenominational Cecil B. Day Chapel and other facilities are available for weddings, corporate retreats and meetings, and other special events. For information, 404-420-5112.

Location: In a 35-acre park, about 1.5 miles east of downtown Atlanta. The Jimmy Carter Library and Museum, which adjoins the Center, is owned and operated by the National Archives and Records Administration and is open to the public. 404-865-7101.

Staff: 160 employees, based primarily in Atlanta.

Martin Frank

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