

**The Future
of Development
Cooperation:
Gradual Evolution
or
Radical Break?**



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FOREWORD

After 40 years of development assistance during which national and multilateral development agencies have been created, billions of dollars allocated, millions of lives transformed, enormous technological change stimulated and the North-South divide partially bridged, large-scale poverty and inequity persist. It is therefore timely that the 1999 Hopper Lecture focuses not only on the nature and impact of development cooperation, but also on its future directions.

It is most appropriate that the distinguished Peruvian scholar Dr. Francisco Sagasti should offer the seventh Hopper Lecture in International Development. Dr. Sagasti's long engagement in development issues equips him to provide this penetrating look at the past and future of development assistance. He has been an advisor to the Carnegie Commission on Science; and Senior Advisor to the World Bank, the United Nations Development Program, the United Nations Committee on Science and Technology for Development and to the President of the International Development Research Centre. While at the World Bank's Strategic Planning Division, Dr. Sagasti worked closely with David Hopper, after whom this lecture series is named.

This annual lecture is made possible by a generous endowment provided by the International Development Research Centre, and, as is the custom, is offered not only at the University of Guelph, but also at a partner institution – this year, Memorial University. As always, the lecture is published not only in this format, but also on our Centre website: <http://www.uoguelph.ca/CIP>.

J.C.M. Shute, Director
Centre for International Programs
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The Future of Development Cooperation: Gradual Evolution or Radical Break?¹

It is a great honour to have been invited to deliver the 1999 Hopper lecture, for which I would like to thank the selection committee members. An honour and, indeed, a pleasure because of my association with David Hopper for nearly three decades. Throughout this time he has been a friend, a mentor, and a hard taskmaster from whom I learned much.

The topic I have chosen for this Hopper Lecture is the future of development cooperation. I will review the evolution of development assistance during the last 50 years, examine the transformations that took place during the 1990s, and explore the prospects of development cooperation as we move into the 21st century. An annex provides a backdrop for the changes that are taking place in international cooperation for development.

Retrospect

A new world order is in the making as we enter the 21st century. Profound changes in all aspects of human activity challenge our established habits of thought and force us to reinterpret what is meant by progress. Consequently, the concept and practice of development—and of international cooperation to achieve it—have been under close scrutiny and are experiencing major transformations.

Our times are the product of historical processes that have unfolded over the last four centuries and that have witnessed the rise and worldwide spread of Western civilization. What gave this period of human history its unique character was the articulation and implementation of what may be called the “Baconian Program”, whose main architect was Sir Francis Bacon. During the early 17th century he was the first to put forward a coherent view on how modern science could improve the human condition.

¹ This lecture is based on the book *Development Cooperation in a Fractured Global Order*. Ottawa: International Development Research Centre, June 1999, which is available online at <http://www.irdc.ca/books/focus.html>. The printed version integrates the slightly different talks that were given at University of Guelph and at Memorial University in October 1999, and incorporates responses to some of the audience's questions.

The Baconian program sought, according to German philosopher Hans Jonas, "...to aim knowledge at power over nature, and to utilize power over nature for the improvement of the human lot..." (1984, 140). Three key features distinguished this program from other views on the production and use of knowledge that were current in Bacon's time: an awareness of the importance of appropriate research methods (scientific methodology), a clear vision of the purpose of the scientific enterprise (improving the human condition), and a practical understanding of the arrangements necessary to put the program in practice (scientific institutions and public support). The powerful and unique character of the Baconian program would allow it to withstand the test of time and endure until our day, and through its application the human condition has improved in ways that Bacon and his contemporaries could hardly imagine.

The idea of progress

The engine that made this program run over centuries was a belief in the unending, linear and steady advance of humanity —the idea of progress— which mobilized human energies especially during the 18th and 19th centuries. Beginning with the Hellenistic and Roman notions that knowledge can be acquired step by step through experience and through trial and error, the idea of progress has evolved over the whole history of Western civilization. Cyclic conceptions of the universe, in which events repeated themselves over the course of a "great year," had to be overcome before embracing a belief in the open-ended and cumulative character of advances in human history. Faith in a divine design for the cosmos played a major role in the evolution of the idea of progress during the Middle Ages. The Renaissance added a reevaluation of the individual and of human actions as a means to improve the human condition, while the scientific and geographical discoveries of the 16th and 17th centuries laid the ground for a belief in the inevitability of progress through the accumulation of knowledge.

With the emergence and subsequent triumph of rationalism during the 17th, 18th and 19th centuries, the idea of progress gradually lost its religious underpinnings. During the Enlightenment it became a thoroughly secular idea in which divine providence played a marginal role, if any. Progress acquired a distinctively social character and was seen as the almost inevitable result of human actions. Through the early 20th century, the idea of progress would remain ingrained in Western minds as a positive force for improvements in the human condition, as the engine that continued to make the Baconian program run.

However, the events that took place during the first 40 years of what Eric Hobsbawm calls the "Short Twentieth Century," challenged our beliefs in any notion of continuous and indefinite human progress: "The decades from the

outbreak of the First World War to the aftermath of the Second, was an Age of Catastrophe for [Western] society. For forty years it stumbled from one calamity to another" (1994, 7). A time that saw the carnage of World War I, the emergence of Communism, the rise of Fascism, the Great Depression, the Holocaust, the Second World War and the atomic bombing of Hiroshima and Nagasaki could hardly be considered to nurture the idea of progress. With the waning belief in the inevitability of progress, the achievements of the Baconian age also began to be seen as suspect.

The concept of development

The end of World War II changed the gloomy, despairing mood of the Age of Catastrophe. The triumph of the Allied forces brought new optimism, satisfaction and euphoria to the victors. The belief that purposeful interventions could improve the human condition was reinstated, considerably helped by the availability of new techniques for managing the economy, planning investments and production, and organizing large-scale enterprises. Wartime advances in science and technology also found many civilian uses and spilled over to the private sector. The Age of Catastrophe was left behind. A renewed faith in human progress within the framework of the Baconian program took hold.

One key expression of the renewed belief in progress was the concept of *development*. The various definitions of development that were offered in the years after World War II can be summarized as follows: *to achieve, in the span of one generation, the material standards of living that the industrialized West achieved in three generations or more, but without incurring in the heavy social costs they had to pay or inflicted on others*. Development was supposed to guarantee a minimum level of material comfort to all human beings, to 'modernize' what were considered 'backward' societies, and to lay the ground for moral and ethical improvements.

Faith in the possibility of development was sustained and reinforced by the economic successes of the postwar decades. From the late 1940s to the early 1970s, the world economy grew practically everywhere at an unprecedented pace. Jump-started by the financial resources, capital and consumer goods, and technical assistance of the Marshall Plan, European economies recovered and grew at nearly five percent per year. Led by Japan, the economies of Asia registered an average annual growth rate of six percent, while Eastern Europe grew at 4.7 percent, Latin America at 5.3 percent, and even Africa at 4.4 percent. Economic historians characterize this period as a "Golden Age" of unparalleled prosperity, in which the Gross Domestic Product (GDP) per capita in all regions of the world grew faster than in any other period.

However, right from the beginning, the Cold War hijacked the concept of development, making it hostage to East/West rivalries. Two different ways of achieving development were put forward — one based on market economies

and liberal democracy, and the other on central planning and a single party system. In the decades that followed, each trumpeted its successes and sought to enlist the poor countries, many of which were emerging from decades and centuries of colonial rule. Developing countries became contested grounds on which to try one or another set of recipes to promote economic growth and improve living standards. Moreover, the East/West struggle became the lens through which practically all political, economic and social events taking place anywhere in the world would be filtered and seen.

The Golden Age came to an end in the early 1970s, and the world entered into the "Crisis Decades" which extended, although not in a uniform way, through the early 1990s. According to Hobsbawm, "The history of the twenty years after 1973 is that of a world which lost its bearings and slid into instability and crisis. And yet, until the 1980s it was not clear how irretrievably the foundations of the Golden Age had crumbled" (1994, 7). The sharp reductions in economic growth of the early and mid-1970s led to average rates of growth during 1973-1992 that, with the exception of Asia, were substantively below those of the Golden Age. The slowdown was most noticeable in Eastern Europe and Africa, where the average rate of growth of GDP per capita was negative, and in Latin America, where the rate of economic growth barely exceeded that of population increases.

During the early 1980s, the debt crisis in a large number of developing countries threatened the international financial system, while in the advanced economies both unemployment and social discontent increased significantly. The reversal of socioeconomic gains of the previous 25 years made the 1980s a lost decade for most developing regions, with the notable exception of Southeast Asia. The major upheavals experienced by the Soviet Union and Eastern Europe during the second half of the 1980s and the early 1990s led to precipitous declines in living standards in these countries. In Western Europe the economic recovery of the late 1980s and early 1990s did not manage to reduce unemployment rates.

Japan experienced prolonged economic stagnation during the 1990s, and the collapse of East Asian currencies and stock markets in 1997 ushered in uncertainty and confusion, effectively ending what had been, until then, considered the Asian economic miracle. Income inequalities worsened everywhere (with the exception of some East Asian countries), and for the first time since the Great Depression, poor and homeless people became highly visible in several cities of advanced industrial nations. The concept of "social exclusion" emerged, first in France and later in the European Union, to account for the re-emergence of social problems that were thought to have been solved decades earlier.

The Crisis Decades that ended the Short Twentieth Century witnessed profound changes in all realms of human activity. We have seen the end of the

Cold War, the spread of ethnic and religious violence, and the emergence of new international security concerns; the globalization of production and finance, the restructuring of international trade, and the transformation of productive and service activities; the disappearance of centrally planned economies and the worldwide expansion of capitalism, (in many cases into areas that lack the supporting institutions for the functioning of a capitalist economy); and a host of social transformations, which include wrenching demographic changes experienced by both rich and poor countries, the explosion of social demands in the developing regions, and the emergence of serious employment problems in both rich and poor nations.

These transformations have been accompanied by extraordinary advances in scientific research and the accelerating pace of technological innovation; the renewed interest in ethical and spiritual matters; the growing role played by religious concerns, ethnic allegiances and cultural identity in domestic and international politics; the prominence acquired by concerns for the environment and the sustainable use of natural resources; and the challenges posed by the need to renew all levels of governance, from the local to the global.

Such a bewildering and turbulent combination of changes and transformations, which are crystallizing with the emergence of a "fractured global order" (see annex), has created deep unease and uncertainty:

The Short Twentieth Century ended in problems, for which nobody had, or even claimed to have, solutions. As citizens of the *fin-de-siècle* tapped their way through the global fog that surrounded them, into the third millennium, all they knew for certain was that an era of history had ended. They knew very little else.

... the century ended in a global disorder whose nature was unclear, and without an obvious mechanism for either ending it or keeping it under control.

The reasons for this impotence lay not only in the genuine profundity and complexity of the world's crisis, but also in the apparent failure of all programmes, old and new, for managing or improving the affairs of the human race (Hobsbawm, 1994, 558-559, 562, 563).

This turbulence signals more than just the end of a Golden Age, of the Cold War or of the Short Twentieth Century. It also signals the exhaustion of the Baconian program which organized and mobilized human endeavours for nearly four centuries; and the need to reassess its driving force, the idea of progress. In this light, the concept of development can be seen as the latest, and possibly the last, attempt to reinterpret the idea of progress within the

framework of the Baconian program. We are now moving into the post-Baconian age, whose main features cannot yet be discerned. Indeed, one of the most important tasks of our times, both for rich and poor nations, is to explore and articulate a new program to mobilize human energies in the emerging post-Baconian age.

The development cooperation experiment

The Golden Age of world economic growth was also a period of considerable international generosity which, added to a variety of other motivations linked to economic and political interests, helped to expand international cooperation. Following the success of the Marshall Plan to support the post-war economic recovery of Europe, the United States established the Point Four Program and expanded bilateral aid to developing countries in 1949. The development cooperation experiment was launched and, for the next two and one half decades, resources to assist poor countries increased continuously, and a large array of bilateral and multilateral institutions were created to channel and administer these resources.

The development cooperation experiment of the past 50 years took place during a very special period of history. It was also designed, organized, launched and carried out in ways that suited the spirit of the 1950s, 1960s and early 1970s. The Cold War provided a stark ideological backdrop to the experiment and helped justify allocating resources to it. An unprecedented period of world trade growth and economic expansion made it easier to accommodate the development assistance needs of the poor nations. The United States' economic and technological dominance, amply demonstrated through the success of the Marshall Plan, made the spread of the 'American Way of Life' the implicit objective of Western development assistance in its first decades. A sense of moral certitude, optimism and generosity ensured ample public support for aid, first in the United States and later in Europe and Japan.

The Soviet Union and its allies expanded development assistance in their own peculiar way, focusing on those countries closely aligned with their ideology. Soviet aid was seen as another weapon in the fight against Western capitalism and took the form primarily of subsidized exports of oil and machinery, and purchases of primary commodities above world market prices. In addition, massive fellowship programs in practically all academic fields were established in those developing countries within the Soviet Union's sphere of influence. All of this without counting their extensive provision of military assistance, a practice that was also common in the West.

From the late 1940s to the mid-1980s development assistance organizations grew in number, size and complexity; and their mandates shifted and evolved to accommodate changing circumstances. New institutions, programs, funding mechanisms and procedures were created in most developed countries to assist

the developing nations. The World Bank expanded significantly its regular lending program with resources obtained from international capital markets, established the International Development Association as a soft-loan window with contributions from donor countries, and created an affiliate to provide financing to the private sector. New multilateral development banks were created at the regional level, with specialized institutions serving the needs of Latin America, Asia and Africa, and with institutions such as the European Investment Bank and the Islamic Development Bank focusing on narrower constituencies.

The European Community and Japan expanded significantly their development cooperation. Several technical and financial assistance programs were merged in the United Nations to create the United Nations Development Programme, and new agencies were established to cater to some specific needs of developing countries. In parallel with these government and intergovernmental initiatives, private giving by foundations, charitable institutions and religious groups supported a growing number of programs and projects throughout the developing world.

As a result, a vast, dense and at times almost impenetrable forest of development assistance organizations emerged. As these agencies demanded counterparts, corresponding government and non-governmental organizations were often established in developing countries to work with donor agencies, international financing institutions and private aid entities. By the late 1980s, the growing and increasingly complex set of organizational arrangements, a result of incremental institutional innovations, became too heavy and unwieldy. Turf battles became the norm, accountability all but disappeared, and many development assistance organizations lost their sense of purpose and direction, all of this exacerbated by diminishing resources available for development cooperation.

Therefore, the late 1980s witnessed the limitations of the decades-old institutional arrangements for development cooperation. This same period also saw a changed government ideology in many industrialized nations. Seeking to reduce government spending, conservative politicians in several developed countries found an easy target in foreign aid programs, which were now depicted as wasteful and ineffective. Individual initiative and the private sector were heralded as the new harbingers of economic growth and development, while most government programs to assist the poor were questioned and many were abandoned. In its more extreme manifestations the 'greed is good' syndrome portrayed development assistance as nothing but dependency-generating handouts.

Transition

As the 20th century drew to a close, the development cooperation experiment

underwent wrenching transformations. Official Development Assistance (ODA) lost ground in relation to direct foreign investment, portfolio flows to emerging stock markets and commercial bank lending—even though these private flows concentrated mostly on a few countries, bypassing completely the vast majority of poor countries. With the end of the Cold War, development assistance flows from the former Soviet Union and East European countries were abruptly cut, and developing countries that relied on Soviet aid found themselves in a very difficult situation.

After rapid growth during the 1960s and 1970s, resources for development assistance began to level off during the 1980s, and since 1988 have continuously decreased in real terms. During the 1990s development assistance budgets were cut in practically all donor countries. ODA flows stood at US 48.3 billion in 1997, representing 0.22 percent of the Gross Domestic Product (GDP) of donor countries, the lowest percentage in decades. This compares with a historic average of 0.33 percent and with a target of 0.7 percent of GDP agreed at the United Nations in the early 1970s. Only four countries—Sweden, The Netherlands, Norway and Denmark—exceeded the UN target in 1997.

By the mid-1990s the United States had thoroughly abdicated its traditional leading role in the field of development assistance. In 1997 it allocated just 0.09 percent of its GDP to development assistance. The US Congress refused to honour contribution pledges made by the Administration to the United Nations Development Programme and to the International Development Association, and also refused to pay its assessed contributions to the United Nations central and peacekeeping budgets. This made Japan, France and other European countries the main contributors to development cooperation. Even Japan, after years of steady increases when other rich countries were slashing their cooperation budgets, began to reduce its foreign aid allocations in the mid-1990s.

Nevertheless, the picture is not all bleak: the Nordic countries and The Netherlands have managed to maintain a strong level of support for development assistance; and the United Kingdom and Canada have recently pledged to increase their development assistance contributions; in 1998 ODA increased by about 10 percent from its nadir in 1997 to reach about 0.25 percent of GDP of donor countries; and in 1999 the United States paid a significant part of its debt to the United Nations, although it still owes hundreds of millions of dollars.

The decline in ODA has led to an implicit division of labour in development cooperation. ODA resources are increasingly being allocated to the tasks of social and sustainable development, while private financing takes care of economic growth. Multilateral institutions have announced they will give greater priority to lending for the social sectors (education, health, population),

for environmentally sustainable development, and for reforming public administration and improving governance. Even the financing of physical infrastructure, particularly transport and energy, which was a traditional preserve of multilateral development banks, is now being increasingly left to the private sector, often in partnership with international financing institutions and bilateral export development agencies.

As ODA stagnated and reached historical lows as a proportion of the GDP of the rich countries in the 1990s, several political and non-economic issues were added to an already overcrowded international development agenda. Furthermore, new tasks began to demand a growing share of the diminishing public funds for international cooperation. Post-conflict reconstruction, humanitarian relief, assistance to refugees, support of democratic institutions, improvement of governance structures, initiatives to stop the spread of nuclear materials, and efforts to fight drug traffic and crime, among others, now compete with traditional technical and financial assistance programs.

Moreover, a growing proportion of development assistance is being channeled to non-traditional recipients like the former socialist regimes of Eastern Europe and the former Soviet Union, which in 1995 received \$8 billion or about 13 percent of the resources provided by the countries of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD). Finally, an increasing share of development cooperation funding is being allocated to emergency relief, both for natural and man-made disasters, rather than to the long-term tasks of sustainable human development.

The most prominent feature of the emerging fractured global order is disparate capacities to develop and apply knowledge. Curiously, however, building science and technology capabilities in developing countries has not been considered a priority by the international development cooperation community. Science and technology issues—hotly debated during the 1970s, particularly at the United Nations Conference on Science and Technology for Development held in Vienna in 1979—began to resurface in international discussions on development only in the late 1990s.

All these trends in the structure of development finance point toward a squeeze on traditional forms of development assistance—financial and technical cooperation in health and population, food and nutrition, education and training, small and medium size enterprises, and even balance of payments support—which lost ground in terms of resource allocations. Moreover, the poorest countries of Africa and Asia, which are not attractive to private investors and rely on official sources of finance for preventing further deterioration in their already low standards of living, have been most affected by reductions in foreign assistance budgets.

New possibilities in the 1990s

In contrast with the setbacks experienced during the last decade by traditional bilateral and multilateral development cooperation, new possibilities are being opened for rich and poor countries to collaborate in fields such as environmental sustainability, the prevention of weapons proliferation and the fight against drug traffic and international crime. Private sources of funds are also becoming more important in a few aspects of development cooperation, such as building policy research capabilities in transition economies, helping to fight diseases in the developing world and removing anti-personnel mines. Non-governmental organizations have acquired greater prominence and are providing international leadership in some fields, particularly environmental conservation, improved social conditions and human rights.

In December 1997 the Parties to the United Nations Framework Convention on Climate Change approved the Kyoto Protocol, which seeks to limit and even reduce gas emissions that contribute to global warming. The Kyoto Protocol establishes a "clean development mechanism" designed to assist developing countries, which could eventually—if properly designed and implemented—lead to the transfer of hundreds of millions of dollars per year from rich to poor countries. The mechanism, which is still far from operational, is based on this premise: developing countries whose forests can absorb greenhouse gases in amounts above their emissions limits could reap substantial benefits by selling unused emission rights to industrialized countries and private corporations.

On other fronts, concerns about the proliferation of nuclear weapons in the post-Cold War period have prompted some highly industrialized nuclear powers, particularly the United States, to offer financial and other incentives to developing countries that improve the safety of their nuclear power stations and renounce the use and development of nuclear weapons. Financial and trade rewards have also been offered to drug-producing countries that collaborate with US and European efforts to curb the production and international trade of drugs.

Private financial flows to developing countries, which include direct foreign investment and portfolio investments in emerging markets, have significantly increased during the 1990s. They are now five times larger than official flows provided by government agencies and international organizations, in contrast with the mid-1980s when they represented about 50 percent of total financial flows to developing countries. However, private financing is concentrated in a relatively small number of emerging and transition economies, and the vast majority of developing countries still depend on official aid for external financing. Grants provided by long-standing U.S. private foundations (Ford, Rockefeller, Pew, MacArthur, Carnegie Corporation, Tinker) remain a relatively small component of international development cooperation, but their

impact is magnified because they focus on training, building local capabilities and on strengthening public and civil society institutions.

During the last decade, the ranks of private philanthropy, once the province of religious organizations that focused primarily on humanitarian relief and of well established foundations, have been joined by a few wealthy individuals. The most visible examples of this new breed of philanthropist are George Soros, who has contributed hundreds of millions of dollars to humanitarian organizations, human rights activists and policy research centres in Eastern Europe; Ted Turner, who in 1997 pledged \$1 billion to support the United Nations; and Bill and Melinda Gates, who endowed the richest foundation in the world with nearly \$20 billion in Microsoft Corporation stock to support health and educational programs.

They have also been joined by internationally known musicians and media personalities. A series of rock concerts broadcast on television in the early 1990s, which were linked to a phone-in campaign soliciting pledges from viewers, raised more funds to combat AIDS in Africa than formal pledging conferences organized under United Nations auspices. Towards the end of the 1990s, and in just a few weeks, royalties from Elton John's compact disc issued in memory of Lady Diana generated more than \$100 million for campaigns to remove anti-personnel mines in war-torn countries. In 1999 the United Nations Development Programme teamed up with media personalities and information technology business people to raise funds through the Internet for development assistance. In addition, there have also been proposals to establish lotteries to raise funds for international development activities. One such scheme links airline travel to card games and a lottery to raise funds for sustainable development initiatives in developing countries.

All of this activity, added to recent developments in debt relief for the poorest countries, indicates that the size, structure and orientation of resource flows from rich to poor countries have been substantively transformed, and that the institutional machinery for development cooperation is struggling to adapt to its vastly changed situation.

Development cooperation: the need for change

As early as the 1960s, the development cooperation experiment was criticized, sometimes harshly, regarding the motivations, choice of channels, attached conditions, local uses and impact of development assistance. The questioning of aid continued with varying degrees of force throughout the 1970s and 1980s. However, during the 1990s, as the ODA squeeze focused attention on the effectiveness of international cooperation for development, a growing sense of dissatisfaction and uneasiness with development cooperation led to a profound reexamination of the purposes, means and impact of development assistance.

The donor community's initial disillusionment with the results and impact of development assistance was, in no small measure, a consequence of the excessive expectations generated in the 1950s and 1960s. This disillusionment was compounded by an inadequate understanding of the complexities of the development process, by analytical mistakes and by wrong assumptions regarding the behaviour of economic, social and political actors in the developing regions. And to the recipients of development assistance, the donors' motivations were often suspect, the conditions for access to resources unreasonable and inconsistent, and the attitude of donors arrogant and overbearing. Misunderstandings and conflicts were frequent, and in many cases the flow of foreign funds introduced serious economic and political distortions which undermined development efforts.

At the extreme, these shortcomings led to a wholesale condemnation of development assistance. For example, Graham Hancock argues that "aid is ...*inherently* bad, bad to the bone, and utterly beyond reform" and that it is "the most formidable obstacle to the productive endeavors of the poor". Hancock vituperatively characterizes the donors as "the notorious club of parasites and hangers-on made up of the United Nations, the World Bank and the bilateral agencies" who has reached "record breaking standards [of] self-serving behavior, arrogance, paternalism, moral cowardice and mendacity". Recipients don't fare any better. He describes their leaders as "incompetent and venal" and their governments as institutions "characterized by historic ignorance, avarice and irresponsibility" that engage in the "most consistent and grievous abuses of human rights that have occurred anywhere in the world since the dark ages" (1989, 183, 192-93).

More sober assessments of development assistance (for example, Cassen, 1994) point out that aid projects and programs have largely succeeded when judged in terms of their own specific development objectives. Considering the difficult circumstances in which aid programs operate, the diverse motivations for development assistance, the multiple delivery channels and the different objectives of individual aid initiatives, it is not surprising that they fall short of fulfilling all the broad development objectives, such as reducing poverty, promoting economic growth, empowering women, containing ethnic conflicts, and building local capacity.

Throughout most of the post-World War II period, development assistance focused primarily on investment projects in infrastructure, agriculture, industry and the social sectors. However, by the early 1980s many of the projects supported with external technical and financial resources had clearly failed to yield the anticipated rates of return. One reason was that investments were made in highly distorted policy environments —characterized by blind subsidies, shortsighted price controls, misaligned exchange rates, excessive budget deficits, unreasonable trade barriers, and so on— which prevented

benefits from materializing. This distortion led to the introduction of macroeconomic and sector policy reforms, usually backed by loans and grants from multilateral and bilateral institutions, with the objective of creating a more friendly policy environment where investment projects could succeed.

A recent World Bank study *Rethinking Aid: What Works, What Doesn't and Why* emphasizes the importance of good policies in ensuring that aid has a positive impact. It argues that "good policy is not something that is subjectively decided in Washington. Rather, lessons about good policy emerge from the experiences of developing countries. What we mean by good management is —objectively— what has led to growth and poverty reduction in the developing world" (Dollar and Pritchett, 1998, 49). However, considering the frequent changes in the World Bank's policy advice over the last five decades, the claim to immutable "objectivity" has to be taken with a grain of salt.

Moreover, even though the World Bank study highlights the importance of sound economic management, credible policy reforms and the need for developing countries to be masters of their own fate, it fails to acknowledge that conceptions of good policy and sound economic management have varied significantly over the last several decades —most notably with regard to the roles that the state, the market and civil society play in the process of development. International financial institutions and bilateral agencies have imposed a wide variety of policy reforms as conditions for access to the resources under their control, pressuring developing countries into adopting what these agencies consider appropriate policies at a given time —only to change their views on the adequacy and effectiveness of such policies at a later time.

But policy reforms and sound investment projects are not enough to reap the benefits expected from development finance and international cooperation. As the 1990s progressed, it became clear that the broad institutional context in which policies and projects are immersed plays a crucial role in the process of development. Transparency, accountability and openness in the operation of public institutions, as well as popular participation in decision-making, respect for human rights and the strengthening of democracy —what are now known as 'good governance' issues— acquired a new prominence and were incorporated into the development cooperation agenda. This shift has made the task of assessing the impact of development assistance even more complex and daunting, for institution-building is a long process that defies attempts to evaluate 'results' within the relatively short time frame in which most development finance and international cooperation agencies operate.

These considerations show the importance of building and consolidating analytical, technical and managerial capacities in developing countries, particularly in the public sector and in agencies that deal with external finance and international cooperation. These capacities are indispensable to design

sensible, home-grown, politically viable development strategies; to articulate and implement policies; and to make the best possible use of international assistance.

All of the changes I have reviewed suggest that the international context, the channels and the mechanisms for cooperation between rich and poor countries, and the structure of financial flows to developing regions are fundamentally changing. However, the response capacity of the organizations in the development assistance community has been stretched to the limit, and the result has been much confusion, reorganization, counter-reorganization, and frequent operational changes that have often been modified before they could yield results. Institutional arrangements designed and put in place four or five decades ago cannot continue to be effective in the new situation; in this sense, *the development cooperation experiment—as we knew it—has ended.* However, both enduring motivations and new reasons will give rise to new forms of cooperation, to new policies and to new institutions that will respond better to the demands and challenges of international development in the 21st century.

Motivations for Official Development Assistance

Motivations for ODA have changed in parallel with the evolution of development thinking and of institutional arrangements for development cooperation. Cold War political interests and altruism were the main reasons for launching the development cooperation experiment in the late 1940s, but over time more varied motivations for development assistance began to emerge. As motivations changed, conditions for access to financial and technical assistance were redefined. Political loyalty to one of the two opposing camps in the East/West confrontation gave way to conditions regarding tied purchases of goods and services, access to markets, economic policies, institutional reforms, democratic practices, environmental conservation and respect for human rights. Cross-conditionality between development assistance agencies and multilateral institutions increased significantly, and private banks often conditioned their loans to developing country governments on the adoption of policy reforms advocated by the IMF or the World Bank.

Table 1 summarizes the main motivations for providing development assistance. There has been a gradual progression from narrowly defined notions of donor political and economic self-interest—complemented by moral concerns and altruistic motives—to broader conceptions of the common interest and the stability of the international system. However, self-interest still prevails. Political and commercial objectives continue to influence the levels and allocation of aid budgets in several donor countries, most notably the United States and Japan.

Table 1

Motivations for Official Development Assistance

- a. *Strategic and security interests (which respond to geopolitical and military considerations of donor countries)*
 - National level: aid justified because of the geopolitical importance of the specific developing country.
 - Regional level: aid justified in terms of the interests of regional alliances or treaties.
- b. *Political interests (which focus on obtaining political support for foreign and domestic policies)*
 - Foreign constituencies: aid to former colonial territories and other areas with special historic and cultural ties to the donor country, aid to obtain international political recognition and support.
 - Domestic constituencies: aid to obtain the support of immigrant lobbies and ethnic groups of foreign origin in the donor country.
- c. *Economic and commercial interests (which emphasize direct commercial and financial benefits to the donor country)*
 - Benefits for the donor: export opportunities, employment generation, support of domestic producers (e.g. food aid), security for investments in developing countries, access to resources (oil, strategic minerals), access to a pool of highly qualified potential migrants (e.g. fellowships), and future demand for exports (created through technology transfers).
- d. *Economic interdependence (which stresses the role of aid in promoting developing country growth that helps donor countries indirectly)*
 - Aid as an investment in the future: higher world economic growth, increased trade flows and expanded private investment benefit not only developing economies, but also donor countries by providing opportunities for economic expansion and a larger market.
- e. *Emergence of global problems (which concern both donor and recipient nations)*
 - Environmental sustainability: global warming, destruction of the ozone layer, loss of biodiversity, tropical deforestation, etc., affect developed countries directly.
 - World population growth and imbalances: joint efforts from rich and poor countries are required to address them.
 - Health threats (AIDS, epidemics): seen as global problems that can only be dealt with through financial and technical assistance from donors.
 - Fighting crime, drug traffic and terrorism: international cooperation and the support of donors are required.

f. *Altruism, ethical, humanitarian and religious concerns (which highlight the moral obligation of people in rich countries to assist the poor in developing countries)*

- Aid to alleviate human suffering and express solidarity with fellow human beings.
- Aid to help coping with natural and man-made disasters through humanitarian and emergency relief.
- Assistance linked to religious proselytism and the desire to win converts to a particular faith.

g. *Maintaining stability of the international system (which aims at securing a stable world order to foster the long-term interests of donor countries)*

- Political stability: aid to prevent and contain local and regional conflicts, to promote the spread of democracy, to support peace making and peace-keeping initiatives, to monitor and supervise elections, and to strengthen democratic practices and institutions.
- World economic stability: assistance to promote policy reforms in developing countries, measures to avoid major disruptions of international finance and trade (provide funding to help defuse debt crisis, currency collapses, run on developing country banks, etc.).
- Social stability: aid to prevent international migrations, to reduce population growth, combat poverty, promote human rights and improve the situation of women.
- International responsibility: aid shows that rich countries are willing to accept responsibility for assisting the less fortunate in a global society.
- International agreements: donors help developing countries to improve their participation in international agreements to make them more equitable, stable and effective.

Different motivations interact closely with each other, either as complements or tradeoffs. In some cases, human rights concerns may override the purely economic or political interests of donors, while in others the opposite may be true. Development financing may be made conditional on adopting political reforms, as exemplified by the loans provided by the European Bank for Reconstruction and Development (EBRD), whose articles of agreement state the promotion of multi-party democracy as one of its objectives.

Environmental and security preoccupations may also reinforce each other, as in the case of assistance to Eastern European countries and the former Soviet Union to upgrade their nuclear power installations and dismantle their nuclear missiles. In general, increased interdependence and the process of globalization, added to the multiple fractures that characterize the emerging world order,

have made the political, economic and social stability of the international system a growing concern of donors.

The structure of financial flows to developing countries now favours highly concentrated and mobile private investments over the countries' long-term development finance needs. Moreover, the vastly increased mobility of international capital limits the capacity of most developing country governments to tax capital flows and profits. Consequently, maintaining a level of public expenditures commensurate with social demands becomes difficult, especially in the poorest countries. In terms of the fractured global order (see annex), the logic of capitalism in the domain of the global operating through transgovernmental and transcorporate entities does not often coincide with the interests of developing societies in the domain of the local.

From this perspective, an additional motivation for providing development assistance should be to compensate for the negative impact that financial globalization has on economic stability and social cohesion. However, the initiatives taken by the high income industrialized nations in various international meetings point clearly in an opposite direction. In addition to the rather weak support for ODA, most developed country governments have been actively promoting international agreements on foreign investment that would further tilt the balance in favour of international capital and against developing countries.

Prospects

Having reviewed the evolution of the fifty-year old development cooperation experiment and examined the transformations that took place at the end of the 20th century, we can now ask: What are the prospects for development cooperation during the next two decades? What would better advance the cause the international development – a gradual evolution or a radical break?

Well, neither of the two. A radical break to start from scratch would waste what has been laboriously built during the second half of the 20th century. And gradual evolution is not enough given the magnitude of the changes that have taken place in the international context.. What is needed is a paradoxical combination of both —some sort of *radical incrementalism*— that would articulate a vision of what development cooperation should become in the next two decades, complemented with a series of steps to take us there starting from where we are now.

I would like to suggest a four point agenda to advance in this direction.

First, we need to evolve a shared understanding of the forces that shape the options and possibilities of developing countries, and of the diverse ways in which the process of development will unfold in the future.

This does not mean that we need to agree on what development is or how to bring it about, but policy-makers and decision-makers in rich and poor countries and in international organizations and corporations should listen carefully to what others suggest and propose. This implies a willingness to engage in open dialogue, a respectful attitude that goes well beyond simply tolerating what others say, and a capacity to interpret reasonably well alternative viewpoints in terms of our own conceptual frameworks.

Reaching this shared understanding requires that developing countries stop being passive consumers of global futures dreamt up by the intellectuals, policy-makers, businessmen and various gurus in the rich countries. A spirit of moderate assertiveness and strengthened resolve, firmly grounded cultural identity and self-esteem, is needed for meaningful development dialogues to take place. For those in the rich countries, advancing towards shared understanding of the process of development, and of the role that international cooperation plays in it, requires generosity and a sense of solidarity, tempered by restraint, humility and willingness to run risks.

There are many encouraging signs that the international community has begun to move in this direction. For example, international financial institutions and development cooperation agencies— and most notably the World Bank— have recently begun to listen, not only to government officials, but also to representatives of civil society organizations and the business community in developing countries, with the aim of jointly exploring how the World Bank can best support development efforts. While some international agencies such as the United Nations Development Programme have been doing this for some time in a limited way, the articulation of a “Comprehensive Development Framework” by the President of the World Bank in 1999, which is designed to promote dialogue between this institution and its counterparts, constitutes a milestone along the road toward a shared understanding of the development process.

Another sign is the explicit acknowledgement of the role that institutional factors play in development, and of the various options available for developing countries to build economic and political institutions in accordance both with the demands of a fractured global order and of their own historical evolution. The collapse of centrally planned economies and single party political systems in the late 1980s and early 1990s brought this issue into sharp focus. The redefined roles of the State, the market and civil society within the framework of capitalism and multi-party democracies allows much more scope for innovation, adaptation and creativity in the design of institutions than we used to think possible when the Western and Eastern models of development were the only choices.

Second, developing countries must build their own visions of desired futures. They must then design strategies to achieve their visions, and formulate the policies to implement these strategies.

Among other issues, these strategies and policies should explicitly consider the roles that external finance and technical cooperation play in a country's development. This consideration requires well developed analytic skills in government agencies, academic institutions and advocacy organizations. It also requires integrating information and knowledge acquired from a various sources into a participatory strategic planning exercise. Even though development planning has been out of fashion during the last decade and a half—a period during which the proponents of free markets and a minimal State held sway—, it is high time for us to articulate a balanced conception of the roles that the State, the market and civil society play in the process of development. A forward-looking and anticipatory stance, characteristic of what strategic planning is all about, will be one of the key expressions of this renewed and more balanced conception which should also provide a framework to place development cooperation in its proper perspective.

During the last seven years I have been engaged in such an exercise in my own country, Peru. From our base at FORO Nacional/Internacional, a not-for-profit independent research and advocacy organization, we launched Agenda: Peru, a program to design a development strategy for the first two decades of the 21st century. Our work included integrative research, aimed at putting together in a coherent framework the contributions of many researchers and intellectuals; consultations with experts and citizens at large, conducted using a variety of means (in-depth interviews, seminars, workshops, search conferences, focus groups, opinion surveys) to ensure the soundness of the strategy and its acceptance by those who would be affected by it; and dissemination activities through publications and mass media to make the results available to the widest possible audience. One of the key components of the strategy is an appreciation of the way Peru should manage its insertion into the emerging international context, with specific proposals on the role that international finance and technical assistance should play to complement our own efforts (Sagasti *et al.*, 1999; Agenda: Peru, 2000).

Development cooperation can and should play a major role in building the analytical and synthetic capacities to articulate visions, design strategies and formulate policies in the developing countries. Canadian institutions have long excelled in capacity-building through research support, twinning institutions, technical assistance, counterpart funds and fellowships, among other programs. However, as the emerging fractured global order places ever more difficult challenges for development, it will be necessary to expand these programs and to explore new avenues for building capabilities in the developing countries.

Third, new institutional and financial arrangements must be explored, designed and put in practice to organize development cooperation.

A key characteristic of these new arrangements, many of which are now under way, is the participation of public sector agencies, private enterprises and individuals, and civil society organizations in flexible networks that focus on specific topics. These programs are likely to be structured around several main clusters of themes that cover the whole spectrum of relations between rich and poor countries. Table 2 lists some of these themes.

Table 2

Development cooperation themes

International cooperation for development initiatives will cluster around several main themes which will cut across organizational boundaries and involve government agencies, international institutions, foundations, private firms and civil society organizations:

Stabilizing the international financial and economic system. This will require concerted action by governments, international institutions and private financial institutions to design new international financial architecture. A main theme in this cluster will be how to create the conditions for harmonizing the interests of private investors and of developing countries. Among other things, this requires designing national and international policy regimes to ensure that private financial flows contribute effectively to development objectives.

Addressing global and regional problems that affect several countries. This will require increased collaboration between countries and adaptations in the way national sovereignty is exercised. Environmental deterioration and the sustainable use of natural resources figure prominently in this cluster, which also includes issues such as international migration, the internationalization of organized crime and the spread of drug traffic.

Humanitarian assistance and emergency relief to deal with natural and man-made disasters. When violent conflict within countries prompt the need for relief efforts, it will be necessary to intervene in the internal affairs of sovereign states and to modify the prevailing conceptions of national sovereignty.

Providing technical and financial assistance to promote economic growth and social improvement. This has been the main focus of traditional forms of development cooperation. The specific themes to be addressed in this cluster include the provision of technical assistance in fields such as agriculture, industry, energy and trade promotion, as well as education, health, family planning and poverty reduction. The provision of balance of payments support is also included in this cluster.

Establishing and strengthening institutions in developing countries. This includes capacity-building for government policy-making in the social and economic fields, institutional reforms and also the strengthening of democratic practices and institutions. These issues require long term and flexible interventions, carefully designed to involve and empower developing country partners in the public and private sectors and in civil society.

Creating and consolidating science and technology capabilities in the developing regions. This will become a major cluster of development cooperation initiatives in the early years of the 21st century. In particular, there will be growing support for the establishment of local research facilities and for acquiring technologies in the areas of communications and information, environmental sustainability, and biosciences and biotechnologies.

Preventing deadly conflict between and within states. While conflict prevention has received increased attention in recent years, it will take some time before a broad and coherent set of initiatives is launched, primarily because of our inadequate understanding of the combination of factors that lead to violent conflict situations and of how to prevent the eruption of deadly violence.

Embarking in a collective effort to redefine what we mean by development and progress as we enter into the post-Baconian age. The widespread uneasiness that has become evident with the current conceptions of development, the challenges posed by different civilizational outlooks and the new salience of value and spiritual concerns, will all make it necessary to launch a joint cross-cultural effort to explore these important questions in the early years of the 21st century.

Institutional inertia and the accumulated strains of piecemeal adaptations require a major redesign of most international development organizations, (a few have already started this undertaking), and a reasonable inter-institutional division of labour. Development cooperation organizations must improve their efficiency, become more open and transparent; and their impact should be closely monitored and evaluated. Tighter conditions should be placed on intermediaries of development assistance (particularly non-governmental organizations) and on recipients, so as to improve accountability. Programs should become more focused; greater emphasis must be placed on decentralization and the delegation of responsibility; and entrepreneurship and creative leadership need to be rewarded.

Temporary programs and organizational structures, with clearly defined expiration dates, should gradually replace the permanent organizations that were the norm in the early decades of the development cooperation experiment. The more effective development assistance agencies will become learning organizations, but many will have to become first 'unlearning organizations' to forget past practices and work habits.

Several entities, many of which have come into existence in recent years, exhibit some of the characteristics of these networks. The Consultative Group on International Agricultural Research (CGIAR), the oldest of such networks, is organized in more than a dozen international secretariats. It gathers international financial institutions, private foundations, regional organizations, national research institutes and, more recently, private corporations and non-governmental organizations to promote and conduct research to improve agriculture in developing countries. Several other international secretariats focusing on issues such as micronutrients, tropical diseases, global environment problems and AIDS prevention have been created during the last decade, although they mostly link international institutions, government agencies and private foundations.

Other programs involve private corporations with international financial institutions, as is the case of the Infodev initiative, which joins the World Bank with a number of transnational corporations to promote the use of information and telecommunications technologies in developing countries; non-governmental organizations and regional development banks, such as the Nature Conservancy agreement with the Inter-American Development Bank to fund initiatives for sustainable development; and academic institutions, government agencies and the private sector, such as the "Programa Iberoamericano de Ciencia y Tecnología para el Desarrollo" (CYTED), launched in the late 1980s to coordinate scientific and technological initiatives between Latin American, Portuguese and Spanish institutions.

Further examples of joint initiatives and their objectives include the following partnerships:

- private corporations and semipublic institutions, such as the Shell Corporation joint program with the Smithsonian Institution in Washington DC to monitor the environmental impact of Shell's Peruvian operations during 1997-1999;
- government agencies, international institutions, professional associations, research centres and non-governmental organizations, such as the Global Water Partnership created in the mid-1990s to improve the management of the world's water resources; and
- developed and developing country governments, private foundations and international organizations, such as the Global Alliance for Vaccines and Immunizations for which the US administration has requested up to \$1 billion in tax credits for pharmaceutical corporations that participate in this program, and which involves UNICEF, the World Health Organization, the World Bank and private foundations (in particular, the Gates Foundation, which donated \$750 million for this purpose).

Development financing arrangements should and will be renewed over the next decade or two, as the inadequacies of existing schemes become obvious and unbearable. The changes are likely to be gradual, and governmental aid budgets will continue to play a major role, particularly in some of the thematic clusters. At the same time, there will be a great deal of experimentation with new financing mechanisms, and some innovative schemes will be tried on a pilot scale.

The most successful institutional innovation in development finance of the last five decades has been the multilateral development bank, which finances its regular lending programs by issuing bonds to borrow from private capital markets. It then lends those resources with a modest mark-up to developing countries at rates below what capital markets would charge. The distinction between "paid-in" and "subscribed" (or "callable") capital allows multilateral development banks to play a very efficient intermediation role between private capital markets and developing countries. Shareholders of these institutions pay in cash only a fraction of their share of total subscribed capital, but are committed to contribute the full amount in the unlikely event that massive defaults from borrowers would threaten these institutions with bankruptcy. This arrangement allows the multilateral banks to appear extremely conservative by maintaining a maximum of one-to-one gearing ratio between their subscribed capital and their obligations to bondholders, which reduces considerably the cost of borrowing—even though they have a much larger gearing ratio between paid-in capital and outstanding bond obligations. In effect, this amounts to an intergovernmental guarantee scheme that has worked

very well for more than five decades. Part of this success is owing to the prudent financial management of multilateral development banks and to their preferred creditor status, which ensures prompt and preferential payment by their borrowers.

While a similarly effective scheme does not appear to be in sight as we enter the 21st century, multilateral development banks and other development finance institutions are exploring other types of guarantees to reduce the risks of private investors in developing countries and transitional economies. In addition, investment banks are joining forces with multilateral institutions to raise investment capital for specific sectors, particularly infrastructure. In parallel, private firms in the more advanced emerging economies that are able to attract private capital flows will also expand their access to the stock markets of industrialized nations, usually with the help of private investment bankers.

Some kind of automatic resource mobilization mechanism is likely to emerge during the next two decades, at least on a pilot basis. The large potential benefits and the small costs of such schemes provide a strong argument for their implementation, despite the resistance to 'international taxes'. Much work has been done on the feasibility of the "Tobin Tax" on international capital movements. More recently a "Bit Tax" on international electronic commercial and financial transactions has been suggested. Such schemes should be first tried on a limited basis involving voluntary agreements between private firms, government agencies, international institutions and civil society organizations at the regional level. Similarly, another interesting possibility is an international "Gene Tax," which would be levied on the profits made by international agricultural and pharmaceutical firms through the sale of products that incorporate genes from developing country organisms.

Development financing initiatives involving tradable permits in the environmental protection field are also on the table. The most notable of these, which I have already mentioned, is the "Clean Development Mechanism" agreed at the Kyoto Conference of Parties to the United Nations Convention on Climate Change, which will allow developing countries to sell their unused carbon dioxide emissions rights to countries and firms that exceed their allowances. Debt swaps and debt forgiveness by bilateral and multilateral agencies will also play an increasing role in development finance, especially for the poorer countries. There are also discussions about creating regional and national trust funds through donations from private corporations, developed and developing country governments, foundations and wealthy individuals.

Fourth, the rich countries must renew their commitment to revitalize international cooperation for development.

Among other things, this commitment means reversing the declining trend in ODA that has prevailed since the late 1980s, particularly in the case of large

donors such as the United States and Japan, whose performance is well below that of other developed countries measured in terms of development assistance as a percentage of GDP.

Together with the United Kingdom, Canada is poised to play a leading role in the revitalization of development cooperation as we enter into the 21st century. Prime Minister Jean Chrétien's statement in late 1999 signaled in no uncertain terms that Canada, the country that scores highest in the United Nations Human Development Index, has a special mission:

We are a fortunate country. We are an affluent country. Our fiscal house is in order. We are able now to make choices in accordance with our values. We have an obligation to do our part to help those who are very poor. This is our obligation to our fellow human beings. And this, too, is the Canadian way. Therefore, we will increase our international development assistance. And we will concentrate the growth of our assistance to enable Canada to work in innovative ways to help other less fortunate countries improve life for their citizens (response to the Speech from the Throne to the Canadian Parliament, October 13, 1999).

But, as the Prime Minister stated, renewing a commitment to international development cooperation implies more than increasing resources. It also involves exploring new avenues to assist poor countries. Our turbulent times require innovation and creativity to avert dangers and take advantage of opportunities.

There is a strong and important precedent for Canadian leadership in this regard. Thirty years ago the creation of the International Development Research Centre (IDRC) was a tangible expression of Canadian willingness to chart a new course in development assistance. Anticipating the emergence of what we now call the "knowledge society", IDRC sought from the beginning to build science and technology capabilities in the developing countries. The aim is illustrated in the address given by the first President of IDRC, David Hopper, to the inaugural meeting of its Board of Governors:

We seek to apply science directly and through research to the needs of development, and to help in creating in developing regions a capacity that will enable them to bring to bear the methods of scientific inquiry to the solution of their own problems.

...

I suggest that wherever possible it be our aim to involve several institutions and countries, and to tie the supported research and training activities of the cooperating parties into a true

collaboration that weaves an international net....

We must strive to involve directly in our programmes the personnel and institutions indigenous to the developing regions. The collaborative partnerships we form will transfer to our associates in the developing regions full responsibilities for their portion of our joint endeavors. Our aim must be the creation of local capabilities to foster development through the application of science to create new, or adapt older, technologies to solve local problems (October 1970).

Based on these principles stated 30 years ago, and in spite of resource limitations, IDRC has been one of the most successful and creative institutions of the development cooperation experiment. Perhaps it is time not only to expand significantly the resources allocated to this institution but also to continue exploring new institutional arrangements and programs to assist developing countries make the best possible use of the explosive growth in scientific and technological knowledge.

A new perspective: "radical but incremental"

Everything I have said in this lecture calls for a new perspective on the restructuring of international cooperation for development. This perspective should transcend the opposites of gradual evolution and radical break, combining the two in a radical but incremental approach. The challenge faced by all of us who believe in international solidarity is to articulate a compelling vision of what development cooperation should become, and to design and put in practice initiatives that will take us there. This is the only way in which we shall be able to initiate a process of innovation —what Joseph Schumpeter (1978) called "creative destruction"— to transform development cooperation to suit the new spirit of our times and to meet the challenge of international development in a new century.

However, because of the time involved in reflecting on our experience and in transmitting what we learn to the next generation of leaders and policy-makers, we risk confronting the problems of the 21st century with the outmoded mindsets of the Short Twentieth Century. Most political authorities, policy makers and business leaders have acquired their knowledge and experience during the Cold War, some of them during the Golden Age of prosperity and others during the Crisis Decades. The Cold War disappeared with surprising swiftness, the Golden Age is long past, the Crisis Decades still bewilder us, and we are beginning a long and uncertain journey into the post-Baconian age. If we are to enter the 21st century with surety and aplomb, we must assimilate the lessons of experience, but we must also unlearn the habits of thought that constrain our perceptions and limit our capacity to apprehend new realities.

This is not an easy task. The transformation of development assistance is taking place in a turbulent field, configured by uncertainty and instability, paradox and ambiguity. In such a situation there is no time for leisurely academic research aimed at improving the performance of development cooperation institutions. It becomes necessary to learn while doing and to engage in real-time policy-oriented inquiries. Organizational structures, procedures and practices must be monitored, evaluated in light of results and adjusted as new circumstances emerge. Strategic planning needs to be integrated with day-to-day management to reduce lags in adaptive behaviour, and development organizations of all kinds must become inquiring and learning systems. The international development cooperation community, with all the agencies, organizations and institutions that belong to it, must renew its thinking and its practices to suit the new spirit of the times. To achieve this renewal we need men and women with the foresight and commitment of the Canadian for whom this lecture series is named, David Hopper.

ANNEX

A Fractured Global Order

As we enter the 21st century, an accelerated, segmented and uneven process of globalization is underway. The worldwide expansion of productive and service activities, the growth of international trade, the diminishing importance of national frontiers, and the intensive exchange of information and knowledge throughout the world all coexist with the concentration of 'global' activities in certain countries, regions and even neighbourhoods, as well as within certain firms and corporations. Table A-1 presents a list of the main changes and trends prevailing in the international context at present.

Table A-1

Summary of the main features of the emerging fractured global order

<i>International Security in a post-bipolar world</i>	<ul style="list-style-type: none"> ▪ End of the Cold World and demise of East-West rivalry. ▪ Virtual elimination of the threat of an all-out nuclear war and of conflicts based on Cold War ideology. ▪ Emergence of new security concerns: environmental conflicts, terrorism, drug traffic, international crime syndicates, proliferation of chemical and biological weapons, proliferation of small scale nuclear devices. ▪ Erosion of the power of nation states as political units (both from below and from above). ▪ Increase in number and intensity of regional conflicts (ethnic, religious, over resources). ▪ Larger role for international and regional institutions, particularly the United Nations, in maintaining security.
<i>Economic and financial interdependence</i>	<ul style="list-style-type: none"> ▪ Rapid growth and globalization of financial markets. ▪ Changes in trade patterns: shift of the content of trade in favor of high technology services and manufactured products, emergence of the North Pacific as the largest trading area, multiplication of regional trade agreements, growth of intra-firm trade, creation of the World Trade Organization. ▪ New situations in key countries (United States, Russian Federation, Japan, European Union, China, East Asian newly industrialized countries).

Persistent inequalities and economic uncertainty

- Persistent and growing disparities between industrialized and developing countries.
- Growing inequalities of income and opportunities within both rich and poor countries.
- Greater instability of the international economic system.
- Increasing concern and demands for better international economic governance

Social conditions

- Demographic imbalances (low growth and aging in rich countries vs. relatively high population growth in developing countries).
- Growing social demands (food, education, health, housing, sanitation) in poor countries.
- Unemployment: developing countries face the challenge of raising labour productivity while absorbing the growing number of entrants in the labor force; developed countries face structural changes in employment patterns and an aging work force.
- Widespread and growing social exclusion (gender, ethnic, age, poverty, education) in both developed and developing countries.

Environmental sustainability

- Greater awareness of the problems of resource depletion.
- Threats to environmental sustainability and appropriate resource use: poverty in developing countries; wasteful consumption in rich nations.
- Security also defined in environmental terms.
- Need for and development of environmentally sound technologies
- Acknowledgement of danger posed by global environment problems.

Culture, religion and ethical concerns

- Growing importance of religious and spiritual values.
- Rise of religious fundamentalism (Islamic, Christian, Hindu, etc.) as a driving force of economic, social and political actions.
- Conflict between cultural homogeneity and cultural identity as a result of globalization of mass media, communications and transportation.
- Growing importance of moral and ethical issues in equity and human rights issues.

Governance and spread of democratic practices

- Crisis of governance in high-income and poor nations (e.g. representation vs. efficiency, social demands exceed institutional capabilities).
- Political pluralism, democracy and popular participation have spread throughout most world regions.
- Rise of "authoritarian" or "illiberal" democracies in several regions.
- Redefinition everywhere of the roles of the public sector, of the private sector and of civil society organizations.
- Governance problems exacerbated by the social impact of economic policy reforms.
- Information technology having major impact on political systems and governance.
- Growing importance of social capital and of institutional development.

Knowledge explosion and knowledge divide

- Exponential growth of knowledge.
- Greater importance of knowledge as a factor of production; emergence of the "knowledge society."
- Changes in the conduct of scientific research: increasing costs, greater specialization, importance of information technology.
- Increasingly systemic character of technological innovation: more and greater diversity of inputs required; more actors involved.
- Change of techno-economic paradigm: from energy intensive (key factor: oil) to information intensive (key factor: microchip).
- Transformation of production and service activities by major advances in communications and information technology, biotechnology and materials technology.
- Extreme and cumulative inequalities in science and technology capabilities between industrialized and developing countries.
- Limited science and technology capacity of developing countries to face economic, social, political, cultural, environmental and knowledge challenges.

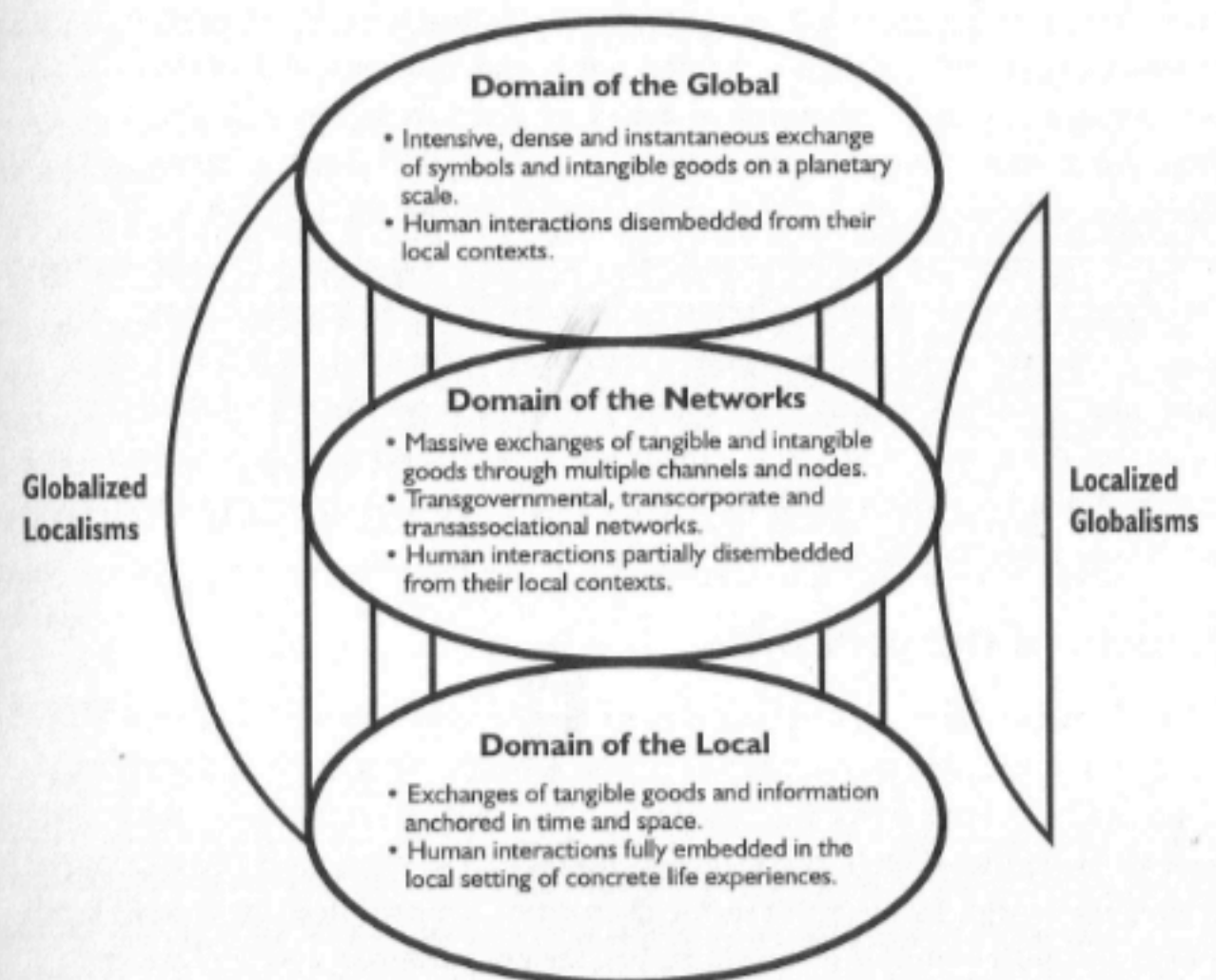
The simultaneous integration and exclusion of countries—and of peoples within countries—are two intertwined aspects of the multidimensional processes of globalization and fragmentation underway in our turbulent period of history, a time that is witnessing the emergence of a *fractured global order*. This is an order that is global but not integrated; an order that puts all of us in contact with one another, but simultaneously maintains deep fissures between different groups of countries and between peoples within countries; an order

that is benefiting a small percentage of humanity and segregating a large portion of the world's population.

The fractured global order can be conceptualized in terms of three closely interconnected and partially overlapping domains, each of which has its own specific features and ways of interacting with the other two. These are the domain of the global, the domain of the networks, and the domain of the local (Figure A-1).

Figure A-1

The three domains of the fractured global structure



Domain of the global

The *domain of the global* consists primarily of the intensive, dense and nearly instantaneous exchanges of symbols and intangible goods on a planetary scale, which are characteristic of the information age. Advances in communication and information technologies have freed our activities and interactions from the constraints imposed by our immediate and concrete experiences of time and space; we can restructure these activities and interactions almost at will in the abstract domain of the global. The separation of time and space from each other, and from their concrete experiential settings, are what make possible the domain of the global. Social relations are thus disembedded or lifted out from their local contexts, transformed into vast and complex symbolic arrays that represent myriad social interactions, and projected into the realm of the global where they become free to roam and intermingle in a rather fluid fashion.

Images, sounds and words that blanket the planet and quickly reach almost everywhere through mass media; cultural products and icons—music, movies, television programs, sports and fashion, ideas and concepts, and even aspirations and values—that link societies far apart from and virtually unknown to each other; and the enormous exchange of messages, data and information through telecommunication networks and the Internet—all of these are the stuff from which the domain of the global is made. In this domain, it is difficult to trace the paths followed by specific transactions because interactions take place at high speeds, are rather ephemeral, and can involve many agents simultaneously. The communication networks that sustain the domain of the global now allow human beings to converse with each other in a variety of many-to-one, one-to-many, and many-to-many patterns, something that was not possible until just a few years ago.

Domain of the networks

The *domain of the networks* consists of bewildering combinations of exchanges of tangible and intangible goods—trade in products and services, power and influence relations, transfers of data and information—which flow through many identifiable channels and nodes that interconnect social groups all over the world. Interactions in the domain of the networks involve all kinds of organizations—public institutions, private corporations and civil society associations—whose interrelations create a tangled web of overlapping and intertwined networks of networks. The domain of the networks is constantly transforming itself, as connections between its constituent units are established and severed, new channels and nodes are created and old ones destroyed, and as the network units mutate and evolve.

Transgovernmental, transcorporate and transassociational networks, together with the thick sets of relations between them, are the main types of structural

arrangements found in the domain of the networks. As the hold of nation states on international affairs has weakened during the last three decades, a host of new cross-border linkages between public agencies has emerged in full view. These *transgovernmental networks* involve regulatory agencies, executives, courts, armed forces and legislatures which now routinely exchange information and coordinate their activities (Slaughter, 1997, 183-197). *Transcorporate networks*, comprising multinational enterprises and private firms operating at the international level through wholly-owned subsidiaries, foreign partners, representatives and agencies, together with strategic alliances of all types, have long been an established feature of the international economic scene. In addition, various civil society organizations—ranging from citizens groups and professional associations to environmental and human rights activists—have now formed regional and worldwide alliances, thus configuring a new set of *transassociational networks* whose international weight has increased considerably. While states will continue to be the main unit for political decision-making in the fractured global order, the erosion of sovereignty is making them more porous and allowing transgovernmental, transcorporate and transassociational relations to proceed in an increasingly decentralized manner.

The social relations reflected in the combinations of tangible and intangible goods exchanged in the domain of the networks are both partially embedded in, and partially disembedded from, the time- and space-bound local contexts of interaction. Long in the making, the domain of the networks owes its present richness to the technological innovations in transport and communications of the last five decades, which have facilitated new and more intensive few-to-many, few-to-few, and few-to-one, as well as one-to-few and many-to-few, patterns of interrelation and communication between human beings.

Domain of the local

The *domain of the local* refers to those relations and transactions that are anchored in time and space. It is comprised primarily of the production, exchange and consumption of tangible goods and services, together with the corresponding information resources and personal interrelations that are necessary for human beings and social groups to exist and evolve. This domain has existed since the dawn of humanity, and the social relations reflected in its transactions and interactions are firmly embedded in our concrete living experiences.

In the domain of the local, where most of our daily lives unfold, transactions are relatively easy to trace and the prevailing patterns of interrelation and communication between human beings are one-to-few, few-to-one and few-to-few exchanges. This domain contains the extraordinarily rich range of

face-to-face interactions between individuals that allow us to convey to each other, not only information about things, but also feelings, emotions, aspirations and values, all of which help define our humanity and, on an individual level, our unique character.

The overlap among all three domains

As these three domains overlap, we can identify social interactions located in the interfaces between them. For example, financial transactions which take place on a global scale, as well as money that never rests and moves constantly throughout the world's financial channels and hubs, straddle the domains of the global and of the network. Point-to-point trade in goods and services which initially requires localized production, which follows clearly identifiable routes, and which ultimately involves localized consumption, spans the domains of both the local and the networks.

In addition, some activities circumscribed in time and space can rise from the domain of the local, be processed and leveraged through the domain of the network, and reach the domain of the global (e.g. American English as the Internet language; tastes for Chinese food and Brazilian music; Western market economy concepts and policies typified in the so-called "Washington Consensus"; designs derived from local cultures from developing regions). The reverse happens more frequently, as interactions that take place in the domain of the global filter down through the domain of the networks and reach the domain of the local (e.g. the tourist and travel industries focusing on countries and regions with rich historical heritages; the technique of music videos used to present local compositions and talent; highly mobile financial assets invested in medium and long term projects in a specific location). Boaventura de Sousa Santos (1995, 263) calls the former "globalized localisms" and the later "localized globalisms" and points out that in the context of a highly asymmetric fractured global order, the rich or "core" countries specialize in globalized localisms, while the poor or "peripheral" countries are left primarily with localized globalisms.

In economic terms, the domain of the local comprises what are known as non-tradeable goods, such as personal services, retailing, local transportation and heavy goods with high transport costs. The domain of the network comprises all types of tradeable goods, services and information that can be transported and exchanged over relatively long distances. And the domain of the global includes what may be called hyper-tradeable goods and non-personal services, which can be sold, bought and transferred in a nearly instantaneous fashion all over the world, many of which (currency trading, for example) are exchanged at a frenetic pace.

The three domains: entry into a post-Baconian age

The emerging fractured global order and its three domains are characterized by multiple fault lines of political, economic, social, environmental, cultural, scientific and technological nature. These faults overlap partially and often shift direction. They sometimes reinforce each other and at other times work at cross purposes. The overall picture they paint is one of turbulence and uncertainty in which various contradictory processes open up a wide range of opportunities and threats that defy established habits of thought. Integration and exclusion coexist uneasily in all domains and aspects of the fractured global order. Historically, this turbulence characterizes periods of profound and fundamental transformations, such as the Renaissance and the transition we are now embarked on toward a post-Baconian age (Sagasti, 1997).

It has been argued that the fractured global order has long been in the making, as far back as the 16th century, with the first wave of Western European capitalist expansion. There is ample merit in tracing the historical roots of the fractured global order over several centuries—most notably to balance the lack of historical awareness of some analysts who view it as a relatively recent phenomenon.

Yet, while fully acknowledging the importance of a centuries-old perspective of globalization, I would argue that the processes of accelerated political, economic, social, environmental, cultural, scientific and technological change that have unfolded since World War II—and which have rapidly acquired a planetary character—are creating a new setting for the evolution of interactions among the world's peoples. In contrast with previous bursts of globalized exchanges, all of which took place within the framework of the Baconian program, the emerging fractured global order is deeply embedded in the transition process to a post-Baconian age and is also significantly affecting the character of this transition. Among other things, this transition demands a reinterpretation of progress and development, particularly in view of the fundamental changes in our conceptions of the human condition.

An adjustment of mindsets

The multiple processes that are giving birth to a fractured global order are ambiguous, contradictory and inconsistent, and consequently they generate widespread confusion and uncertainty. It is necessary to dispel the notion that the various forces at play in the three domains of the fractured global order all point in one general direction, either positive or negative. Each force, and any combination of them, can produce 'good' and 'bad' results depending, among other things, on the perspective from which they are viewed, the structure of power relations in those domains and aspects of the fractured global order under consideration, and on the capacity of developing countries and regions to

design and carry out strategies for overcoming their disadvantages.

In any case, transforming perceived 'bads' into 'goods' within the framework of the fractured global order requires a perspective that highlights opportunities and an ability to design and put into practice strategies to take advantage of such opportunities. A major adjustment of mindsets will be required to fully exploit the room for maneuver offered by the turbulent context of the emerging fractured global order. For example, many dichotomies that were deeply embedded in our habits of thought until recently—competition vs. collaboration, market forces vs. state intervention, democracy vs. authoritarian rule, global actions vs. local solutions—are losing their sharp edges as contradictory forces appear to converge and reinforce each other at specific times and places. Corporations that compete fiercely in some markets form strategic alliances in others, government guidance and regulation are required to make markets work effectively, authoritarian rule coexists with free elections and a free press, and "think globally, act locally" solutions are now part of mainstream thinking and policy making, especially in environmental matters.

Hans-Henrik Holm and Georg Sorensen suggest that "uneven globalization is best conceived as a dialectical process, stimulating integration as well as fragmentation, universalism as well as particularism, and cultural differentiation as well as globalization" (1995, 6). Yet rather than a *dialectical process*, in which one thesis and its antithesis lead to a synthesis which is then transformed into a new thesis, the multiple trends that constitute the fractured global order could be better characterized as a *set of paradoxical processes*, in which inconsistent and contradictory trends coexist without prospects of resolution, at least in the near future. Changing circumstances may even turn these contradictions into convergences and coincidences. Moreover, events may take an unexpected turn in a turbulent environment. Consequently, social actors that lack influence in a stable context may end up shaping the outcomes of the multiple processes that are now unfolding in the world scene.

Addressing development issues within the fractured global order

The conceptual framework of the fractured global order does not postulate the existence of an overall coordinator that decides on the course of the contradictory processes of globalization and fragmentation. Nor does it allow for the existence a conspiracy to exploit and debase the majority of the world's population that are negatively affected by these processes. As has been the case throughout history, nobody is in charge of the turbulent processes that are creating a few winners and many losers. The various interconnected systems that make up the three domains of the fractured global order run according to their own logic, and those of the interactions between them. While this is no

consolation to those who experience the anxieties and the pain associated with the transition to a new world situation, it does suggest that the first task to confront the threats of the fractured global order, and to take advantage of its possibilities, is to understand the multiple driving forces of its various domains and components, their changing nature, and the logic that animates them. Only then will it be possible to design strategies and policies to improve the condition of the excluded and marginalized.

Nevertheless, the inexistence of a *deus ex machina* to control the processes leading to the fractured global order does not mean they lack an overall direction. This direction emerges from the prevailing pro-market and anti-state way of thinking in the late 20th century. It is leading, albeit in jagged and paradoxical manner, towards both greater integration and fragmentation in all realms of human activity. Moreover, those who benefit from such state of affairs (primarily private firms and individuals associated with highly mobile capital and knowledge resources), exert a dominant influence in the world's centres of political power. They also appear determined to thwart any efforts to slow the pace of globalization, and even to reflect on where we are now and to explore whether the emerging fractured global order is where we want to be.

The processes leading to the emergence of the fractured global order can be appropriately characterized through the metaphor of the "juggernaut" that Anthony Giddens uses to describe the process of modernization:

...—a runaway engine of enormous power which, collectively as human beings, we can drive to some extent, but which also threatens to rush out of control and which could render itself asunder. The juggernaut crushes those who resist it, and while it sometimes seems to have a steady path, there are times when it veers away erratically in directions we cannot foresee. The ride is by no means wholly unpleasant or unrewarding; it can often be exhilarating and charged with hopeful anticipation. But so long as the institutions of modernity endure [we would substitute 'fractured global order' for 'institutions of modernity'], we shall never be able to control completely either the path or the pace of the journey. In turn, we shall never be able to feel entirely secure, because the terrain across which it runs is fraught with risks of high consequence (1990, 139).

The main responsibility for finding ways to improve the living conditions of the developing countries and regions that have, so far, not benefited from (and even been harmed by) the globalization juggernaut lies squarely on the shoulders of the leaders in these countries and regions. But they cannot do that by railing against the forces that shape the fractured global order. The real

choice is not how best to fight globalization, but rather how to govern and manage it. Perhaps the juggernaut metaphor should give way to the metaphor of surfers who ride huge waves and safely reach the shore. They cannot control the complex and powerful movements of the waves, but they can guide themselves to take advantage of the slightest changes in the direction of the sea currents and the winds. Surfers may even be allowed to hold the illusion that they are 'steering' the waves to make them reach the shore.

However, even the most determined and well-designed efforts of individual countries and regions will yield no results if the international context remains heavily biased against them. Thus, the international communities of nations, corporations and civil society associations have an important role to play in removing constraints and creating favourable conditions for those who embark in the uncertain road towards development, whatever meaning we may eventually give this word as we move into a new century and into the post-Baconian age.

A final challenge ...

Perhaps the most important challenge faced by the international community in the transition to the 21st century is to prevent the multiple fractures that span all the domains of the emerging global order from creating self-contained, partially isolated pockets of mutually distrustful peoples, ignorant and suspicious of each others' viewpoints, aspirations, potentials and capabilities. It is essential to prevent these fractures from creating inward-looking societies—both between and within rich and poor nations—that relate to one another only through symbolic links forged by mass media or through narrowly circumscribed economic transactions, and that interact in ways that threaten human and environmental security. Meeting this challenge requires a commitment to build bridges across the multiple fractures of the emerging global order. In particular, we must prevent the knowledge fracture from leading to a world with two distinct and diverging civilizations, so as to give all human beings—both individually and collectively—the opportunity to realize their full potential.

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