

Conference Report

The Centre for International Governance Innovation

March 5th - 6th, 2005

Introduction

In March 2005, graduate students from McMaster University, Queen's University, University of Toronto, University of Waterloo, Wilfrid Laurier University, and University of Western Ontario gathered at The Centre for International Governance Innovation to discuss both the practical and theoretical challenges involved in international development. The two day conference produced both frank and stimulating discussion and debate among panelists, discussants, and students.

Sponsored in part by the World Bank outreach programme, the two day conference gave graduate students a chance to put their theoretical knowledge to the test. The questions posed to the panelists included 'What is International Development?', 'Who are the Actors in Development?', 'What Works and What Doesn't?', 'How Useful is Trade for Development?', and 'What influences World Bank policies?'. The answers to these difficult questions were not always easy or straight forward. Students challenged World Bank staff, development practitioners, and academic experts. In turn, students were challenged by a simulated case-study in development. In this exercise, students represented Ugandan stakeholder groups trying to develop a Poverty Reduction Strategy Paper (PRSP), a national development plan that would lead to World Bank financing.

In the first panel, 'What is International Development', the three panelists highlighted the divergent views on development, particularly on how to measure, assess,

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and determine positive outcomes. Speakers noted both contemporary and traditional philosophical debates about how to measure human progress, and how important political factors were to developing countries' national debates. The first panel raised important academic issues, but also noted the challenges faced by development practitioners in determining how to measure their own progress.

In the second panel, 'The Actors in Development', panelists from government, academia, non-governmental organizations, and financial institutions presented their perspective of the development process. One of the glaring points made by the panelists is that currently private financial loans account for a greater percentage of development aid than either multilateral or bilateral foreign aid. The need to better understand the market fundamentals of private financial lending was made apparent. Finally, the Canadian Department of Finance official further highlighted the fact that bilateral foreign aid rarely goes to countries in greatest need, but rather fulfills a geostrategic or political goal.

In the third panel, 'What works and what doesn't and why', panelists discussed general areas of development success and noted development failures. Overall, it was argued that projects better succeeded when implemented at a microlevel. Avoiding both grand macrolevel projects and using macrolevel socio-economic indicators was advised. That said, development practitioners noted the need to encourage economic trade, particularly at the local level.

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Summary of Panels 1 and 3 by: Nigmendra Narain and Lisa Evans
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Summary of Panels 2, 4 and 5 by: Edgar Cudmore
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In the fourth panel of the two day conference, 'Developing Country Access to Foreign Markets', panelists discussed how increased trade can benefit developing countries, as well as the economic and political impediments to increased trade. That said, panelists and conference participants debated the interlinkages between increased trade and increased development. Caution was raised to not equate development with increased trade.

The final panel, 'What Influences World Bank Development Policy?' provides an understanding of the multitude of stake holders involved in the institutions and policy-making process.

The Graduate Student Conference on International Development was a great success for both students and conference panelists. Students did not always get the answers they had expected, but were challenged to think about development in terms they had not previously considered. Similarly, development practitioners and academic experts were challenged to re-engage in theoretical and philosophical debates. While all participants left with a sense of not having all their questions answered, particularly on how to create a positive development outcome for the billions living in poverty and underdevelopment, there was a greater appreciation for the difficulty in coming up with a simple answer. As further elaborated in the following sections written by conference participants, the issues raised remained complex and yet vital to understanding human progress.

Panel #1: What is International Development?

To open the Conference, three distinguished speakers addressed the question: "What is International Development". In different ways, Dr. Roy Culpepper of the North-South Institute, Dr. Susan Horton of Wilfrid Laurier University, Dr. Stephen Commins of the International Bank for Reconstruction and Development (World Bank), and Allan Sauders of the Mennonite Economic Development Association explored this question by raising various theoretical, policy, application, and ethical issues. Most importantly, their remarks encouraged the Conference participants to keep an open mind and consider different vantage points in this important debate.

Culpepper framed his talk with two key points. First, while there is broad agreement on what is development, there were divergent views on how to achieve it.

Development is generally considered a process for increasing the well-being of society and the individual, and improving the economic and political system. This conception draws primarily from the works of Amartya Sen and Maqbul Huq. In particular, Sen's ideas of freedom from want, and freedom to live decently and reach one's potential, create a framework which moves beyond economic approaches to development and includes human rights, gender, ethics, etc. The consensus on development has congealed in the United Nations Development Program (UNDP) reports (begun by Huq), the Millennium Development Goals (MDGs), and the Sachs report. However, as Shanta Devrajan of the World Bank has pointed out, good development policies are not universally applicable, and have to be contextually developed. What works in Africa, may not work in South Asia because certain factors, such as governance or health issues, may be less relevant or even irrelevant. Consequently, there is less agreement on what are the necessary conditions for development. Second, there is a critical need to move beyond current debates in development and to encourage domestic support for ownership, control, design, etc., of development projects. Increasing development aid or projects is not enough without an expansion of the policy space, that is, the space to create innovative, contextual, and suitable policies. This policy space has to allow for both exercising of local ownership of development strategies and also the freedom to adopt heterodox policies. Currently, this does not exist. Indeed, developing states exercise self-censorship knowing the US will only accept certain policies with minor deviations from the Washington Consensus. This is in spite of Oxford University's Hajoong Chang's analysis showing the development policies pursued by the First World states sharply contrast the approach prescribed to the Third World. Overall, it is clear that while there is broad agreement on the outcome sought, there is limited agreement on how to get to those outcomes.

From there, Horton remarks analyzed how international development goals are set and assessed. Whether discussing measures such as Gross Domestic Product, Purchasing Power Parity, or Human Development Indicators, the greater issue is whether goal-setting works and is it testable. For example, while child immunization, salt iodization, and eradication of polio — specific goals and sometimes country-specific programs — have succeeded, broader goals, such as the Jubilee Debt initiative and the goal of 0.7% of GDP for aid, have failed. Specifically, measuring the MDGs is a particularly interesting case because a number of issues make measurement difficult, such how to assess the

environmental goals. In particular, while the Sachs project and Davos discussions have sought to harness political support for the ‘invest in development’ mantra, this approach faces major problems in evaluating and assessing success. The main problem is that private enterprise criteria are used to measure success – not human development criteria – and so claims to success may be economically sound but may not hold when applied to measures of human development. Thus, it is not surprising that

private enterprises are developing parallel organizations, such as the Bill and Melinda Gates Foundation, which waste money on start up costs, running parallel operations, etc., instead of supporting existing institutions, such as the UN, which remain starved for funding.

This multiplication of organizations results in less coordinated, less effective results, and less money available for development. In the end, the problem is that development goals are usually revised downward in order to claim they have been achieved. Overall, goal-setting and goal-measuring in development needs to be critically assessed to understand what is actually occurring and what is really succeeding.

Commins’ comments discussed the five key issues which frame development for the practitioner. First, the time-frame for development projects is usually too short. Second, many diverse perspectives exist but a decision has to be made as to which one to use to frame development. Third, moral dilemmas arise and need to be addressed. Fourth, conflict is part of the human condition, and thus development also involves sorting through conflict and conflicting approaches, plans, etc. Fifth, life is contingent and so is development, which is a complex set of social (life) problems not just a set of outcomes.

While these issues frame development and must be considered, there are four problematic issues which hinder the practitioner from developing better development policies. First, the use of the ‘biological process’ metaphor is problematic. Second, the commonly used Marshall Plan analogy is the wrong historical analogy because the current historical context of developing states is vastly different. Third, state development is itself a problem

especially when social movements and civil actors cannot turn to the state, or have to operate in spite of or against the state. Fourth, Western prescriptions are themselves problematic when they are based on Western experiences and then exported; the combination of growing debt and stagflation in the West led to neoliberalism as the response, but the subsequent exporting of neoliberalism to the Third World has created many issues and problems because Third World

states did not have the economic, political or social systems to cope with the economic and political changes. Consequently, many others are developing a different view of development. In particular, they realize the ‘get the crisis right’ approach has proven

ineffective. However, the problem of the ‘Leninist extinction’ — that is, there is no systematic alternative to neoliberal capitalist globalization — results in international development being conceived as a subset of ‘globalization’ — a term coined by the Organization for Economic Cooperation and Development (OECD). As well, the development and power nexus is under-explored because development needs to be understood politically. As with the World Bank’s view, often the view is that development is not about politics but getting the economic system right. In reality, however, there is a need to understand power issues involved in and affecting economies, societies, and development. So what lessons can be learned?

1. There are no shorts cuts and development is a long-term commitment.
2. Avoid the ‘pyramid of sacrifice’ which disproportionately requires sacrifices by the poor to make projects work.
3. While transparency is necessary, it will make development more complex (and slower) as it opens up the process to greater accountability and scrutiny.
4. Development has to engage the moral debates such as the right of cultures, rights that conflict, human rights, and other big issues.
5. There is a need to ask better questions – not find better answers – in order to create, assess and better development policies.
6. Information gathering and dissemination has to increase, coupled with an understanding that

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solutions from the high ground will likely not solve problems on the ground.

Overall, one can develop a framework for international development and its practical application but one also has to assess critically such a framework's limitations and revise accordingly.

Sauder's remarks closed the panel with a specific discussion of how the Mennonite Economic Development Association (MEDA) works with local people to help them develop local production and marketing strategies, and connects them with globalization. Through a capital fund for the poor, MEDA provides micro-finance funding and consultant services to the local entrepreneurs. There are three elements to the MEDA process.

First, there is a spiritual dimension to development but the MEDA program includes individuals from various spiritual backgrounds. Second, economic development is a basic necessity. Everyone needs access to jobs and economic development. Indeed, people will invest in their own civil society and entrepreneurs if given the choice to do so. For example, MEDA assisted Bolivian farmers to turn to a bean crop which eventually became a key lucrative export to Brazil; this was soon followed by increased domestic consumption, resulting in their incomes doubling and tripling; and, consequently, the farmers were able to increase their standard of living through greater access to housing, education, etc. Third, there needs to be an adequate enabling environment. Globalization affects everyone and provides the context for development. This means the focus needs to be on international trade issues which are more important than international development projects because they create a sustained process for growth. Overall, MEDA's approach and programs are successful examples of local-driven, externally-assisted development projects linked into the current system of globalization.

Q&A

Many questions and responses were taken during the discussion of which three will be highlighted here. One questioner asked how does one pursue development in conflict areas? One path is to foster processes of cooperation; development is not just economic activities and grievances but also involves promoting cooperative

inter-relationships, especially in conflict. Another issue is the need to take a historical perspective; for example, in the late 1800's, the US would have been a large, undeveloped, failed state, but history is longer than one conflict so a long-term perspective needs to be taken. Another questioner asked how much 'policy space' is there in development? For large, powerful states, such as China, India, or Indonesia, there is space and they may dictate the terms, but smaller, marginalized states need more space and need champions, like the proposed L20 or G20 Trade Group, to push for this policy space. Another issue is to identify enduring patterns from

temporary phenomena and exuberance; for example, the 'Asian values and development' debate went from 'not necessary' to 'necessary' to 'not necessary' so there is a need to be more understanding of enduring elements and issues. Finally, a question was asked about what to do to assist those who

are the 'losers' in globalization regardless of development efforts? Listen to them. While the World Bank and International Monetary Fund (IMF) have increased their social impact studies and now develop national projects to help protect the 'losers' – when losers get poorer or the poor become losers, they may cause economic, social and other problems – it is also very crucial to engage with and listen to these groups. In conclusion, the panel and the questions which followed opened the Conference to a tone of openness, willingness to exchange ideas, critical analyses, and dialogues on different approaches to the question of 'what is development?'

Panel #2: The Actors in Development

Who are the actors in development? Fundamentally, everyone who has an effect on development is an actor to some degree. And whether it is paying taxes to a government with a program of foreign aid, making a donation to an NGO, buying imported products or traveling to a developing country, in this integrated world it is impossible to shelter yourself completely from other countries and equally impossible to shelter other countries from you. However, while everyone may technically be an actor in development, there exists a subset of individuals and organizations that have specific agendas towards providing development aid. All that is required for these individuals and organizations

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Table 1: The Make-Up of Development Assistance

Type of Aid	1970	1980	1990	2000	2001	2002	2003
Official Flows	50.98%	44.01%	81.03%	37.03%	51.00%	81.67%	64.40%
of which							
Bilateral	80.29%	71.29%	75.60%	68.76%	71.49%	78.62%	76.68%
Multilateral	19.71%	28.71%	24.40%	31.24%	28.51%	21.38%	23.32%
Private Flows	44.60%	52.83%	12.49%	58.34%	42.87%	8.18%	27.02%
Grants by NGOs	4.42%	3.15%	6.48%	4.62%	6.13%	10.15%	8.57%
Total Flows (millions of 2003 dollars)	84441.02	141715.61	97135.42	170180.22	133716.02	93196.19	119234.73

Source: OECD development assistance committee online data set

to be in the business of providing development aid is a strong desire to see development take place and the resources to make it happen. This desire to help can originate in any number of ways, from purely self-interested to purely altruistic and be with respect to everything from general development to a single aspect of development. These differences in “raison d’être” (and also resource base) lead to massive differences in institutional design and agenda. Not surprisingly, large multilateral institution like the World Bank, which has a large resource base and wide agenda, will approach problems differently than a single issue NGO. Furthermore, since there is no consensus on how best to provide development aid (or what development is for that matter) a large patchwork of overlapping heterogeneous actors has come into existence. These actors are constantly adjusting their policies and goals to address the needs of developing countries as perceived by the donor institutions and the national politics and theories that drive them.

Development organizations are normally categorized broadly into three groups; multilateral organizations with large country memberships, bilateral organizations for individual donor countries and civil society composed of non-state actors. The big multilateral institutions, like the United Nations, the World Bank and the IMF, are normally perceived to be the most important actors in development. However, as Table 1 shows, in recent years donor countries allocated roughly three times as much official aid to their bilateral agencies as they allocated to multilateral agencies. A parallel misperception

is that while official flows from nations are normally perceived to be the most important source of development aid, in fact, private aid flows along with grants from Non Governmental Organizations (NGOs) are of similar magnitudes.

Despite being responsible for a relatively small amount of total development assistance, the large multilateral institutions have the appeal of having a global development mandate. They are transnational institutions that (should) have both the financial and technical resources to address all facets of development at the same time and at a scale that can have real impact in developing countries. However, their size and their range of activities also necessitates a large amount of bureaucracy, which can lead to inefficiencies and the institutions being slow to adjust and react to new realities. And even though nearly all countries are members, the organizational reality of these institutions is that a few developed countries dominate them. The IMF and the World Bank, in particular, have in the past been accused of pushing controversial policies on developing countries, resulting in a public backlash and regular mass protests.

Of the three major multilateral aid providers, the United Nations (UN) has the widest mandate. Originally founded after the Second World War the UN was supposed to maintain international peace and security, develop friendly relations among nations and promote social progress, better living standards and human rights. UN has several programs that promote development as a means of achieving peace. These programs include;

the UN Development Program (UNDP) that provides grants to help countries attain their Millennium Development Goals, the UN Children's Fund (UNICEF) that provides aid for immunization, primary health care, and education of children and the UN Conference on trade and development (UNCTAD) that assists countries in developing exports. The Millennium Development Goals outline an ambitious development agenda which includes halving extreme poverty by 2015, however with a budget of only 3 billion US\$ in 2004 (up from 2.2 billion in 2000) the UNDP is severely under-

funded, no doubt limiting its assistance to countries in achieving their MDGs.²

Affiliated, as a specialized agency to the UN, the World Bank group is made up of five separate agencies including the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The IBRD emerged from the Bretton Woods agreement in 1944 with the task of helping to rebuild Europe after the Second World War.³ With that objective complete it now focuses primarily on long-term

Table 2: A Breakdown of Official Aid Flows by Country in 2003

Donor Name	Bilateral Development ODA	Multilateral Development ODA					Total Multilateral ODA	Total Official Development Aid (ODA)	ODA As Percentage of GNI
		To United Nations	To World Bank	To European Commission	To Regional Banks	To Other Agencies			
Australia	974.54	51.14	90.95	0.00	68.92	33.05	244.06	1218.60	0.25
Austria	228.47	20.98	42.25	169.00	27.42	16.66	276.31	504.78	0.20
Belgium	1468.18	45.12	0.29	282.36	24.15	33.29	385.21	1853.39	0.60
Canada	1347.62	173.22	164.37	0.00	101.81	243.76	683.16	2030.78	0.24
Denmark	1031.59	290.44	76.68	146.06	57.18	146.21	716.57	1748.16	0.84
Finland	308.72	78.05	35.49	108.06	14.76	13.41	249.77	558.49	0.35
France	5213.34	169.17	293.40	1311.01	155.56	118.38	2047.52	7260.86	0.41
Germany	4059.79	299.48	491.05	1603.58	146.19	194.13	2734.43	6794.22	0.28
Greece	228.26	6.64	4.20	115.52	0.00	7.54	133.90	362.16	0.21
Ireland	351.74	55.74	11.69	73.16	0.00	11.24	151.83	503.57	0.39
Italy	1061.27	207.43	37.60	942.43	33.47	150.65	1371.58	2432.85	0.17
Japan	6334.23	865.66	916.50	0.00	480.24	283.02	2545.42	8879.65	0.20
Luxembourg	149.63	11.31	7.08	19.17	2.40	4.24	44.20	193.83	0.81
Netherlands	2950.65	383.92	270.08	249.99	59.07	67.40	1030.46	3981.11	0.80
New Zealand	129.16	14.42	7.06	0.00	5.75	9.05	36.28	165.44	0.23
Norway	1461.99	360.25	122.91	0.00	71.61	25.40	580.17	2042.16	0.92
Portugal	182.46	8.07	10.83	88.39	24.39	5.46	137.14	319.60	0.22
Spain	1151.35	61.32	75.67	525.16	84.95	62.81	809.91	1961.26	0.23
Sweden	1779.37	231.21	0.00	122.82	133.19	133.52	620.74	2400.11	0.79
Switzerland	944.75	103.97	135.18	0.00	65.89	49.70	354.74	1299.49	0.39
United Kingdom	3861.38	345.65	770.46	1077.54	128.98	133.52	2456.15	6317.53	0.34
United States	14593.54	921.37	877.52 ⁴	0.00	47.74	699.87	2546.50	17140.04	0.16
Other Donors	9465.17	188.35	336.59	4.11	46.65	339.97	915.67	10380.84	0.78
All Donors	59277.20	4892.91	4777.845	6838.36	1780.32	2782.28	21071.72	80348.92	0.27

Source: The data for this table is taken from the OECD developing assistance committee online data set.

² UNDP Annual Report for 2004, www.un.org

³ For a full history of the Bank and the Fund see Anne Krueger (1998) "Whither the Bank and the Fund?", Journal of Economic Literature, vol. 36, pp. 1983-2020.

⁴ The United States contribution to the World Bank is recorded to be \$1.62 million in the 2003 data and \$1,753.41 million in the preliminary 2004 data. As such I allocate half of the total 2003 and 2004 contributions to 2003, which the average 1992-2002 contribution of \$963.57 million.

development and poverty reduction by providing low-interest loans and guarantees to developing countries. The IDA, which was created in 1960 in response to the growing debt burden of developing nations, provides interest-free credit and grants to the world's poorest countries. The large number of professional staff at the World Bank also provides technical assistance to the borrowing countries.

The International Monetary Fund (IMF), which is also affiliated to the UN and originally formed during the Bretton Woods Agreement, is normally perceived to be a major development actor. This wasn't always the case. The IMF's main purpose upon creation was to be a lender of last resort to central banks in order to maintain the Bretton Woods fixed exchange rate system. Instead of

2 shows, individual countries vary widely in the amount of development aid that they provide. A few Scandinavian countries have been able to surpass the Lima target of 0.7 percent of Gross National Income (ODA/ GNI) goal set by the UN in 1975, but most countries are still well below this level of aid. Bilateral development agencies allow donor nations to target aid and avoid the bureaucracy of the multilateral agencies by creating an equally impressive amount of bureaucracy domestically. These agencies are often also subject to competing multiple interests from national political, economic and commercial interests. In the past much of this aid ended up being tied to imports of goods and services from the donor country, however a recent campaign by the OECD and the UN has reduced this practice as shown in Table 3.

Table 3: Untying the Bilateral Aid of the G7

	1980	1990	2000	2001	2002	2003
Total G7 Bilateral Commitments (\$ Millions)	17186.89	47157.6	16768.66	14534.19	15260.98	23456.19
Untied	41.11%	60.83%	79.86%	76.04%	85.88%	93.62%
Partially Untied	2.88%	6.39%	3.23%	3.79%	4.58%	1.08%
Tied	56.01%	32.78%	16.91%	20.17%	9.55%	5.30%

Source: OECD development assistance committee online data set

scaling back its operations after most developed countries decided to let their currencies float in 1971 the Fund has repurposed itself by giving new emphasis to the goals of enhancing economic growth and reducing poverty in the world's poorest countries. Despite having this development agenda and dealing almost solely with developing countries, the IMF does not officially claim to be an aid agency or a development bank; they simply provide loans to countries with balance of payments problems conditional on them making the stabilizing policy changes that will correct the problem.

In addition to being members and contributing to the large international institutions most countries also have bilateral development agencies that provide grants and loans for development projects around the world. In 2003 the G7 alone disbursed \$36.5 billion worth of bilateral official development aid.⁵ As Table

In addition to the official development aid providers, civil society organizations (CSOs) have become major providers of development aid. For example, the Bill and Melinda Gates foundation awarded \$1.182 billion worth of grants in 2003 focusing on global health and education.⁶ Comparing this amount to the official country flows reported in Table 2 reveals that there are only 15 countries with larger development budgets in 2003. Multinational corporations have also been active development actors lately with a trend towards creating Corporate Social Responsibility programs (CSRs); these seem to be especially popular to corporations who have been criticized for their activities in developing countries; two examples of this are Nike and Starbucks. As a whole, Non-Governmental Organizations (NGOs) provide

⁵ Source: OECD developing assistance committee online data set.

⁶ Bill and Melinda Gates Foundation website www.gatesfoundation.org.

roughly ten percent of all development aid. It is often the case that large NGOs like the Red Cross, CARE, OXFAM, World Vision, Amnesty International and the Christian Alliance are better resourced on some projects than the UN agencies with the same portfolio. In addition to providing aid, some CSOs have been influential in lobbying both national governments and development agencies using their large memberships.

The other side of civil society organizations is that for the most part they are single issue oriented and basically act as special interest groups, judging every issue by how it affects their particular cause.⁷ Furthermore, they must constantly campaign in order to expand their grass roots support often in competition with other organizations. This results in NGOs often focusing primarily on issues which are reported heavily by the media and neglecting less popular causes. Finally, the limited size of most NGOs reduce their ability to undertake large scale projects, which can result in NGOs being inefficient at providing some services.⁸

Aiding developing countries to develop the social and physical infrastructure necessary to attract direct foreign investment and make use of their large amounts of low wage labor should be the long-term goal of development agencies. While in times of crisis, aid is required to reduce immediate suffering, programs that emphasize handouts can create a dependence on aid. As a result most major institutions try to develop infrastructure and help in sectors like education and health where private capital is less likely to flow. In 2003 private capital flows to low and middle income developing countries totaled nearly 200 billion dollars (current US\$). However, only 21.5 billion of those private flows went to low-income countries indicating that development aid is still needed.

Development aid is provided by a heterogeneous mesh of overlapping institutions both public and private and directed from every level of society. With so many organizations providing aid there is no doubt that the resources currently being spent on development could

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be allocated more efficiently. However, while most organizations complain that there is a lack of coordination and too much duplication of services, few will agree to coordination and fewer still offer to disband themselves. Perhaps the development actor whose voice is most notably absent from this discussion is that of the developing countries themselves. While the multilateral institutions have moved towards “country ownership” of policy proposals, it is unclear how much real influence small developing countries have in the form of the development assistance that they receive.⁹ At the end of the day, the importance of the development actor seems to be directly proportional to their economic and political clout, leaving the small developing countries sadly low on the totem pole.

Panel #3: What works, what doesn't and why?

Panelists Dr. Jean-Jacques Dethier of the World Bank, Dr. Rohinton Medhora of the International Development Research Centre (IDRC) and Jerome Quigley of MEDA (Mennonite Economic Development Associates) discussed the lessons learnt in their development work, which development strategies have worked in their organizations, and which strategies failed and why.

Dr. Jean-Jacques Dethier, lead economist in the Development Economics Division of the World Bank referred to a 2004 World Bank document titled *Development and Poverty Reduction: Looking Back, Looking Ahead*, and highlighted key points that are essential for students and practitioners interested in understanding the field of development. To begin, it is important for students and practitioners working in the field of development to understand that ideological recipes do not lead to development. Neither markets nor states function by themselves; rather, they are complementary. Thus, following a grand ideological formula is not likely to produce desired results. In addition, it is important to use micro-level analysis, surveys and other measurement tools to test theories of development. The movement towards micro-level analysis began in the late 1970s and has transformed the way in which the World Bank conducts its operations, making development institutions more pragmatic and less ideological in

⁷ See Michael Bond, “The Backlash against NGO’s”, *Prospect*, April 2000, www.prospectmagazine.co.uk.

⁸ Bond (2000) references an UNICEF which reports that the health services provided by NGOs in Mozambique cost ten times more than those provided by the government.

⁹ The large developing countries like China, India, Brazil and Russia obviously have more say in the terms of their agreements with development aid providers.

focus. In addition, development institutions have shifted from a strict focus on the economic realm and have included the study of government institutions in their analysis, giving greater importance to issues such as corruption. This highlights the growing recognition that institutions can impede growth, and therefore deserve special attention in development studies. The era of macroeconomic adjustment policies began in the 1980s, and has transformed the field of development, shifting the focus from social to economic policy. The result has been abandonment within development studies of cultural and historical specific analyses in favor of a 'one-size-fits-all' recipe for development. Indeed, these one-solution strategies are ineffective and echo a theme repeated throughout this conference: one economic prescription cannot apply to all countries. Instead, there is a need to adapt to unique circumstances and realities of individual countries. In addition, the emphasis on economic policy has produced a tendency amongst development institutions such as the World Bank to place an emphasis on efficiency. However, it is important to note that there is often a tradeoff between efficiency and equity. Economists and social scientists alike have recognized that inequality hinders growth, noting that the exclusion of large numbers of people from societies translates into poor standards for efficiency and growth. Thus, inherent in this shift within the study of development to a focus on economic policy is the possibility for further increasing inequality and hindering economic and social development.

Building upon this observation of a shift in the focus of development studies to an emphasis on economic issues, Dr. Rohinton Medhora, Vice-President of Programs Division at IDRC, provided a close examination of the relationship between economic growth and development. Starting with the premise that economic growth is not necessarily a great proxy for development, attention needs to be paid to understanding and analyzing institutions of governance. Indeed, aid can only be effective if it is directed toward the right projects and implemented within the right policy environment. While aid is sometimes channeled towards countries with high poverty and bad policy, growth and development are most likely to appear in a positive relationship if aid is targeted toward countries with good policy and high rates of poverty. Although foreign aid represents only a small portion of total resource flows to developing countries, and in general, aid does not have a clear

“Indeed, aid can only be effective if it is directed toward the right projects and implemented within the right policy environment.”

measured impact on growth, it can be empirically demonstrated that aid is statistically important and has the greatest positive impact in countries with good policy and high rates of poverty. This should lead one to question what role foreign aid should have in any given country. In addition, we should ask what the international community and donor agencies should do with poorly

run countries – should aid be directed solely towards well-run countries with high levels of poverty? What are the implications for the international community as a whole if these impoverished countries with high levels of corruption and 'poor' governance are ignored? In addition, we should question what constitutes

'good' democratic institutions and 'good' economic policy. Should aid be directed toward those in need or should it be directed toward the creation of domestic institutions and economic policy that are deemed to be effective and efficient in promoting development? Even if we accept that this is the case, what should these institutions and policies look like?

Further expanding upon the observation that economic development has trumped the focus on social development within development discourse, Jerome Quigley relied upon his experience with MEDA to make the case for trade openness as a strategy for development. MEDA has adopted a business approach to solving poverty by using a micro-finance consulting strategy. MEDA has sought to improve production by assisting producers to find new markets for their products. Focusing on project-level observations and examining business development strategies, it is arguable that the existing market system works to create development; therefore, there is no need to establish an alternative market system, such as a fair trade market. Instead, MEDA has sought to increase the capacity of the poor to participate more fully in the existing market system. MEDA's mandate is to let the market drive business development practices. Accordingly, market access is not about establishing a 'fairer' price for products, but is about assisting producers to better meet the existing market demand. Thus, competition is important for MEDA and the key to their development strategy is providing their clients with a chance to compete in the existing market. MEDA seeks to do this by strengthening the competitiveness of industries through imposing market linkages and improving market access for small and medium-sized producers.

Where do we go from here? Taking these lessons of development from the above three very different

presentations by these panelists, students and practitioners of international development can conclude that there is no one strategy for development. Rather, different strategies may produce positive results in different contexts.

Panel #4: Developing country access to foreign markets

The “gains from trade” is one of the oldest and most fundamental theories in economics. However, David Ricardo’s theory of comparative advantage, which is at the foundation of most economists’ belief in the desirability of free trade, requires that countries specialize in the technologies that they have comparative advantage in. Developed countries are normally considered to have a comparative advantage in capital and skill intensive technologies and developing countries are considered to have comparative advantage in labour intensive technologies. Despite the drastic reduction in trade barriers that has taken place in the postwar period, large barriers still exist in key areas where developing countries have comparative advantage. This has limited developing country access to foreign markets and has played a role in restricting developing country growth.

The world trading system has evolved throughout the postwar period within the structure of the General Agreement of Tariffs and Trade (GATT) which became the World Trade Organization (WTO) at the end of the Uruguay round of trade negotiations in 1994. The pre-WTO trade rounds dealt mainly with tariff liberalization in goods trade through the negotiations using the ideal of the most favored nation (MFN). By the beginning of the Uruguay round most goods trade faced almost no tariffs, however, in agriculture and textiles strong protectionist forces in the developed countries resisted significant liberalization. At the same time many developing countries were also unilaterally lowering their tariffs on the advice of the IMF and the World Bank; while this may have been good economic policy it reduced what little bargaining power they had in the WTO.

With tariffs already reduced on all the goods that developed countries could negotiate on, a new set of issues had to be created for the Uruguay round. The new set of issues put forward by the developed countries were services, intellectual property rights,

dispute settlement and standards. Most developing countries saw little benefit of negotiating in these areas but were willing to make concessions in return for reductions in the barriers in agriculture and textiles. The end of the round saw agreements on all these areas with the gradual phase out of the multifiber agreement bringing textiles into the GATT and some movement on agriculture. The Doha round began with developed countries wanting to negotiate on a set of new issues covering investment, competition policy, anti-dumping, and others, but was refocused toward a development agenda when the majority of developing countries walked away from the negotiations in Cancun. It is unclear how these negotiations will conclude and what impact they will have on the WTO as an organization.

A growing concern for developing countries is often a lack of resources to actively participate when a large number of complex negotiations are being simultaneously held. To take part in every trade negotiation that a country has an interest in requires a delegation of negotiators that only the largest developed countries can provide. As such, recently, some development assistance has been aimed at building the capacity of developing countries to have more active roles in WTO negotiations.

Another concern for developing countries is the use of the dispute settlement understanding (DSU) to enforce their access once tariff negotiations have been successfully negotiated. Developing countries are at a disadvantage in this body for several reasons. First, the trade lawyers that are required to bring a case before the dispute settlement body are often prohibitively expensive. Second, since a country that successfully argues a case before the DSU is given the right to retaliate by increasing tariffs on an equivalent amount of trade from the offending country, it may be the case that some developing countries do not have large enough markets that retaliation is a credible threat. Third, it is unlikely that a developing country would jeopardize their bilateral aid flows by bringing a case against a donor country.

While improving access to foreign markets would be beneficial to the development of low and middle-income countries, more trade does not necessarily mean more development. The linkage that is normally drawn between trade and development has two parts; the first is the link between development and sustained economic growth and the second is the linkage between sustained economic growth and export growth. These linkages are fairly established in the literature.¹⁰ However, while the causality of the first argument works in both directions,

¹⁰ This issue is examined in the feature on “Trade Liberalisation And Economic Performance In Developing Countries” appearing in *The Economic Journal*, February 2004 - Vol. 114 Issue 493 Page F1-F184.

whether increasing export levels will lead to sustained growth is a matter where much disagreement remains. This is an important distinction when analyzing the trade policies of developing countries. If increased trade does lead to increased growth then the unilateral tariff liberalizations prescribed by the Bretton Woods institutions would help the development of low-income countries. However, if the causality does not exist the revenues and negotiating leverage lost by unilaterally liberalizing tariffs may outweigh the gains.

For a developing country, the value of greater access to foreign markets and the desirability of open trade policies will ultimately depend on what specific institutions exist within the country. It is impossible to separate the effect of trade policy from those of other related institutions and policies such as corruption, inflation, property rights, regulatory institutions, and social conflict. Trade policy is therefore simply another institution that must evolve and develop as part of each country's larger development agenda.

Panel #5: What influences World Bank development policy?

If the World Bank was simply a normal bank one might expect it to be influenced mainly by financial markets and the desire to generate profits for its shareholders. The World Bank, however, is not a normal bank and while it must be responsive to the financial markets in order to secure loans for developing countries, its shareholders are interested in development rather than profits. In practice, World Bank development policy is influenced by many different bodies including its member countries through the official governing structure, its large professional staff, its coordination with other multilateral institutions, its partnerships with civil society organizations and its contact with the recipient countries. All of these forces influence the decisions of the World Bank making it a much more difficult institution to understand than a normal bank.

The shareholders of the World Bank are its 184 member countries, each of whom have a number of shares relative to the size of their contributions to the Bank and thus the size of their economy. Ultimately the power is therefore concentrated in the large developed countries particularly the United States, which has the added benefit of effectively picking the president. The United States controls 16.41 percent of votes, followed by Japan (7.87 percent), Germany (4.49 percent), the United

Kingdom (4.31 percent), and France (4.31 percent). A board of governors made up of the Ministers of Finance or Development from member countries meet once a year to decide overall policy but more often the board of governors delegate specific duties to their executive directors who along with the President make all of the day-to-day policy decisions at the Bank.

The World Bank employs approximately 9,300 people of diverse backgrounds, including economists, educators, environmental scientists, financial analysts, anthropologists, engineers, and many others. These employees come from about 160 different countries, and over 3,000 staff work in country offices. This allows the Bank to draw upon a multitude of different views when developing and implementing policy. Any changes in the understanding of what development is or how best to provide it will therefore have an influence on the Bank's policies. Researchers at the Bank have also been central in critically analyzing the Bank's past actions and influencing new policies decisions in order to avoid past mistakes. The movement away from the "one size fits all" policies of the 1980s to the country specific approach exemplified experience and shifts in the understanding of development.

World Bank policy is also influenced through coordination with other international organizations. Today, one of the World Bank's main focuses is to help developing countries achieve the Millennium Development Goals (MDGs), which were agreed to at the United Nations Millennium Summit in 2000. Many of the initiatives that the World Bank undertakes are also coordinated with the IMF. Since the Bank deals with long-term development and the Fund deals with stability the agendas of the two agencies regularly overlap and the policies that they espouse in particular countries will often contradict each other if coordination is not first sought after.

The World Bank has created many partnerships with Civil Society Organizations (CSOs) in the hope that they will contribute their local knowledge, technical expertise, and social legitimacy to the decision making process as well as the actual implementation of projects. CSOs have been found to be useful in involving local stakeholders and creating a greater sense of ownership of reforms. Since the World Bank only works through the governments of developing countries, CSOs are used more and more to provide social services in countries where governments are weak. The percentage of World Bank-financed projects that involve CSOs has

¹¹ World Bank (2003), "Working Together: World Bank - Civil Society Relations" <http://siteresources.worldbank.org/CSO/Resources/WorkingTogetherBrochure.pdf>

risen dramatically from 21.5 percent in 1990 to nearly 72 percent in 2003 with grants coming directly from World Bank managed programs or indirectly through government managed social funds.¹¹ Borrowing countries are also able to influence World Bank policy through the development of their Poverty Reduction Strategy (PRS). PRS papers are developed by the borrowing country, with World Bank assistance and are detailed plans for how the country will use funds to reduce poverty and meet their Millennium Development Goals. This push for “country ownership” of development policies has been a central part of the policy reform at the Bank and the Fund. However, if developing countries are required to develop a PRSP that will appeal to the Bank’s and/or Fund’s positions in order to receive finances than this process might be less about giving developing countries a voice and more about the public image of the two institutions.

Graduate Student Conference on International Development

Conference Agenda

Waterloo, ON March 5th - 6th, 2005



The World Bank



Day One: Setting the Scene Sunday, March 5th, 2005

8:30 - **Registration**
9:00

9:00 - **Welcome and Opening Remarks:**

9:15 *Dr. Andrew Cooper*
Associate Director, CIGI & Professor,
Department Political Science,
University of Waterloo
Dr. Amit Chakma
Vice-President, Academic & Provost &
Professor, Department of Chemical Engineering,
University of Waterloo

9:15 - **Discussion 1:**
10:00 **What is international development?**

Chair:
Dr. Andrew Cooper
Associate Director, CIGI & Professor,
Department Political Science,
University of Waterloo

Panelists:
Dr. Roy Culpeper
President and CEO, North-South Institute
Dr. Susan Horton
Vice President, Academic, Wilfrid
Laurier University
Dr. Stephen Commins
Senior Human Development Specialist,
World Bank
Allan Sauder
President, Mennonite Economic
Development Associates

This introductory discussion will provide an overview of the key trends in international development and the latest development thinking on why poverty persists in the world.

Are the days of the grand bargains like the “Monterrey Consensus” over? Will ODA levels stagnate or fall again? Will aid increasingly serve national interests, for example, by keeping developing country migrants at home, supporting political allies, and producing global public goods rather than fighting poverty? What role should peace and stability play in development aid? Is the international support for the UN and Bretton Woods systems being undermined by a lack of political and financial support? Will the incoherence between aid and

trade policies continue? Does the international community know what’s best for developing countries – will there be a post “Washington Consensus”? What are the future trends and paradigms for official development assistance?

10:45 - **Discussion 2:**
11:45 **The Actors in Development**

Chair:
Dr. Bessma Momani
Assistant Professor, Department of Political
Science and History, University of Waterloo

Panelists:
Stephen Millar
Chief, International Institutions,
Department of Finance Canada
Dr. Stephen Commins
Senior Human Development Specialist,
World Bank
Dr. Dane Rowlands
Associate Director and Associate Professor,
The Norman Paterson School of International
Affairs, Carleton University

This panel will explain the role of various agencies and other actors in development.

What is the difference between bilateral and multilateral aid? To who are these varied actors in development accountable to? How are the various actors in development internally organized? How are these institutions financed? Is there a sharing of information among donors/lenders? How much cooperation is there among the various actors? Are there duplications of services? What could improve donor/lender coordination? How do donors/lenders determine who should and shouldn't get a loan?

1:00 - **Movie: “Our Friends at the Bank”**
2:30

An independent production (ARTE), “Our Friends at the Bank” recounts the working relationship between the government of Uganda and the World Bank as background and context for the afternoon case study exercise.

2:30 - **Case study:**
4:30 **A National Consultation on the Uganda PRSP**

Facilitator:
Francis Ato Brown, Sr. Sanitary Engineer, Africa
Region, World Bank, Tanzania Office

Group Leaders:

Labour: **Dr. Robert O'Brien** – Associate Professor of Political Science, McMaster University

Township Alliance: **Dr. Joanna Quinn** – Post-Doctoral Fellow, Department of Political Science, University of Western Ontario

Water Utility: **Nigmendra Narain** – Lecturer, Department of Political Science, University of Western Ontario

NGOs:

Ken Epps

Senior Program Associate, Project Ploughshares

Women's groups:

Dr. Tanya Korovkin

Associate Professor, Department of Political Science, University of Waterloo

Business / Consumer:

Dr. Paul Doherty

Instructor of Economic Policy, School of Business and Economics, Wilfrid Laurier University

Ministry of Finance:

Dr. Stephen Commins

Senior Human Development Specialist, World Bank

World Bank:

Stephen Millar

Chief, International Institutions Multilateral, Department of Finance Canada

Poverty Reduction Strategy Papers (PRSPs) are the result of a broad participatory process involving many stakeholders including civil society and donors. The PRSP describes a country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty. Prior to the seminar, students will be assigned to groups led by a professor and other seminar leaders and will be required to prepare presentations based on materials sent to them in advance. Students will come to the seminar prepared to role play and participate in a national consultation to agree on the framework for the Uganda PRSP. The materials have been adapted from an actual Ugandan PRSP and this exercise will give student an opportunity to understand how a real PRSP is developed.

The audience will be split into groups representing key constituencies to simulate a PRSP discussion.

- The 8 working groups will prepare their constituency's observations on the Uganda PRSP.
- A national consultation meeting will be held, giving each group's leader / spokesperson, a chance to speak to the government and the other constituencies.
- Lessons will be drawn and issues highlighted on the PRSP consultation, a process which has become central to the design of today's development programs by governments, the World Bank and other multilateral and bilateral development partners.

6:00 - **Dinner and Keynote Address**

9:00 **Tom Jenkins**

President of Open Text Corporation

Day Two: Key Development Topics Sunday, March 6th, 2005

9:00 - **Opening Remarks - Dean Robert Kerton,**
9:15 Faculty of Arts, University of Waterloo

9:15 - **Discussion 3:**

10:00 **What works, what doesn't and why?**

Chair:

Dr. Susan Horton

Vice President, Academic, Wilfrid Laurier University

Discussants:

Dr. Jean-Jacques Dethier

Lead Economist, Development Economics Division, World Bank

Dr. Yasmine Shamsie

Assistant Professor, Political Science Department, Wilfrid Laurier University

Dr. Rohinton Medhora

Vice President, Programs, IDRC

Jerome Quigley

Director of the Production and Marketing Linkages Department, Mennonite Economic Development Associates

This panel of Bank staff and other development experts will draw on specific projects to outline the lessons learned about development. It will be an opportunity

for practitioners to discuss what has worked, what has not, and why, within various economic, social, and institutional contexts as they defined goals, designed programs, experimented, and learned during implementation.

What are the common mistakes made by development agencies? How has development literature assessed the successes and failures of development? What are the main obstacles to development, both in the theoretical literature and in practical application? What needs to be improved? What do development theorists want international development agencies to better understand? Similarly, what do development agencies want academics to better understand?

11:00 - **Discussion 4:**

12:00 **Access to markets: how useful is trade for development?**

Chair:

Dean Robert Kerton

Faculty of Arts, University of Waterloo

Discussants:

Dr. Ramesh Kumar

Professor of Economics, University of Waterloo

Dr. Stephen Commins

Senior Human Development Specialist,
World Bank

Dr. Daniel Drache

Associate Director, Robarts Centre for Canadian
Studies, Professor of Political Science,
York University

This panel will discuss the importance of trade for development, the importance of open market access and a vibrant multilateral trading system.

What are the economic and political reasons why OECD countries are not providing more access to their markets? What is 'fair trade'? Can international development agencies help countries overcome barriers to trade, how? What are the pitfalls of trade? What are the dominant arguments and negotiation issues on the trade agenda today?

1:30 - **Discussion 5:**

2:15 **What influences World Bank development policy?**

Chair:

Dr. Jean-Jacques Dethier

Lead Economist, Development Economics
Division, World Bank

Discussants:

Dr. Robert O'Brien

Associate Professor of Political Science,
McMaster University

Dr. Tony Porter

Chair, Political Science, McMaster University

Dr. Dane Rowlands

Associate Director and Associate Professor,
Norman Paterson School of International
Affairs, Carleton University

A discussion on what factors influence World Bank development policies.

What role do economic ideas play? What role do bureaucrats play? What is the influence of large donors such as the US Treasury and other donor government shareholders? What role do developing countries play? How do CSOs influence development policy and participate in development operations?

3:00 - **Final Discussion:**

4:15 **Careers in international development**

Speakers:

Lester Dally

Senior External Affairs Counsellor, World Bank
Grant Birks

Program Associate, Project Ploughshares

Paul Yeung

Communications Consultant, World Bank

Dr. Rohinton Medhora

Vice President, Programs, IDRC

Nadia Junaid

Former Intern, CIDA International Youth
Internship Program

This discussion will inform students on the employment opportunities at the World Bank and similar institutions. In this session, three young and recently recruited staff in the World Bank, CIDA and an NGO will share their experience working in these institutions, how they prepared for these careers and what they do. The aim is to give students a practical perspective of what a career in development is really like and a chance for students to bring their views and comments to the table and have their questions answered about careers in development.

4:15 - **Concluding Remarks and**

5:00 **Feedback on the Seminar**



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