



# Event Report

S78/08

Communication to members

## ***The future of development policy***

**Roundtable – 17 October 2008**

### **Summary**

With a plethora of development cooperation programmes, it is “an exciting time for development” and future funding will be based on a “country-ownership” - from government down to the local level and a “results-based” approach, speakers told an EPC Roundtable. The current financial crisis must not deter governments from living up to their commitment to allocate 0.7% of GDP to development aid by 2015, as it is in the West’s interest to fund development to foster stability.

### **Full Report**

**Ambassador Mark Dybul**, US Global AIDS Coordinator, said that during the last eight years under the Bush Presidency, and with bi-partisan support, the US has trebled its development funding, provided massive debt relief and increased trade with developing countries.

One major initiative has been the President’s Emergency Plan For AIDS Relief (PEPFAR), which has dispensed more than \$18 billion over five years, and is committing a further \$48 billion for the next five years. Other initiatives include the Millennium Challenge Corporation, the Malaria Initiative and others programmes directed at empowering women and developing education.

With all these programmes, it is “an exciting time for development”, said the Ambassador. The aim of the October 21 White House Summit on International Development was to define principles for effective development cooperation, building on the 2002 Monterrey Consensus for Financing for Development and the 2005 Paris Declaration on Aid Effectiveness.

The first principle is that development funds must have “country ownership” (i.e. the recipient decides how they are spent), but this requires both that governments in these countries practice good governance and that all sectors - non-governmental organisations, faith organisations and the private sector - are involved. The time of “donors and recipients” is over: governments must give people hope in their future and in their ability to transform their country.

The second principle is that funding must be “results based”; i.e. it must have “bold achievable goals” that can be arrived at within the timeframe and within budget. This can only succeed if all levels of society - from central government down to village level - are involved. People must be trusted, as “they can achieve incredible things”, said the Ambassador.

It is crucial to involve the private sector, as well as to develop public-private partnerships. In the past, companies were asked to contribute resources; now they are being encouraged to contribute expertise to help administrations develop systems, such as in marketing or research. The new aim is to harness the private sector’s expertise, drive and 21<sup>st</sup> century approach to build developing-country capacity.

It is important to assess how the current global economic challenges will affect development policies, said Ambassador Dybul, so the White House Summit was fortuitous, coming at a



time when the world needs to build a new sustainable economic structure - rebuilding the market and the global economy, and ensuring political stability and a sustainable future for all.

For example, pandemics such as AIDS kill people in the most productive sector of society - those aged between 15 and 49 - and they do not just affect the poor, but also those who have climbed out of poverty.

A lack of growth and development can be the foundation for hopelessness, creating a breeding ground for instability and fanaticism. Development is not just a humanitarian and moral responsibility, but it is also in the West's self-interest to build political stability and economic growth to fight extremism.

### **Governments must stay the course**

**Jürgen Weimann**, German Development Institute, was encouraged by the Ambassador's positive message, stressing that the German government agrees on the importance of working in partnership with people in Africa - German President Horst Koehler has described Africa as becoming "a powerhouse".

Mr Weimann said his own recent visits to Vietnam and Laos taught him about the economics of hope; he saw young people's optimism, which contrasted to the West's economics of despair.

However, he was concerned how the financial crisis would affect development cooperation and funding - governments have given trillions of dollars to guarantee bank solvency, which is likely to dent their development budgets. But they should "stay the course", as they are now better prepared to fight economic recession than during the Great Depression in the 1930s, and must continue with development cooperation.

Bankers round the world seem to have learnt their lesson and are talking about a Global 'New Deal' to keep the world economy running and stabilise the monetary system. Western bankers could also play their part in development cooperation by offering their expertise to developing countries. Alternatively, developing countries could invite foreign banks to establish networks in their countries in order to train local people in financial skills.

Returning to the theme of governments staying the course to support development, Mr Weimann argued that just as the economic dynamism of South-east Asian countries helps Chinese development, helping economic development in developing countries in Asia, Africa and Latin America will ultimately benefit the EU.

The world is at a very dramatic financial stage, he said, as we do not yet know where it will end and whether governments have the means to prevent a complete meltdown of the financial system. But no matter what happens, those working in development cooperation must "join hands to tell governments" that they have to maintain - or even raise - the United Nations target of 0.7% of GDP for development funding by 2015.

### **Discussion**

Asked whether China and India still qualify as development partners, Mr Dybul said China is in a unique position as it receives funds while also investing in development in Africa, where its approach is to build infrastructure such as schools, hospitals and roads. As for India, the country is both a development partner with the US and a growing player in the world economy.



Given these contradictions, it is important that all countries work in partnership under principles thrashed out at an international meeting, to develop single national strategies for each country.

Mr Wiemann said there was a heated debate in Germany about whether China should continue to receive development aid. In Africa, Germany and China behave like development “competitors”, whereas they should be exchanging ideas and concepts on development. Given that China is an important actor in “global public goods” and climate change, Berlin should also cooperate with Beijing to make China’s industries and households more energy efficient.

Questioned about building partnerships with developing countries, Mr Dybul stressed that any partnerships between donor governments and developing country governments should be equal, where parties can feel free to disagree about values and strategies. Both sides need to discuss how to coordinate all the funding, “putting together the pieces” in development finance, as happened very successfully in Rwanda.

Mr Weimann added that principle of country ownership can only work when the government and the people are committed to making improvements - not where governments are corrupt or where there is civil strife. While the European Commission gives budget support (i.e. support to government budgets) to developing countries, the German government is sceptical about this approach, believing that development agencies are better at knowing what happens on the ground.

Mr Dybul agreed that if outside funding always takes the form of budget support, the principles of development funding will never change. At times, the role of governments is to set the standards while community-based organisations implement the programmes. In the case of Zimbabwe, the US government worked with NGOs to develop AIDS programmes.

Responding to a remark about different funding sources for developing countries, Mr Weimann said development cooperation only contributes about half the funding, with the rest made up of remittances (money sent home by migrant workers) and trade.

Asked about the best way to persuade governments to increased aid budgets, Ambassador Dybul said one should stress the importance of development as a form of enlightened self-interest as it brings economic and global security.