



World Chronicle

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"Development Policies: how effective are they?"

There's a lot at stake in assessing the effectiveness of various development policies -- tens of billions of dollars of foreign aid and hundreds of billions of foreign direct investment going into developing countries.

How important is local ownership of development programmes? What is meant by 'capacity' – and how important a factor is it when speaking of development effectiveness? How far is the international community from meeting the targets of the Millennium Development Goals, and what can be done about it?

In this edition of World Chronicle the principal author of the UNDP "Development Effectiveness Report," Khalid Malik, explores these questions in an overview of what works and what doesn't in development assistance

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ANNOUNCER: From the United Nations in New York, an unedited interview programme on global issues. This is **World Chronicle**. And here is the host of today's **World Chronicle**.

LITTLEJOHNS: I am Michael Littlejohns and this is **World Chronicle**.

It may seem like an academic issue— assessing the effectiveness of various development policies. But with tens of billions of dollars going into foreign aid and hundreds of billions of foreign direct investment into developing country economies – there's a lot at stake.

Here today to discuss what works and what doesn't in development assistance is Khalid Malik of the UN Development Programme -- UNDP.

Joining us in the studio are Peter Engardio of Business Week and Thalif Deen of Inter Press Service.

Mr. Malik welcome to **World Chronicle**.

MALIK: Thank you.

LITTLEJOHNS: Mr. Malik, you're the principal author of this report, Development Effectiveness Report Partnership for Results. What is meant by the term "Development Effectiveness"? Is it simply a question of donors getting value for the cash that they contribute - as we pointed out billions of dollars? Is it a matter of developing countries who were the recipients of this largesse doing a good job meeting targets and so forth? What are we talking about?

MALIK: Well the report is very much an attempt to understand development first, as to what works and what doesn't work. It's an attempt to figure out what does development really mean in a very practical way and what we have said is - development effectiveness is alternately about improving the lives of people. So, if you take that prism then really what we're trying to understand is – do agencies do better when they contribute to that? Do countries do better when they contribute to that? And what we came to, a simple conclusion, is that – we cannot look at UNDP's performance, or any other aid agency's performance, simply on the basis of the projects they themselves do. Because good projects may not mean good development, and therefore you have to look at both, how development is progressing and also how can we connect it to the efforts of an individual agency, like UNDP or the UN system as a whole, or the community as a whole? And then figure out, what does it all mean? And we have tried to highlight a couple of what we call "drivers of development", that, fundamentally, ownership matters and I try to....

LITTLEJOHNS: What do you mean exactly?

MALIK: Ownership matters because people in institutions in their country, they are the ones who should drive their own development. And when...there's this phrase

by Larry Summers, the President of Harvard University, who said, “there’s no instance in history that anyone washed a rented car”, so the minute you have a situation...

LITTLEJOHNS: I don’t think that’s quite true. But still...(Laughter)

MALIK: Well I think it’s generally true because you tend to...if you run your own country, if you do things your own way, you’ll have a proper chance [of] succeeding than if you simply import ideas or someone is telling you what to do. And this has implication of what has been termed as “a Washington consensus”, which even I think Washington bodies like the Bank and the Fund, of course no longer support that, but what we are also trying to argue in the report is that – there’s now a need to have a new consensus, a consensus where results matter, performance is important, and that is where the millennium development goals are so important because they measure what finally progress is all about. Secondly, it means that somehow we have to bring ownership and capacities and policies together. You can own bad policies also. So you need to have a strong ownership, but also good policies. And it means that partnerships matter. Developing countries alone cannot sustain their own development.

LITTLEJOHNS: There are usually a lot of reports about corrupt, despotic leaders in the developing countries siphoning off development aid funds into Swiss bank accounts. Recently I think that they’ve been fewer of such reports. Is that situation a bit better now?

MALIK: Yes, I think just earlier when we launched the report, this question was asked also, and Mark Malloch Brown, the head of UNDP, responded by saying, “I think there is a movement towards holding governments accountable, everywhere”. And that’s as much a reality in each developing country as it is in a developed country. And I think that premium made on honest good government is strong. And I think all of us in the UN system particularly, have a tremendous opportunity here to really strengthen that because civil society has to hold their leaders accountable and we have to hold, as citizens now, our representatives accountable. So I think good governance is the key to many of the things we’ve talked about.

ENGARDIO: Hi. You know it’s kind of a little bit curious in that there has been massive financial aid to developing countries, really since... I mean if you really want to go back to the European reconstruction and it’s, through the ‘60’s and the ‘70’s, and ups and downs in many, you know, surges of increases, then backlashes again, in the United States and elsewhere. But it’s kind of surprising that 50 years later the development community is finally getting serious about addressing this question of what does this money actually accomplish? And I just maybe, the assumption was... I think because aid was so useful in Europe’s reconstruction that, naturally, you could expect some more results in Africa, in

Southeast Asia, but when scholars get -- dig down, they analyze every which way, they cannot find the a causal connection between aid and actual economic growth. I mean the bigger picture. Why has it taken so long for the development community to really get down to trying to establish the result?

MALIK: Yes. The report ...what the report is trying to do is to put development first. Which means that let's look at what works and what doesn't? And only then look at aid. And aid is a means, not an end in itself. And I think to me the big difference really is the last few years of the emphasis on the Millennium Declaration - Millennium Development Goals, because for the first time there's a shared agenda between developed and developing, because both sides of the equation are essential to make development work. And aid can and has worked, but aid also may not work entirely. Take the case of Bangladesh, you remember twenty years ago, people like Kissinger were making statements that, "there's no end in sight for the kind of aid flows which are needed to make Bangladesh viable". Today, export earnings are eight times the aid in-flows coming in. Now here's an example of a country where population growth rates, which were three points and above fifteen years ago, are one point seven, one point eight, one of the lowest in the world. So clearly progress is possible. But it doesn't happen on its own, and aid is not a silver bullet, which will resolve everything, because fundamentally, countries have to get their own act together. Aid can help in that. But if you do not do that, it cannot really help much. It has to be in an environment where you bring together society, and society itself has to figure out the problems it has, and society itself has to have the leaders to take the difficult decisions to make development happen. Aid cannot do that.

ENGARDIO: That said though, the UN and the World Bank have been urging industrialized countries to double at least what they're getting in foreign aid to up 50 billion dollars a year to meet these goals. And it's going to be very difficult obviously to convince many countries, especially with the current U.S. Congress, to do that, unless you can demonstrably show that the aid accomplishes something, right? Or there's a way that -- to manage aid so that it actually does achieve these results you are trying to do.

MALIK: I mean the current level of aid is about 50 billion. What the UN has proposed is to double it, to 100 billion.

DEEN: You are referring to official development assistance?

MALIK: Official development assistance. And you look at some of the poorer countries. What you find is very striking. Once they pay their government salaries and the basic functions of the government, there's not much left over for development purposes. That

is where aid can be of tremendous value because it's the incremental effort, which is investing in.

The incremental effort in health and in education can mean that investment in human capital, which can then generate the growth, which is needed for these countries. So in a sense, aid may be small in relation to the total volume of effort going into countries by themselves, but it is a very critical one, because it has to do with that extra leap you need to make the investments work. Since Summers is a catalyst, and if it catalyses well, and this report is about the conditions which are needed to catalyse well, then it is possible. But aid is not enough.

DEEN: Speaking of aid, there's a report by the UN Conference on Trade and Development, I think sometime last year, where they said that "the resource flows from the developing countries to the developed countries, was some 200 billion dollars", so this was really sort of a flowing rivers and this is primarily because of debt payments and because of trade. What do you think of this?

MALIK: I was just about to say that aid is one factor. Doubling of aid means - has a tremendous promise and value. But that is not enough. What we need is progress on other policies. It is the whole approach of the supporters. You need partnerships for results. You need progress on trade, and therefore the resumption of the Cancun Talks is critical. You need to reduce barriers on the debt relief issue. Remittances, for instance: they averaged about 80 billion last year, 2002.

DEEN: From the poor to the rich countries?

MALIK: From the rich to the poor countries actually. There been instances, people who gone overseas, the Sri-Lankans are overseas, and the Pakistanis are overseas, sending back 80 billion dollars. FDI flows are very large, but it considered some countries. So clearly, to pick any one element from this over-all picture does not give you a full sense of the possibilities. But the fact remains we are heavily inter-dependent as a globe where development is a core value that we can see that if you do not develop certain societies, it influences everyone, not just the developing world, but also the developed world.

LITTLEJOHNS: Mr. Malik you spoke about partnerships, what are these partnerships?

MALIK: Well these partnerships are based on a performance-bound-partnership, which means that developing countries have to commit themselves to the policies and the commitment to make development work. It means that the developed countries have to commit themselves to reducing subsidies, particularly on agricultural

commodities, so that developing countries have a chance to get into markets and earn the incomes they need to....

LITTLEJOHNS: So these are government to government partnerships?

MALIK: Yes, government to government partnerships, and in some ways, there's a growing amount of civil society partnerships - because civil society is becoming an increasingly important force in all countries. As a force for accountability, we talk about corruption issues; we talk about holding countries accountable to the commitments head of states made in achieving the Millennium Development Goals - so all these are essential parts of the puzzle.

LITTLEJOHNS: These Millennium Goals that you mentioned, you are referring to the goals that were established by the heads of state and government who gathered in the UN for the Millennium Summit, so called, and established certain targets, right? How far or short of achieving those targets are we at the present time? Because I presume we are short.

MALIK: Well it's a very good question, and I'm so glad you asked it because, if current trends continue, it's highly unlikely we'll meet the Millennium Development Goals by 2015 as required. But they can be met if we do not pursue business as usual things. They can be met if we can double the aid flows, they can be met if the trade subsidies are reduced on agricultural commodities, and they can be met if both sides, developed and developing, work together to make it happen. They are in some ways technically feasible, and the constraints lie within ourselves.

DEEN: Are you confident it will happen?

MALIK: Well, this is the purpose of the report – to try to convince people that these actions and policies are necessary to make this happen. I think this is a very rare opportunity where the world came together, developed and developing, and made [an] historic mutually-binding commitment that developing countries do their part, and Goal no. 8, which is the developed country's responsibility to the whole equation will in turn support those efforts.

LITTLEJOHNS: This is World Chronicle. Our guest is Khalid Malik, the Principal Author of the UNDP Development Effectiveness Report.

We're talking about development policies, what works and what doesn't. Let's have a look of what is a development project actually looks like, in a report on Green Energy Project in China:

VIDEO ROLL-IN (UNIA # 842, TRT: 3:19)

NARRATION: In the village of Hechengli, in China's northeast province of Jilin, a biomass plant is being constructed. It converts agricultural residues such as cornstalks into clean gas and electricity.

Created by the UN Development Programme, UNDP, and the authorities in Jilin, China's first ecological province, the project is to showcase the concept that village scale biomass operations can be a good business opportunity where local resources are abundant.

Jilin has an annual output of 40 million tons of agricultural residues, mostly from corn. But villagers use only a portion of it as cooking and heating fuels. The rest is wasted. Wang Guo Cai is Deputy Chief of Jilin's Environment Protection Agency.

WANG: "If you use these local resources as the base for producing clean energy, it will not only reduce our import for coal and lower the energy cost, but at the same time, it will also solve the pollution problem and provide benefits to the villagers."

NARRATION: In Hechengli, many still rely on the inefficient and health-damaging process of burning firewood for their everyday cooking and heating. To prepare a meal, it takes on average 40 minutes to light a fire that also generates a lot of smoke. In China, respiratory disease from indoor air pollution is one of the leading causes of death, especially among the rural population.

As China modernizes, demand for energy has also soared. With 80 percent of its current electricity produced from coal, any increased amount of pollutants will only worsen the country's already grave air pollution problem.

To promote gasified biomass as an alternative source of energy, UNDP and the Jilin authorities initiated the plant in the year 2000 in an effort to attract interest from the private sector. Kerstin Leitner is UNDP's Resident Representative in China:

LEITNER: "If we can not only prove the viability of the technology where we are now, but we can also prove the commercial viability that there will be commercial partners that will come in and would be glad to take this over."

NARRATION: Co-funded by the UN Foundation, led by American philanthropist Ted Turner, the plant can operate 24 hours a day and provide gas and electricity for 220 homes. The aim is to be self-sufficient as well as to generate profits by selling surplus electricity to the local Power Bureau while supplying energy to the village.

So far, half the village has signed up for the modern piped gas. Villager Gong Mao Ying looks forward to the new service.

GONG: "I could get up at 5:30 instead of 5:00 in the morning, flip a switch, and the fire will be ready."

NARRATION: For rural populations eager for development, the Hechengli plant is a promising model not just for China, but also for other developing countries. It provides villagers with their much-needed clean energy while going a long way towards cleaning up the environment.

VIDEO OUT

LITTLEJOHNS: Mr. Malik, you're the Resident Representative in China, and we've just seen a very positive report on a model project in that huge country. But how effective are model projects by and large as far as entire countries are concerned?

MALIK: I think in some ways China exemplifies what we've been talking about in the report very effectively. China takes strong ownership of its own development. The project which you saw was very much supporting a valid effort in the Northeast of China, Jilin province, to demonstrate a new technology and to involve the private sector in that. So, that's sustainable. And what is impressive is, once the demonstration is done, China is of course very large, but there's a great commitment now, we are now at a stage where we're harvesting pilot results and there are policy decisions being taken now to main-stream it in all of China, particularly in the more remote regions. So this is a phenomenal step in scaling up from a micro...even though it's a very large project, a micro-project level, to a much more macro-level result. So we are quite pleased by that.

ENGARDIO: This is the kind of general approach that you think... that you are hoping to achieve all across the developing world to get... you can point to lots of individual success stories and projects without seeing them. But whether they really in the end contribute to the larger goals of a country – achieving these, you know, poverty reduction targets and such, can you mainly explain how you hope to get from...you know... project-level success to national success?

MALIK: Yes again a very good question because there's been a lot of frustration that you see quick project results, but it doesn't transform into sustainable development results. So how do we bridge it? And I think what we have learned is that, unless you bring in national institutions and national policy makers up front, with an idea that look - what is the goal?

The goal is to have renewable energy sources, clean efficient technologies to populations who are kind of distant populations...who are not part of the grid network. So that's the national goal as it were, and as a national goal, we want to experiment on different ways of doing things. One of the experiments are undertaking what to learn from it and then feed into a policy framework. So if you come and simply to do piloting without setting the policy

framework links, without having the institutions who could take the policies and then drive them, its not going to work. So you cannot just come in individually, you have to bring the whole context together.

DEEN: Speaking of China, I believe you have a fairly big presence, and the UNDP has a big presence in China, and compared to most other countries like, Sierra Leone, or Chad, or countries in Sub-Saharan Africa, China is almost a regional economic power, it's economic growth is about 8%, and at last count I think it's international resources about 32 billion dollars. Do you think that China should be a recipient instead of a donor?

MALIK: Actually, again, I like these very penetrating questions because, you know China has reserves of 365 billion dollars actually. The growth rate, which is just starting, is close to 9% for this year. A couple of nights ago, I was having dinner with the head of DFID who was visiting China and he was asking...

LITTLEJOHNS: Head of what?

MALIK: Head of DFID, the UK Development Department, and they were asked the same questions, China has developed or is developed or getting close to it. And how come aid resources are being spent? So I gave a two-part answer; the first part is that China is still developing. It is going from Central-planned system to a market-based developed economics in the middle. And a lot of structures and institutions are changing for which support is needed, knowledge, methodologies. And I am very glad they are beginning to see the UN system, not just UNDP, as a resource in that, as a first call on it. Secondly, in order to fulfil the potential of China so that China can play a role in the developing world as an example for others, you need resources to pilot and innovate. And those resources have to bring technologies and methodologies with it because it has to be an experimental hot house in which resources are needed, it cannot happen only soon. And what is great is, and UNDP's programme exemplifies that, that we contribute a certain amount of money, but China itself contributes a much larger amount. So we are already moving into a stage where increasingly the UNDP programme as a whole is being supported by China itself. But we have a global network, which brings us the knowledge and the methodologies and the experience so China can move to the next stage.

ENGARDIO: Of course, the problem is that a lot of very poor countries are not like China in that they don't have a bureaucracy that's big enough, that's skilled enough to actually implement projects on a national scale, even to coordinate national, you know, programmes. How do you deal with countries that for one, I mean, in many ways really didn't seem to have the political will until recently to even put their energies behind this area or certainly not, the money they do have under invested in their own capacity, and I know that

capacity building is something that...isn't a priority, you know, that's one of the ingredients. How do you deal with countries just...? Do you go ahead and still do these projects, as successful as they may be, knowing that they might not translate in anything broader than that specific region? Or do you just focus on building the institutions and the government capability to...so that they can actually do these things on their own?

MALIK: UNDP has been in the business almost 50 years now of investing in institutions in capacity building and a couple of things hopefully we have learned by this time. One is you have to have a long term commitment in building up institutions that do not happen overnight. You have to do it in a comprehensive way; it is not just setting up two or three advisers in a particular department. You have to find out what will sustain institutions? What are the incentives required to make that happen? Secondly, local context matters a lot. It has to be driven by the nationals themselves, and they have to take ownership for it; and if that ownership is not there, it becomes very difficult for any aid effort to be sustained. And then there is a great possibility even a probability that many will be wasted. So you have to establish the first part first. The institutions had been strengthened but nationals and leaders in that country have to be deeply committed to development. There is no magic formula there; you just have to do it in that particular way. And I think ultimately your ability to work with many different partners becomes important, and that's where in the sense there's a tremendous comparative value of the UN System because of neutrality and our ability to do that, so you have then an opportunity to help, but the first things first, the country has to have the will to make things work.

LITTLEJOHNS: Mr. Malik, you are an executive of the UN Development Programme, how much money is sloshing around that UNDP is responsible for directing?

MALIK: Well, I hope -- the word "sloshing" has a certain somewhat negative implication. (laughter). But as you know that UNDP has two amounts of money, which it manages; the first amount of money are the direct contributions made by member governments, and of that we have about little less than a billion dollars, about 800 million or so. And we also have about three times that of direct contributions....

LITTLEJOHNS: We have to leave on that I'm afraid. That's all the time we have. Thanks for being with us on this edition of **World Chronicle**.

Our guest has been the Principal Author of the UN Development Effectiveness Report, Khalid Malik. He was interviewed by, Peter Engardio of Business Week, and Thalif Deen of Inter Press Service.

I am Michael Littlejohns, thank you for joining us. We invite you to be with us for the next edition of **World Chronicle**.

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