

OECD
40 YEARS
DEV CENTRE

Development Centre Studies

Development is Back



OECD



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Part One of this book is concerned with the aspects of economic policy which can contribute to growth and increasing prosperity in the poorer countries. Starting with an update on the celebrated “millennial perspective on the world economy”, the reasons for the observed growth patterns between developed and developing countries are identified. Potential routes to economic policy solutions available to developing countries themselves are then offered, before dealing with such topics as sustainable development, poverty, the firm, privatisation, trade and investment, finance and civil society. The introductory chapter and the contributions to Part Two report how each decade in the life of the Centre brought its particular challenges and responses.

The idea of looking back to move forward, first presented on 25 October 2000 at the meeting of Centre’s Advisory Board by the Swiss Ambassador, turned into project *Redux*. As President of the Board, the French Ambassador supported the project. Thanks are due to her and to Don Johnston, who recorded his own impressions of the Centre’s origin.

When my term began — one year to the day before the Swiss initiative — I was already convinced that comparative development analysis and policy dialogue at the OECD derive enhanced credibility from the Organisation’s brand name as a “reformers’ club”. The Development Centre contributes to this brand name, a fact which, in the light of the Organisation’s ongoing reform, has been recognised in the co-ordination by Seiichi Kondo. Unity with diversity brings hope in development.

I am grateful to the contributors, colleagues and friends associated with project *Redux* including those who would have wished but were unable to contribute to this volume. Ulrich Hiemenz and Catherine Duport deserve thanks for their support in managing the project, Colm Foy, Charles Oman and Véronique Sauvat for their support in editing the volume. Morag Soranna researched and tabulated systematic information on the Centre’s associates and visitors (available together with publications at www.oecd.org/dev/redux). Sheila Lionet turned the project into this book.

Development is Back will help root OECD development work in the “reformers’ club” perspective. It should moreover suggest to readers that all of those people listed at the end of the volume agreed with Fernando Pessoa’s message:

“It is worth while, all, (Tudo vale a pena
if the soul is not small” *se a alma não é pequena.*)

Jorge Braga de Macedo
President
OECD Development Centre
September 2002

Chapter 1

The Development of the Centre

Véronique Sauvat

Introduction

The 40th anniversary of the founding of the Development Centre of the Organisation for Economic Co-operation and Development offers an opportunity to take stock of the experience accumulated over an already long history. Such a review allows a balanced assessment of the Centre's role, in terms of theoretical progress in development economics, research methods, influence over policies that have actually been implemented, and network building.

This chapter outlines the stages in the institutional life of the Development Centre, its main activities and how they have changed, and its participation in a dense network of contacts and partners (see Box 1). In addition, this "logbook", of 40 years of existence within a multilateral organisation built upon co-operation among its own Member countries, places the Centre's activities within the changing international context. The Centre's research, its publications (over 500) and its "dialogues" — mechanisms for co-operation and transfer of experience — reflect the approaches taken by the Centre and the Organisation to development economics and to the economic policy recommendations made to governments.

No institution exists in isolation from the context in which it operates, or which it purports to influence. The OECD Development Centre, for its part, has been involved in international relations running the gamut from solidarity to confrontation. Its creation in the early 1960s took place in a context of the emergence of a so-called North-South divide, corresponding to the antagonism between rich and poor countries. Forty years later, the world has become much more diversified. The end of the East-West conflict, the differing paths of the three large continents making up the "Third World", globalisation, and the internationalisation of the major economic, political and cultural challenges have *de facto* given rise to reappraisals and changes in the positioning of the Centre and the Organisation. An overview of this institution's history thus affords an

Box 1. Research Capacity Building in Developing Countries

Since its establishment, the Development Centre has regarded the support of researchers in developing countries and the strengthening of research capacity for policy advice as an important objective of its activities. As early as the 1960s, the Centre undertook a series of joint seminars, particularly in African countries (*séminaires itinérants*), to initiate policy dialogue and help researchers in these countries to engage in policy design. Throughout its existence, the Centre has also sought to delegate field research to researchers in developing countries to benefit from their local expertise but also to improve their analytical capabilities and familiarity with the international development debate. In the same vein, staff of the Centre trained researchers in developing countries in the use of modern analytical tools such as computable general equilibrium models to allow them to undertake their own policy simulations. Over the decades, the Centre has thus been able to create an international network of researchers active in development which allowed a cross-fertilisation of ideas and facilitated policy dialogue.

With this mutually beneficial nature of international networking in mind, the Centre became a founding member of the European Association of Development Research and Training Institutes (EADI) which was established in 1975 and co-operates closely with research networks in Latin America and Asia. In recent years, the Centre has played an important role in exploiting the options created by modern communication technologies to add new dimensions to its international networking. One example was the launch of the EU–LDC network in 1999 in which I participated in my capacity as the Director for Co-ordination of the Centre subsequently to become one of the three elected members of the network’s Management Board. It seeks to address all researchers interested in EU relations to developing countries on the basis of an interactive website and an annual conference. The objectives are to provide easy access to relevant information regarding EU procedures and events, to engage researchers in discussion fora on new topics, and to encourage joint research among participants from developing countries and the EU. For the Centre, this network provides an outlet for work on Africa and intensifies contact with African researchers, in particular.

Another example is the Global Development Network (GDN) where I have represented Europe on its Governing Body since 2000. The GDN focuses on building social science research capacity in developing countries by organising and financing global as well as regional research competitions through its seven regional hubs in developing countries. The regional hubs in OECD countries, such as the EU DN with its secretariat in Bonn, Germany, provide research advisors and project evaluations for these competitions while promoting development-related activities in their respective regions, such as summer workshops, exchanges of PhD students and joint research meetings. As one of the initial members of the Governing Body and a founding member of EU DN, I was able to bring the Centre’s longstanding experience to bear on the discussions on how to shape the network in order to strengthen participation and ownership by researchers in developing countries. The Centre, in turn, benefits from direct access to research undertaken under the umbrella of this network, particularly in the context of the global project on “Bridging Research and Policy”.

Ulrich Hiemenz

opportunity to reflect on the relevance of the concept of development for the future, as well as on the future forms of both development co-operation and constructive management of differences of interest at the national and regional levels.

1962–72: The Formative Years

The Creation and Mandate of the OECD Development Centre

In the early 1960s, the Organisation for European Economic Co-operation (OEEC), which had been created after the Second World War to administer Marshall aid and establish procedures for co-operation among the European states, became the Organisation for Economic Co-operation and Development (OECD). In the process, it became not merely European but transatlantic in scope, and its mission was broadened to include the economic growth of non-member countries as well as Member countries (see Chapter 14).

At the time, the decolonisation process was nearing completion, and the South was asserting itself as a Third World, standing alongside the East and West (the Bandung conference; a majority at the United Nations). The OECD established its position with respect to these countries, known as developing countries, by creating two bodies: the Development Assistance Committee (DAC), which manages aid flows and co-ordinates the policies of Member countries *vis-à-vis* less developed countries; and the Development Centre, which is tasked with enhancing knowledge and understanding of the development of non-member countries (Council, 1962).

The Centre was granted special status within the OECD (not bound to seek a consensus and permitted to receive voluntary contributions made for a specific purpose) and charged with the following mandate: to collect information on the economic policies of Member countries at the time of their reconstruction and growth; to adapt this information to the less developed countries; to analyse the policies of developing countries; and to inform Member countries of the needs of non-member countries as expressed by the latter.

The International Environment: Catching Up and Development Co-operation

For the Western countries, the decade 1962–72 marked the end of the long post-war phase of robust economic growth. This period brought the spotlight to bear on the efforts of developing countries (whether newly independent or not) to imitate the development of the industrialised countries: to copy their growth and their industrialisation processes, and catch up to their standards of living.

In the economic sphere, developing countries did not challenge the foundations of the international economic system originating in the Bretton Woods Agreement (1944) and the GATT (1947). In contrast to what was happening politically (and what was to happen in the following decade), their economic strategies were not aggressive towards the rest of the world, nor even based on demands for redress. Rather, these strategies were adaptive: the idea was that growth is primarily the result of investment in physical capital and that the main constraint on such investment is the problem of access to financial resources.

The development strategies of these countries were also interventionist. Instead of trusting in the free play of market mechanisms, they viewed planning as the key to growth and successful development. This conviction was supported by the apparent success of the Soviet model, by the prestige of India's experience and the ambitions of China. Attention was focused on income growth, and not on the problem of how this income was to be distributed. The prevailing ideology favoured inward-looking policies of national development inspired either by the socialist model or by import-substitution industrialisation theory (developed in particular in the structuralist work of the United Nations Economic Commission for Latin America and the Caribbean, or ECLAC; this body of theory was summarised by Oman and Wignaraja, 1991, on the occasion of the Development Centre's 25th anniversary). These policies took the form of high levels of protection on national output, with exports playing a minor role. India, most of the Latin American countries, Algeria, Tunisia and many African countries implemented national development policies of this type.

Bilateral colonial relationships immediately gave way to what was to be called "development co-operation". Most of the newly independent countries maintained close links with their former colonial powers. Through official development assistance, the wealthy countries, which moreover were confident of the virtues of their own models of economic progress, provided a considerable volume of funding for the economic development of the former colonies.

The development policies followed up to that time, however, had already led to some failures. The concept of development planning (whether mandatory, indicative or selective) and the aid policies that support it were subjected to critical assessment, and this led the United Nations in 1964 to hold the first UNCTAD conference on the theme of "trade, not aid". This shift in stance influenced the work of the Development Centre, which became involved in assessing the aid policies of Member countries, in the transfer of technical skills, and in the issues of capital formation and mobilisation in developing countries. The work of the World Bank's Pearson Commission (whose report was published in 1969) followed the same trend.

Starting Up Activities

The first management team under President Robert Buron (1962–66), took the view that although the Centre's work should be of some interest to OECD Member countries, it was primarily intended for developing countries. This view was expressed in three guiding principles:

- 1) establishing dialogue with elite groups in newly independent countries to help them formulate their development policies. This led to roving seminars and policy dialogues in Côte d'Ivoire, Cameroon, Guinea, Ecuador, Peru and Iran (see Chapter 15), and to productivity experts' missions;
- 2) gathering and disseminating the available information on development and accumulating fresh information by means of a question–and–answer service (SVP–Développement), as well as by collecting and developing statistical data;
- 3) encouraging collaboration among development research and training institutes in different continents (network building, Norway meeting in 1966).

Raymond Goldsmith, vice–president of the Development Centre from 1962 to 1966, was the moving force behind the first research programme. The work undertaken was intended not to be of direct operational value but to produce thorough analyses of the policies followed in developing countries. The methodology specified at that time was to remain a characteristic of the Centre: systematic use of comparative methods, and involvement of research institutes or academics from the countries concerned. Ian Little, who held the vice–presidency in 1966 and 1967 after serving initially as head of research, further expanded the Centre's research activities (see Chapter 16).

From 1962 to 1972, the main areas of research were demography, employment, aid, financial systems, project analysis, industrialisation, foreign trade and technical progress in agriculture.

Research on demography provides a good illustration of the interaction between the Centre's autonomous status and its ability to undertake pioneering work on innovative topics. When some countries opposed the DAC's studying birth control issues, it was the Development Centre that took on this subject of capital importance for developing countries. A first report on population control and economic growth (Ohlin, 1967) was followed by many studies that provided material for annual conferences and subsequently contributed to the preparations for the major United Nations conference on population (1974). Another avenue of research involved preparing for the UNCTAD meeting on regional economic integration. Agricultural modernisation issues were handled jointly with the DAC, and a series of studies on private foreign investment was produced.

During this period, the Centre helped to revitalise economic thought, particularly through its studies of industrial project analysis and industrialisation. Little and Mirrlees (1968, 1969) published a manual of industrial project analysis, the methodology of which is in part based on a more sophisticated treatment of conventional cost–benefit analysis and on the calculation of shadow prices and shadow wages. Their theoretical findings were then applied to a series of case studies. Of over 500 works published by the Centre since its foundation, that of Little and Mirrlees has probably been cited most often. In addition, the Centre was the first to undertake critical analysis of the import–substitution industrialisation model in vogue in many developing countries. *Industry and Trade in Some Developing Countries*, by Little, Scitovsky and Scott (1970), highlights the inefficiencies of ISI strategies in six countries (Brazil, India, Mexico, Pakistan, the Philippines and Chinese Taipei) and recommends greater reliance on market mechanisms and the encouragement of production for export.

Social concerns were also well represented, particularly employment and rural development. The research programme on employment — a topic not often addressed at the time — was launched by André Philip (president from 1967 to 1970) and Montagu Yudelman (vice–president, then interim president, from 1967 to 1972) and brought to completion by David Turnham. The resulting volume emphasised the phenomenon of under–employment in informal activities, a more intractable problem than unemployment. This study (Turnham, 1971) subsequently inspired the surveys and publications of the International Labour Office (ILO) on the informal sector, as well as an entire work programme.

During the same period, the Centre began to gather basic statistics, an activity which continued into the 1990s. It collected national accounting data for countries using different economic systems and harmonised them in order to allow comparison. This empirical work of data collection and gradual improvement of economic and social indicators made it possible subsequently to test the validity of theory (see Chapter 15).

In addition, the Centre brought together 250 research institutes in support of South–South co–operation, compiled a directory of development banks in developing countries and devised a list of descriptors that would become the *Macrothesaurus*, a standard classification system for information on development. In 1972, the SVP–Développement service was transferred to a US–based NGO, the Society for International Development (SID).

Conclusion: The Centre’s activities fall into three categories: research, both theoretical and applied; conferences, with publication of the proceedings; compilation of catalogues of institutes and programmes in the development field. It quickly built up an international reputation for its advanced scientific work. The research carried out over this period is remarkable both for the variety of the fields covered and for the quality of the authors (A. Lewis and J.A. Mirrlees won

Nobel Prizes, and several others today have prestigious reputations in the field). Dialogue with the governing elites of the South was kept up via experience-sharing seminars and experts' missions. The question-and-answer service met a genuine need by collecting and organising information on development (including academic literature) and making it available to development stakeholders as quickly as possible. The diversity of these activities brought the Centre into a network of development actors ranging from academic circles to policy makers and development associations.

A first review of the Centre's activities was conducted shortly before the end of André Philip's presidency (Council, 1968). The Council of the OECD renewed its mandate but expressed a desire that research results be of more direct interest to the rest of the Organisation. The vice-president's position was eliminated at that time and the Advisory Board formed shortly thereafter (Council, 1971).

1973–82: A Bridge between North and South

A Decade of Strained North–South Relations

The oil crises of 1973 and 1979 raised the level of tension in North–South relations. This led to the creation of a North–South group on the OECD Council to co-ordinate the negotiating positions of group B (OECD Member countries) with respect to group C (Third World countries, with group A being the socialist countries) in the United Nations.

In 1974, some developing countries called for the creation of a New International Economic Order (NIEO) which would enable them to obtain a more equitable share of the benefits of world growth.

In 1975, the OECD adopted a declaration on its relations with developing countries. The ministers expressed their determination to give developing countries a stronger position in the world economy and, working together with these countries, to examine the issues facing them, giving special emphasis to food production, energy, commodities and development aid. The second policy laid down by the Council was to participate in a constructive manner in the United Nations' efforts to formulate a strategy for the second decade of development and, later, in the preparations for UNCTAD meetings (the 1974 conference had to do with an integrated commodities programme). The Organisation would henceforth take a holistic, interdisciplinary approach to development problems, instead of considering them solely from the standpoint of aid. The Centre took an active part in the debates of the DAC and the UN.

The Role of the Centre

In this new context, the role of the Centre as a conduit for messages from the Southern countries to the OECD became more complex, shifting towards that of a “facilitator of dialogue” between the countries that finance the Centre and those with which it was intended to work. It endeavoured, through its intellectual contributions, to participate constructively in changing attitudes on both sides. At the same time, the Centre’s presidents and directors (Paul–Marc Henry, 1973–77, and director Friedrich Kahnert; followed by Louis Sabourin, 1978–82, and director Yves Berthelot) launched a policy of “all–out” diplomacy that continued in the early 1980s with the proliferation of high–level meetings between political leaders and development experts (Chapter 17).

To facilitate this dialogue, the Centre undertook a detailed census of development research organisations, both in the South and in the industrialised countries, and another of OECD–based NGOs involved in international co–operation. Giulio Fossi’s group helped to organise networks in developing regions and in Europe (creation of the Inter–regional Coordinating Committee of Development Associations, or ICCDA, and the European Association of Development Institutes, or EADI mentioned in Box 1). The Centre collaborated with the three regional associations of research and training institutes — the Latin American Social Science Council (CLACSO), the Association of Development Research and Training Institutes of Asia and the Pacific (ADIPA) and the Council for the Development of Economic and Social Research in Africa (CODESRIA) — thus serving as a forum for communication in the pre–Internet era.

Without abandoning macroeconomics, the Centre turned towards more structural and microeconomic research topics that were likely to find direct applications in the field. Examples include its research on appropriate technologies and methods for modernising agriculture in developing countries, which helped to identify the causes of famines and measured the consequences of food aid, and its work on industrialisation technologies in a context of rising energy prices. The Centre also worked on migration (subsequently incorporated into the OECD’s Continuous Reporting System on Migration, or SOPEMI), on the status and role of women, and joint research projects with the Mediterranean Council of Regional Economies (in 1977, the Centre supported the creation of the Association of Arab Institutes and Centres for Economic and Social Development Research — AICARDES). The Centre began a series of studies on development financing, giving particular attention to the possibilities for three–sided co–operation between oil–producing countries, developing countries and OECD countries, as well as on new forms of investment.

From 1973, the Centre was concerned with the living conditions of the poorest, initiating studies that led in 1976 to the notion of “basic needs”. The studies were concerned with, among other things, the definition of basic food needs, the government actions required to satisfy these needs and improved production, processing and marketing of staple food products.

Maintaining the Link

During these years, some of the Centre’s initiatives were aimed at establishing close collaborative relationships with research institutes in the South and launching consultations with a view to global negotiations (on the feasibility of an NIEO in particular) in order to reduce tension.

At the same time, however, the Centre broadened its traditionally “personal” contacts with academics and decision makers to include industrialists and the business community generally, as well as NGOs. In particular, it launched a major project to catalogue the NGOs working in the development field, which led to the publication of several standard directories, an activity that continued until 1998.

In its search for the causes of changes in the relations between the industrialised and developing countries, the Centre adopted a new work programme that explicitly placed the future of development in the context of global interdependence. This new issue was approached from several angles. Attempts were made to measure the effects of external shocks on countries’ balance of payments (e.g. for the non–oil–producing developing countries facing the sudden rise in oil prices) and to assess the measures taken to address the problem. More generally, consideration was given to the influence of external factors on countries’ choice of development models and on the policies implemented. To this end, the Centre studied the capacity of developing countries to satisfy the food needs of their populations and the consequences of variations in international food prices for local producers.

Another manifestation of interdependence was the internationalisation of banking activity. This trend was analysed from the standpoint of the contribution that private banks might make to development aid. In addition, the proliferation of foreign investments in developing countries, particularly in duty–free zones, led the Centre’s researchers to investigate the spillover effects on the rest of the economy, the benefits of the technology transfers associated with such investments and any dangers they may represent (see Chapter 7). The economic role of knowledge, particularly technical knowledge, was also explored.

This initial work on interdependence was subsequently extended through investigation of the respective responsibilities of domestic factors (poor management, inappropriate policies) and external factors (the inequalities intrinsic to the world trading system) in maintaining under-development. The Centre also worked on problems specific to the least developed countries, which were the subject of an international conference in Paris in 1981.

Research on the raw materials processing sector, vital in many developing countries, was also conducted: technical factors related to project size, problems of returns to scale, spillover effects on the national economy as a whole, etc. On this occasion, a sizeable database was compiled in collaboration with the World Bank, and medium-term forecasts of output, consumption, trade and investment were produced. Several other projects to develop statistical resources were later conducted jointly with the World Bank.

The Centre actively pursued its external collaborative activities, notably by promoting an inter-regional organisation (for Africa, Asia and Latin America) so as to strengthen South-South co-operation. Within the OECD, it worked with the DAC on the difficulties experienced by developing countries in making efficient use of aid resources granted for population control measures. For the first time, the Centre organised a seminar bringing together decision makers and academics from both OECD countries and developing countries to discuss the trend towards interdependence (the Dourdan and Rolleboise meetings). This type of dialogue was to become one of the distinctive features of the Centre's work.

Conclusion: The 1970s saw radical changes in the situation of both Third World countries and wealthy countries. The events of this period mark the beginning of transformations whose effects are still being felt today. The decade clearly revealed the differences of interest between developing countries and OECD countries, which were reflected in considerable tension in international negotiations. In most cases, the positions taken by the Centre supported those of developing countries, provoking criticism from the Centre's member countries. The result was an institutional crisis in the early 1980s that ended in budget cuts and a reoriented work programme.

The decade nevertheless showed the Centre's ability to address problems of current interest, while anticipating future problems in economic relations on a global scale, as was demonstrated by its work, both general and specific, on global interdependence. The future and the growth prospects of all parties were now inextricably linked, and recognition of this fact opened the way for new forms of international co-operation. In this context, the Centre endeavoured to rise above the tensions of the moment in order to facilitate negotiations and fully play its role as a bridge between North and South.

1983–92: Interdependence and Divergent Paths

Increasing Disparities

Whereas the preceding decades had been characterised by sustained progress and an interventionist view of development, the 1980s saw the end of the illusion of linear growth and of the notion that the less advanced countries would automatically catch up with the industrialised ones. Not only did international tension persist, but a series of monetary crises occurred. The recycling of petrodollars and lending policies that financed the growth of public spending and unprofitable investment led many developing countries, particularly in Latin America, to situations of overindebtedness. The financial difficulties of developing countries were so great that they induced the World Bank and the IMF to introduce structural adjustment programmes. These programmes, which were aimed at re-establishing budget balances, entailed high social costs and cutbacks in education and health spending.

During this decade, the “global negotiations” between North and South came up against new bottlenecks related to the global economic situation, but also to a new geopolitical scene that radically changed the terms of North–South relations. The collapse of the Soviet system put an end to the East–West confrontation and induced a shift in the co-operation priorities of the industrialised countries towards the so-called transition countries. Third World arguments that the North was responsible for under-development were contested by a series of studies pointing to the deadlocked situations of Southern political regimes, errors in development strategies, infringements of human rights, oversized bureaucracies etc. At the same time, the responsibility of the Southern countries in maintaining under-development was underlined. Aid policies were called into question. Lastly, whereas growth and, in some cases, per capita income, were clearly falling in Africa and Latin America, the newly industrialised economies of Asia continued to grow and develop. The heterogeneity of and cleavages among the Southern countries, which were already considerable, grew steadily worse over the course of the decade.

In the Front Lines

This new context was accompanied by changes in the OECD’s relations with non-member countries, which entailed a *de facto* repositioning of the Centre. Dialogue was initiated with the dynamic Asian economies, and a Centre for Co-operation with the Economies in Transition (CCET) was created in 1990.

The Centre began to disseminate the results of its work more widely within the OECD, so as to bring them more into the mainstream. Finding itself in a situation of potential competition within the Organisation, however, it focused on countries like China and Viet Nam, with which it had longstanding relationships (studies on the special economic zones as early as 1981, on the reconversion of the Chinese military industry, etc.). It also supported the countries sharing a border with South Africa in their efforts to achieve regional integration (Southern African Development Community — SADC). This period saw the confirmation of the Centre's role as a ground-breaker devoted to working on "emerging issues".

In this context, the President of the Development Centre, Just Faaland (1983–85; director Jean Bonvin, 1983–92) took the initiative of organising meetings between political figures and academics from both South and North, with the involvement of the OECD General Secretariat. The chairpersons of important committees, such as the Trade and Industry Committees, also participated. These confidential meetings at ministerial level allowed the participants to set out their respective positions, and enabled movement on sensitive issues, such as debt management by creditor and debtor countries, the role of private foreign investment and preparation for the next round of trade negotiations. The meetings were intended to ease North–South tensions by promoting informal but substantive dialogue. As part of the EADI work programme, the Centre initiated comparative research on developing countries' experiences with regional integration. It took an active part in organising the fourth conference of this network.

Other work addressed the issue of the role of women, with a view to preparing for the first major United Nations conference that explicitly recognised the function of women in society and in development (Mexico, 1985). Research activities were organised under two heads: one on the internal problems of developing countries, and the other on the interdependence between developing countries and OECD countries. Studies of rural development pointed to the positive role of export-oriented agricultural policies, and this work was supplemented by a study of the advantages and limitations of aid projects in favour of rural development. This study of aid efficiency also gave consideration to the problems involved in co-ordinating aid procedures and sectoral initiatives. Along with research on knowledge and continuing education, work on financial intermediation, foreign direct investment and debt was continued using a prospective approach (Chapter 18).

New Directions for Research

The next president, Louis Emmerij (1986–92), launched a five-point research programme with the aim of providing some response to the debt crisis and structural adjustment programmes.

- Development financing. In the 1980s, the growth prospects of developing countries seemed to be compromised and the adjustment programmes recommended by the international organisations (reduction of public spending) coincided with a decline in official development assistance. Research revealed that debt, taxation/budgetary policy and exchange–rate management are tightly intertwined. Financing long–term development thus calls for a rebalancing of the roles of the public and private sectors, and in particular for reform of the financial sector in developing countries, mobilisation of domestic savings and promotion of foreign direct investment (Oman, 1984).
- New technologies and shifts in comparative advantage. The Centre showed its ability to anticipate problems by raising questions at this time as to developing countries’ capacity to embrace the new information technologies and as to the role of these technologies in industrial development and integration into the world economy (Antonelli, 1991).
- Adjustment and equity, the political feasibility of structural adjustment. The Centre undertook a series of studies on IMF and the World Bank adjustment programmes for developing countries. These showed, apart from longer–term positive effects, risks of serious social unrest if tensions are not anticipated and forestalled by compensatory measures (Morrisson, 1991).
- With the worsening of unemployment problems, notably in sub–Saharan Africa, owing to the gap between population growth rates and the increase in job offers, research on employment was redirected towards the opportunities offered by the informal sector. A volume summarising this work became a benchmark in the field (Turnham, 1993).

The 25th anniversary of the Development Centre, celebrated in 1989, served as an occasion to bring together people from many developing countries — decision makers and high officials, academics, business executives — for joint reflection on interdependence in a two–speed, multi–polar world economy. The discussions were summarised in a volume entitled *One World or Several?* (Emmerij, 1989; see also Oman and Wignaraja, 1991). However, taking advantage of the fact that OECD Member countries may choose not to be members of the Centre, Australia withdrew in 1987 and Turkey in 1988.

In addition to its contributions to the work of the DAC, the Centre undertook prospective research on the new Asian economies, and in particular on the place of China in the world economy. The 1990–92 research programme combined the terms “globalisation” and “regionalisation” for the first time.

Apart from research, emphasis was given to disseminating the work of the Centre more effectively and to arranging conferences involving the managers of major corporations. The principle of testing different points of view against each other was broadened to include all economic actors.

Conclusion: The appearance of “several worlds” moving at different speeds, was the primary concern of the Centre during this period. From the standpoint of research methodologies, the economic approach was broadened to take account of the political, institutional, social and cultural dimensions of development policies.

Over this period, the Centre’s independence in setting its work programme gave rise to occasional controversy and tension with a few Member countries, but the Centre’s existence and its role within the OECD were not called into question.

1992–2002: Crises and Reform

Ideological Consensus and Financial Crises

The fall of the Berlin Wall marked the beginning of a decisive change in policy stance. A consensus had formed in favour of the market economy and democracy, and ideological feuds had given way to a more pragmatic spirit. In particular, the role of the state was completely rethought, with the aim of reducing it and making it more efficient.

The phenomenon of economic globalisation — driven by corporate internationalisation strategies, the gradual liberalisation of goods and services markets, the integration of financial markets — is not new, as Angus Maddison showed in his economic history of the last millennium (updated in Chapter 2). But it picked up speed as from the 1980s. It brought new opportunities: *i*) owing to the faster flow of goods, capital, people, ideas and technologies; *ii*) because it helped to support economic growth; and, *iii*) because it allowed nearly 2 billion people, mostly in Asia, to catch up economically to some degree. Globalisation also brought new risks: economic and financial shocks; social inequalities and the tension that they bring; threats to the environment; public health hazards; expansion of international crime; cultural domination; and risks to the stability and integrity of the international financial system.

During this period, the levers of control over the economy passed from the hands of policy makers towards the financial markets. The volatility of capital flows was one of the instigating factors of several major crises in the emerging economies (notably in Mexico in 1994 and in Asia in 1997–98) and the spreading of these crises from region to region. The need for international regulation, and in particular for reform of the international financial system, became generally accepted.

In this context, where problems were taking on an international dimension, development economics as a specific discipline was called into question. Where trade, employment, financial flows and new technologies were concerned, the

strategies of North and South had become closely intertwined. Does this mean that the economic development of developing countries has no distinctive features? This was the opinion of some schools of economic thought, which obliged the Centre and the Organisation to make adjustments with a view to increasing the coherence of their activities.

The Debate over the Role of the Centre and Opening Up to Emerging Countries

In the context of globalisation, the Member countries of the OECD once again focused on strengthening dialogue with developing countries and sought to include the “development” dimension in the cross-disciplinary working themes of the Organisation. Under the presidencies of Jean Bonvin (1993–99) and Jorge Braga de Macedo (1999–) and the directorship of Ulrich Hiemenz (1993–), the positioning of the Centre within the Organisation was again called into question on a number of occasions. This led to tighter integration of the Centre within the OECD, with the aim of making it more relevant for its users (Council, 2000). This strengthening of synergies was reflected in particular in the Centre’s co-ordination of a major cross-disciplinary study on global interdependence (*Linkages*). During this period, the Centre was one of the sectors of the Organisation that were deeply involved in such cross-disciplinary work (ageing, sustainable development, corporate governance, etc.).

As the logical result of decades of dialogue and openness to emerging countries on the part of the OECD, the Development Centre admitted Korea in 1992; Argentina, Brazil and Mexico in 1994; Chile in 1998; and India in 2001. Mexico also became a full Member of the OECD as from 1994; the Czech Republic in 1995; Hungary, Poland and Korea in 1996 (Hungary chose not to become a member of the Centre); followed by the Slovak Republic in 2000. However, the United Kingdom withdrew from the Centre in 1996, the United States in 1997, Japan in 1999 and Poland in 2001, for budgetary reasons. The growing disparity between the Member countries of the OECD and of the Development Centre was one of the reasons for the reform of the development architecture undertaken as from 2000 (Council, 2000; Advisory Board, 2000a, 2001).

Globalisation has by no means resolved the problem of stalled development in the poorest countries. It is even revealing certain contradictions in the policies adopted by the OECD countries: their policies on trade, environmental protection and investment are not always compatible with the development of poor countries. Developing countries have their own needs and interests which must be taken into consideration if they are to become fully-fledged actors in the world economy. It is recognised that the Centre still has a role to play in this respect.

New Working Methods, New Approaches

Where Africa is concerned, the Centre is one of the development actors that have refused to throw in the towel: the subjects of conflict prevention, the fight against corruption and rent-seeking behaviour, and the feasibility of reforms are all studied because of their possible contribution to Africa's growth. The Centre is also participating, through its work on emerging Africa, in the DAC's Partnership Strategy for the 21st Century, the aim of which is to reduce poverty in a sustainable manner.

The changes occurring in the world economy led the Centre to change the scale of its analyses. In addition to comparison of national policies, it studies phenomena such as decentralisation (Brazil, China, India) and regional co-operation (studies of Mercosur, APEC, ASEAN and SARC). The organisation of annual "economic perspectives" fora with the regional development banks is also in keeping with this regional approach to problems (the forum with the Inter-American Development Bank was launched in 1990, that with the Asian Development Bank in 1995 and that with the African Development Bank in 2000). Furthermore, efforts have been made to strike a balance between one-off studies (e.g. the enormous project conducted in co-operation with the Chinese authorities on the conversion of military industries to civilian production, the study on privatisation in India) and long-term studies (prospective study on interdependence — OECD, 1995). Lastly, the Centre is still working to broaden both its audience and its range of partners to include civil society (research on the participatory dimension of development) and the business community (the role of the private sector in fighting corruption; see Chapter 19).

The Centre has left its mark on this decade through its work on a few themes where the findings have caught the attention of the stakeholders concerned; these themes are addressed in detail in the following chapters of this volume. These chapters also constitute an overview of the results of the 2001/2002 work programme on globalisation and governance (Advisory Board, 2000b) and a look ahead to the 2003/2004 work programme on the integration effects of globalisation and adaptation capability (Advisory Board, 2002).

Financial liberalisation: The financial crises that shook the emerging economies during the 1990s had been anticipated in a number of the Centre's studies of financial market liberalisation. These studies put the spotlight on the risks associated with financial liberalisation and the need to make liberalisation conditional on the establishment of domestic rules aimed at protecting the national financial system (establishment of a regulatory framework). After the outbreak of the crises, the Centre's research efforts were directed to identifying the causes (external shocks, volatility of short-term capital flows, excessive exposure to risks, the appearance of speculative bubbles, etc.); searching for political and financial

solutions to help the affected countries bounce back; and thinking more broadly about how the international financial architecture should be reformed to reduce the risk of further crises (Chapter 10).

International Trade: In the early 1990s, Goldin and van der Mensbrugghe (1992) undertook to measure the growth benefits that participating countries would derive from the liberalisation of trade in agricultural products, in a context of a deadlock in the multilateral negotiations under the Uruguay Round (GATT). An econometric model (Rural–Urban/North–South, or RUNS) was used to construct various scenarios of the overall effects of trade liberalisation. This work attracted a great deal of attention and helped to get the negotiations started again on a new and more solid basis (Chapter 9).

Environment and Sustainable Development: The Centre’s work in the 1980s had already pointed to indications of global interdependence where the environment is concerned. Over the 1990–92 period, the Centre, in partnership with the Economic Affairs Department of the OECD, developed a general equilibrium econometric model on a global scale, known as GREEN. The model is used, particularly where the energy sector is concerned, to measure the impact of the use of natural resources on the environment and climate change. It is also used to assess the economic impact of policies to reduce greenhouse gas emissions. After being managed for several years by the Centre, this model was transferred to several developing countries and used as a decision support tool for environmental policies (Dessus *et al.*, 1994). Research on sustainable development continued in the form of a series of studies on climate change, particularly in large developing countries (China and India). These studies enabled the Centre to propose ways of measuring the fringe benefits of greenhouse gas reduction policies, notably for health, as well as providing material for the OECD’s cross–disciplinary activities on sustainable development (Chapter 5).

Social and Institutional Dimensions of Development: Purely economic analyses were supplemented by consideration of the institutional factors that influence growth: the role of the public and private sectors in combating corruption, the impact of conflicts on the national economy, ways of improving political governance. Earlier work on income distribution was pursued and deepened, in particular through the involvement of the “forgotten people” of globalisation in both research and dialogue (Chapter 6).

Conclusion: Despite a number of difficulties, experience since 2000 has confirmed the Centre’s continued ability to anticipate trends and draw decision makers’ attention to the factors that cause crises well before they actually break out. The debate over the proper place of the Development Centre within the OECD continued, while the departure of several influential countries weakened the Centre and strengthened calls for its work to be better integrated into the activities of the OECD. From 1999 to 2002, the Council of the OECD re–examined the

Centre's mandate on several occasions and, while confirming the importance of this specialised entity, established procedures for more precise co-ordination of the activities of the entire Organisation (Council, 1999a). The note on strategic goals drafted by the OECD Secretary-General states that: "The OECD cannot offer its Members the best analysis and the best policy options unless it takes into account developments in important countries beyond its current membership" (Council, 1999b).

An external assessment carried out in 2000 showed that the Centre's role as a protector of diversity is better understood outside the Organisation than within it (Advisory Board, 2000a). It is now up to the Centre to manage its intellectual heritage with due consideration for diversity, occupying a position midway between the OECD Member countries and the rest of the world (Advisory Board, 2001). Its specific mission remains that of studying the policies applicable to developing countries, basing its assessments on its own research, on its activities to foster dialogue and on the experience of the OECD.

With due regard for efforts to reform the Organisation, particularly the work of the "Development Group" and the desire of the Member states to see greater coherence in this area, the Centre is making great efforts to work even more closely with the OECD Secretariat, notably by contributing to cross-disciplinary projects and to discussions on policy coherence. The context is now one of establishing partnerships between Northern and Southern countries so as to favour the integrating effect of globalisation, both between countries and within countries. The reform thus reflects recognition of the importance of development issues as well as their gradual integration into the Organisation's other sectors of activity.

Although the very concept of the Third World has been challenged, with some observers expressing doubts as to the usefulness of analysing development, recent trends show that, far from being obsolete, this body of thought is now spreading outward to touch all issues related to the functioning of economic and social systems.

Note

1. Upon his taking up office in 1999, Development Centre President Jorge Braga de Macedo asked for a comprehensive report on the Centre's activities since its foundation (Fossi *et al.*, 2000). The present chapter is based on this work, on the external assessment of the Centre conducted in 2000 and on information and commentary provided by Ulrich Hiemenz, Director for Co-ordination. The opinions expressed are nonetheless those of the author alone.

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