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IS 0.7% DEVELOPMENT ASSISTANCE ENOUGH?

The Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) annually reports on the efforts and policies made by the member countries to assist developing countries in their development policies. One aspect of these efforts is the amount of Official Development Assistance (ODA) made available to developing countries. On the basis of the Pearson Report (Pearson et al., 1969), the General Assembly of the United Nations in its 1970 session considered desirable 0.7% of the gross national product (GNP) of the donor countries, which are member countries of the OECD. In the present essay I shall argue that more ODA (or equivalent other transfers) is necessary. The object of development policy is supposed to be to eliminate the inequality of per capita incomes in developed and developing countries.

Figures of real per capita income of developed ('rich') and developing ('poor') countries for the 1960–1979 period can be obtained from an analysis by Kravis, Heston and Summers (Kravis et al., 1982) made for the World Bank. The average annual rate of growth of the per capita income over the period mentioned is 1.03313 for the rich and 1.01820 for the poor countries. So, in this period astride 1969/1970, the per capita incomes had diverged. Therefore, the assistance made available must at least eliminate that divergence. Elsewhere (Tinbergen, 1992) I have shown that donor countries should give a minimum of 1.27% of their GNP to attain the aim of equality of incomes. That these figures were not available in 1969 may be an excuse for the Pearson Commission, but not for the governments of 1992.

Interesting further information can be derived from the World Development Reports of the World Bank for the years 1987 and later. From them, divergence has disappeared and been replaced

TABLE I
Duration D (in years) of development process for different levels of development assistance z_2 expressed as percentage of donor countries' GNP

| Year | z_2 | 0 | 0.35 | 0.7 | 3 | 8 | 21 | 29.9 |
|------|-------|-----|------|-----|-----|-----|-----|------|
| 1987 | D = | 502 | 495 | 489 | 453 | 396 | 297 | 247 |
| 1988 | D = | 511 | 504 | 497 | 460 | 401 | 301 | 273 |
| 1989 | D = | 825 | 813 | 802 | 739 | 641 | 477 | 394 |
| 1990 | D = | 926 | 908 | 892 | 807 | 703 | 550 | 420 |

by convergence. Even without any development assistance the per capita incomes of rich and poor countries will converge to equality.

Now we must introduce another concept, however, to obtain a complete picture of the situation, namely the concept of the duration of the development process. Calculating with the data of the World Development Reports of 1989–1992, we obtain Table I.

The question arises whether the citizens of the poor countries have the patience required. The flow of immigrants who try to find jobs in rich countries rises and creates problems to the poor part of the population of the rich countries. The number of voters supporting the rightist parties rises also. It is in the interest of our own citizens that potential immigrants stay at home – not because of our police violence but because of better incomes and more jobs, made possible by more development assistance in any form.

My interpretation of Table I is that the 'patience required' is not available and, in addition, is asking too much. It is in the interest of both the developing and the developed countries that more development assistance be made available – to the extent that migration from the poor to the rich countries is practically eliminated.

A closer consideration of Table I is worth while. There are a few tendencies which require mentioning more concretely.

As a matter of course, the duration becomes shorter the more assistance is given. But the durations for 0.7% are only slightly better than those of the present situation (0.35%). To attain clear reductions in duration, 3 to 8% ODA are needed. An aim of 3% was mentioned quite some time ago by Dr S. L. Mansholt when he was the vice-chairman of the European Community. It has also been

mentioned by the Swiss churches (but not accepted by the Swiss government).

The second tendency shown by Table I is that figures have been rising from 1988, the only exception being the figure for 29.9%. The newest figures, derived from the data of the 1992 World Development Report, even show a marked further rise, a matter for concern.

A third remark about Table I is an explanation rather than a conclusion. The reason for including information about a 29.9% development assistance is that this is the highest internal transfer shown by the World Labour Report of 1984 (ILO, 1984). The figure applies to Sweden; for the USA it is 12.4 and for Germany 23. Since the world is in a process of integration of globalisation, there will be a tendency for income redistribution to develop towards national redistribution. It is with such levels of redistribution that figures for the duration are found approaching a generation, meaning that the children of the present population may attain the goal the parents have in mind. This type of patience seems acceptable and reasonable, but not the duration figures corresponding with 0.7% of ODA.

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