Backgrounder
Published by The Heritage Foundation
No. 1881
September 26, 2005

The U.N.'s World Summit Is Wrong on Development Assistance

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Perhaps the most enduring myth codified in the 2005 World Summit of the United Nations is the notion that lack of development in poor nations is due to a paucity of economic assistance. The idea that development requires greater aid flows is omnipresent in U.N. documents like the World Summit "outcome document," which welcomes the "increased resources that will become available as a result of the establishment of timetables by many developed countries to achieve the target of 0.7 per cent of gross national product for official development assistance by 2015."[1]

This emphasis endures despite numerous economic studies, including studies conducted by the World Bank and the International Monetary Fund (IMF), that have concluded that economic assistance is not a key component in economic development. More recent studies question whether aid has a positive effect on economic growth at all. The research indicates that the policies that developing nations adopt regarding economic freedom, the rule of law, and good governance are far more important than aid.

In recognition of this evidence, the 2000 Millennium Declaration and the 2002 International Conference on Financing for Development emphasized the responsibilities of developing countries in the development partnership. As noted by Ambassador John Bolton:

> In Monterrey, Mexico in 2002, we all made commitments to fight poverty through development. We agreed that we had to change the

Talking Points

- While foreign assistance can be useful, increasing developed country economic assistance to 0.7 percent of GNP will not improve economic growth and development in poor nations.
- Numerous studies have concluded that economic freedom, good governance, and the rule of law are the keys to promoting economic growth and reducing poverty.
- Foreign aid may help the poor to cope temporarily with some of the consequences of poverty, but countries beset by a weak rule of law, corruption, heavy state intervention, and other policies that retard growth will not experience increased economic growth even with greater assistance.
- The U.S. should hold firm in rejecting arbitrary aid targets and encourage developing countries to adopt policies that encourage private investment and entrepreneurship, which are the true keys to development.

This paper, in its entirety, can be found at:
www.heritage.org/research/tradeandforeignaid/bg1881.cfm

Produced by the Center for International Trade and Economics (CITE)

Published by The Heritage Foundation
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Washington, DC 20002–4999
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> models of the past, which focused primarily on resource transfers, to solutions premised on the proven methods of good governance, sound policies, the rule of law, and mobilization of both public and private resources.[2]

Yet debate on development leading up to the World Summit perversely focused on aid over policies that encourage private investment and entrepreneurship. The Bush Administration's efforts improved the draft outcome document of the World Summit. Explicit requirements for aid targets were amended, and text was inserted to emphasize the importance of policies improving governance, the rule of law, and economic liberalization.[3]

However, while the final World Summit document is an improvement over the draft document, it falls short on emphasizing the prioritization of policies in development, instead focusing on the Millennium Development Goals (MDGs) and resource transfers, such as increased development assistance and debt forgiveness. President George W. Bush did not improve matters when he endorsed the "Millennium Development goals" in his General Assembly address, which many advocates interpret as a promise by the U.S. to meet the 0.7 percent of GNP aid target.[4]

The goal of reducing poverty is admirable and should be supported by the U.S., but focusing on arbitrary aid targets and goals that are only indirectly related to reducing poverty does little to advance that objective. If the U.S. is to help poor countries to develop, it should:

- **Reject targets for foreign assistance.** Calls for additional assistance fly in the face of economic analysis, bolstered by decades of practical experience, that supports the conclusion that economic assistance is a minor factor in economic growth.
- **Emphasize the importance of good policy in development, including economic freedom, good governance, and the rule of law.** Numerous economic studies have concluded that economic freedom, good governance, and the rule of law are key drivers in promoting economic growth and reducing poverty. Without economic growth, countries lack the resources to support efforts to improve the lives of their citizens or to meet the Millennium Declaration goals.
- **Call attention to the fact that the Millennium Development Goals are not a development strategy and that focusing on them risks shifting focus away from the policies necessary for development.** While many individual MDGs are desirable, they focus on the symptoms of poverty rather than the causes. Focusing foreign assistance on improving particular indicators may provide short-term improvements in specific areas, but it does little either to contribute to long-term economic growth or to help poor coun-

1. U.N. General Assembly, "2005 World Summit Outcome," A/60/L.1, 60th Sess., September 15, 2005, at *documents-dds-ny.un.org/doc/UNDOC/LTD/N05/511/30/pdf/N0551130.pdf?OpenElement* (September 21, 2005).
2. John Bolton, U.S. Ambassador to the U.N., open letter on the draft outcome document, August 30, 2005, at *www.un.int/usa/reform-un-jrb-ltr-dev-8-05.pdf* (September 14, 2005).
3. The draft document called on developed nations "to achieve the target of 0.7 per cent of gross national product [GNP] for official development assistance by no later than 2015 and to reach at least 0.5 per cent by 2009." U.N. General Assembly, "Revised Draft Outcome Document of the High-Level Plenary Meeting of the General Assembly of September 2005," August 5, 2005, at *www.un.org/ga/59/hlpm_rev.2.pdf* (September 14, 2005).
4. George W. Bush, "Remarks by the President at the United Nations High-Level Plenary Meeting," The White House, Office of the Press Secretary, September 14, 2005, at *www.usunnewyork.usmission.gov/05gwb0914.htm* (September 21, 2005). Although the White House text indicates that the President was talking about the goals identified in the Millennium Declaration (which did not include the 0.7 percent of GNP aid target) rather than the specific MDG indicators (which include the aid target) identified by the U.N., MDG proponents have been quick to interpret this as a commitment by the U.S. to meet the target. Editorial, "Hopeful Words: On Helping the Poor," *The New York Times*, September 15, 2005, p. A30, at *www.nytimes.com/2005/09/15/opinion/15thu2.html* (September 21, 2005).

tries graduate from the need for assistance in the first place.

- **Introduce a balanced measure of development resources.** Aid is not the most important factor in development: Policies are. However, even if one focuses on resource flows, most resources for economic development and poverty reduction come through private financial flows such as trade, investment, charitable organizations, and remittances. Estimates of a nation's commitment to development would be more meaningful if they incorporated these private flows.

The United States has been unjustifiably criticized for its resistance to aid targets. In reality, it is those who push for billions in additional aid, based on dubious economic grounds, who should be criticized. Such calls for increased aid do little to help the poor in developing countries and instead distract attention away from policy changes that could improve the prospects for growth. The U.S. should stand firm and not shy away from puncturing the myth that more economic assistance is necessary for development.

The Disappointing History of Development Assistance

For decades, the United States and other donor nations have tried to catalyze economic growth in poor countries through bilateral and multilateral development assistance. The record is one of failure. Between 1960 and 2003, the U.S. and other developed nations spent over $1.45 trillion (in 2002 dollars) in bilateral and multilateral aid on development projects in 118 low-income and lower-middle-income countries.[5]

Of the 111 countries for which data are available, 35 (about one-third) actually saw their per capita income shrink (in 2000 dollars) despite 45 years of development assistance. In other words, their populations became poorer than they were in 1960. Another 26 countries experienced slight compound annual growth of less than 1 percent of per capita gross domestic product (GDP), and a further 25 saw slightly better compound annual growth between 1 percent and 2 percent. Just 25 experienced annual compound growth of more than 2 percent in per capita GDP, and only 11 of the 25 experienced the level of growth necessary (over 4 percent annual growth) to noticeably close the gap with rich nations.

The record is particularly poor in sub-Saharan Africa. Despite $465 billion (in 2002 dollars) in assistance between 1960 and 2003, including $49 billion from the U.S., sub-Saharan Africa's per capita income increased by only $98 from $416 to $514 (in 2000 dollars).[6] To put this in perspective, the entire GDP of sub-Saharan Africa in 2003 was $362 billion (in 2000 dollars).[7] Thus, after receiving assistance totaling more than its entire GDP in 2003 over the past four decades, sub-Saharan Africa has been treading water with over one-third of countries experiencing a net decline in their per capita GDP since 1960 and only three countries experiencing the level of growth necessary to close the gap with the developed world.

Moreover, sub-Saharan Africa is the only region of the world that is not on track to meet a single target of the U.N. Secretariat's Millennium Development Goals, including the goals of reducing poverty, hunger, and infant mortality; improving secondary school enrollment for girls; increasing immunization for measles; and increasing access to potable water.[8]

An Ineffective International Response

The widespread failure of poor countries to develop despite extensive foreign aid has led donor

5. Organisation for Economic Co-operation and Development, International Development Statistics, at *www.oecd.org/dataoecd/50/17/5037721.htm* (September 14, 2005), and World Bank, World Development Indicators 2005, at *www.worldbank.org/data/onlinedatabases/onlinedatabases.html* (September 14, 2005; subscription required).

6. *Ibid.*

7. World Bank, World Development Indicators 2005.

8. "Ends Without Means," *The Economist*, September 11, 2004, p. 72.

nations to meet and reevaluate the Millennium Declaration's development strategies at meetings such as the June 2005 G-8 meetings and the U.N. World Summit. While these meetings have produced voluminous documents filled with admirable goals, they have failed to confront the failure of development efforts. Instead, they have focused on measurable targets that ultimately are more an indication of poverty than they are the keys to its eradication.

For instance, the September 2000 Millennium Declaration includes goals to halve, by the year 2015, "the proportion of the world's people whose income is less than one dollar a day and the proportion of people who suffer from hunger and, by the same date, to halve the proportion of people who are unable to reach or to afford safe drinking water." It also includes the goal of ensuring by 2015 that "children everywhere, boys and girls alike, will be able to complete a full course of primary schooling and that girls and boys will have equal access to all levels of education" and to reduce "maternal mortality by three quarters, and under-five child mortality by two thirds, of their current rates."[9]

The Millennium Development Goals were developed after the Millennium Declaration and use 48 indicators to measure progress toward the goals stated in the Millennium Declaration.[10] The indicators include a "poverty gap ratio," the "prevalence of underweight children under five years of age," the literacy rate of 15- to 24-year-olds, the infant mortality rate, access to potable water and sanitation, and disbursement of official development assistance. Generally, the targets focus on improving the indicators over 25 years between 1990 and 2015 on the assumption that such improvements are indicative of development.

Missing the Forest for the Trees

The Millennium Development Goals measure the symptoms of poverty rather than the causes. Despite numerous economic studies showing that good governance, economic freedom, and the rule of law are key factors in economic growth, specific indicators for these factors are missing. Their absence is remarkable when one considers that economic growth is the overarching goal. Without economic growth, countries will lack the resources to support efforts to improve the lives of their citizens.

Meeting the Millennium Declaration goals—and, more important, creating the ability for countries to continue progress already made toward these goals—depends in great part on increasing economic growth. Indeed, the World Bank estimated that halving severe poverty in sub-Saharan Africa by 2015 would require annual growth of at least 7 percent. Focusing on improving particular indicators may offer paths for assistance to provide short-term relief of suffering in specific areas, but it will do little to help poor countries achieve the economic growth necessary for them to develop and graduate from the need for assistance in the first place.[11]

Over the past decade, numerous studies have concluded that economic freedom, good governance, and the rule of law are key drivers in promoting economic growth and reducing poverty. A

9. U.N. General Assembly, "United Nations Millennium Declaration," Resolution 55/2, September 8, 2000, at *www.ohchr.org/english/law/millennium.htm* (September 14, 2005).

10. "At the September 2000 U.N. Millennium Summit, U.N. member states adopted the Millennium Declaration. Eight goals were identified in the Millennium Declaration: eradicating hunger, achieving universal education, empowering women, reducing child mortality, improving maternal health, combating HIV/AIDS and other diseases, ensuring environmental sustainability, and developing a global partnership for development. The eighth goal includes commitments by developing countries to adopt sound economic policies and good governance and commitments by developed countries to increase aid, to cooperate in debt forgiveness, and to develop further an open, rule-based trading and financial system. To measure progress toward the eight MDGs, experts from the U.N. Secretariat, IMF, Organisation for Economic Co-operation and Development, and World Bank developed a set of targets and indicators." Ana Isabel Eiras, "Time for the International Monetary Fund and World Bank to Reconsider the Strategy for Millennium Development Goals," Heritage Foundation *Backgrounder* No. 1880, September 16, 2005, at *www.heritage.org/Research/TradeandForeignAid/bg1880.cfm*. See also U.N. Department of Economic and Social Affairs, Statistics Division, "Millennium Development Goal Indicators Database," April 2005, at *unstats.un.org/unsd/mi/mi_goals.asp* (September 14, 2005).

1997 World Bank analysis of foreign aid found that, while assistance positively affects growth in countries with good economic policies (free markets, fiscal discipline, and the rule of law), countries with poor economic policies did not experience sustained economic growth regardless of the amount of foreign assistance received.[12]

Other studies have reached similar conclusions, maintaining that aid can increase economic growth in certain circumstances.[13] These studies conclude that aid may help the poor to cope temporarily with some of the consequences of poverty, but that countries beset by a weak rule of law, corruption, heavy state intervention, and other policies that retard growth will not experience increased economic growth even with greater amounts of economic assistance. Subsequent studies question whether aid could spur growth even in good policy environments.[14]

Yet the United Nations dismisses this extensive economic research and instead strongly argues that development requires large increases in aid. The U.N. Millennium Project, commissioned by U.N. Secretary General Kofi Annan in 2002 to assess what is necessary to meet the MDGs, advocated "a big push of basic investments between now and 2015 in public administration, human capital (nutrition, health, education), and key infrastructure (roads, electricity, ports, water and sanitation, accessible land for affordable housing, environmental management)."[15] Jeffrey Sachs, special adviser to the U.N. Secretary General on global poverty, reaches similar conclusions in *The End of Poverty*, which asserts that developed countries must transfer "about $100 [billion] to $180 billion per year for the period 2005 to 2015" to meet the MDGs and that "Africa needs around $30 billion per year in aid in order to escape from poverty."[16]

Two recent economic studies, however, dismantle the arguments used by Sachs and the U.N. for increased aid. William Easterly specifically analyzed the evidence on whether increased aid or investment can spur growth:

> The classic narrative—poor countries caught in poverty traps, out of which they need a Big Push involving increased aid and investment, leading to a takeoff in per capita income—has been very influential in development economics. This was the original justification for foreign aid….

11. Indeed, nearly every country in sub-Saharan Africa improved in life expectancy, literacy, maternal mortality, and infant mortality (all of which are MDG indicators) from 1970 to 1990. Yet few countries experienced increased economic growth and development. World Bank, World Development Indicators 2005.
12. Craig Burnside and David Dollar, "Aid, Policies, and Growth," World Bank, Policy Research Department, Macroeconomic and Growth Division, June 1997, and World Bank, *Assessing Aid: What Works, What Doesn't, and Why* (Washington, D.C.: World Bank, 1998).
13. Other studies arrive at similar conclusions. For example, economists Richard Roll and John Talbott support this conclusion with evidence that the economic, legal, and political institutions of a country explain more than 80 percent of the international variation in real per capita income between 1995 and 1999 in more than 130 countries. Richard Roll and John Talbott, "Developing Countries That Aren't," unpublished manuscript, University of California at Los Angeles, November 13, 2001, p. 3. Other comparable studies include Paul Collier and Jan Willem Gunning, "Why Has Africa Grown Slowly?" *Journal of Economic Perspectives*, Vol. 13, No. 3 (September 1999), pp. 3–22; Robert J. Barro and Xavier Sala-i-Martin, *Economic Growth* (New York: McGraw-Hill, 1995); Jeffrey D. Sachs and Andrew Warner, "Economic Reform and the Process of Global Integration," in William C. Brainard and George L. Perry, *Brookings Papers on Economic Activity, 1995* (Washington, D.C.: Brookings Institution Press, 1995), pp. 1–118; and David Dollar, "Outward-Oriented Developing Economies Really Do Grow More Rapidly: Evidence from 95 LDCs, 1976–1985," *Economic Development and Cultural Change*, Vol. 40, No. 3 (April 1992), pp. 523–544.
14. William Easterly, "Can Foreign Aid Buy Growth?" *Journal of Economic Perspectives*, Vol. 17, No. 3 (Summer 2003), pp. 23–48, at *www.nyu.edu/fas/institute/dri/Easterly/File/EasterlyJEP03.pdf* (September 21, 2005).
15. U.N. Millennium Project, *Overview Report*, 2005, p. 19, at *www.unmillenniumproject.org/reports/index_overview.htm* (September 21, 2005).
16. Jeffery D. Sachs, *The End of Poverty: Economic Possibilities for Our Time* (New York: Penguin Press, 2005), pp. 298–300 and 309.

> *Evidence to support the narrative is scarce*…. Takeoffs are rare in the data, most plausibly limited to the Asian success stories. Even then, the takeoffs do not seem strongly associated with aid or investment in the way the standard Big Push narrative would imply.[17]

A 2005 study by two economists at the IMF corroborates this conclusion. Their research found "no evidence that aid works better in better policy or geographical environments, or that certain forms of aid work better than others."[18]

This does not mean that development is an unreachable goal. A World Bank study found that increased integration into the world economy from the late 1970s to the late 1990s led to higher growth in income. The more integrated countries achieved 5 percent average annual growth in per capita income during the 1990s.[19] In contrast, the non-globalizing nations experienced average growth of only 1.4 percent during the 1990s, and many experienced negative growth rates.

A related World Bank study found that increased growth resulting from expanded trade "leads to proportionate increases in incomes of the poor" and that "globalization leads to faster growth and poverty reduction in poor countries."[20] Easterly concurs in his 2005 study, finding "support for democratic institutions and economic freedom as determinants of growth that explain the occasions under which poor countries grow more slowly than rich countries."[21]

These studies confirm research at The Heritage Foundation. Analysis of 11 years of *Index of Economic Freedom* data[22] indicates that the best way for countries to increase economic growth is to adopt policies that promote economic freedom and the rule of law. The *Index* analyzes 50 economic indicators in 10 independent factors: trade policy, fiscal burden of government, government intervention in the economy, monetary policy, capital flows and foreign investment, banking and finance, wages and prices, property rights, regulation, and informal market activity. These 10 factors are graded from 1 to 5, with 1 being the best score and 5 being the worst. The scores are then averaged to give an overall score for economic freedom. Countries are designated "free," "mostly free," "mostly unfree," or "repressed" based on their overall scores.

As shown in the *Index*, "free" countries have an average per capita income twice that of "mostly free" countries. "Mostly free" countries have a per capita income more than three times that of "mostly unfree" and "repressed" countries. This relationship exists because countries that maintain policies that promote economic freedom provide an environment that facilitates trade and encourages entrepreneurial activity, which in turn generates economic growth. Not only is a higher level of economic freedom clearly associated with a higher level of per capita GDP, but higher GDP growth rates are associated with improvements in a country's economic freedom score.[23] This relationship holds for sub-Saharan Africa.[24]

17. William Easterly, "Reliving the 50s: The Big Push, Poverty Traps, and Takeoffs in Economic Development," Northwestern University, Kellogg School of Management seminar, June 1, 2005, at *www.kellogg.northwestern.edu/finance/faculty/seminars/easterly_william.pdf* (September 21, 2005). Emphasis added.
18. Raghuram G. Rajan and Arvind Subramanian, "Aid and Growth: What Does the Cross-Country Evidence Really Show?" National Bureau of Economic Research *Working Paper* No. 11513, abstract, July 2005, at *papers.nber.org/papers/w11513* (September 14, 2005).
19. Paul Collier and David Dollar, *Globalization, Growth, and Poverty: Building an Inclusive World Economy* (Washington, D.C.: World Bank and Oxford University Press, 2001), p. 5.
20. David Dollar and Aart Kraay, "Trade, Growth, and Poverty," World Bank, Development Research Group, abstract of draft, March 2001, at *www.worldbank.org/research/growth/pdfiles/Trade5.pdf* (September 14, 2005).
21. Easterly, "Reliving the 50s," p. 29.
22. See Marc A. Miles, Edwin J. Feulner, and Mary Anastasia O'Grady, *2005 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2005), at *www.heritage.org/index*.

The important lessons here are plain. The economic futures of developing countries lie predominantly in their own hands as determined by the policies that they adopt and enforce. If countries want to increase per capita GDP, they should adopt the policies that are most likely to achieve that result: economic freedom, good governance, and the rule of law. These policies remove the barriers to economic growth and provide the framework necessary for markets to work, thus paving the way for development. As noted in *The Road to Prosperity*:

> In technical terms it is not the level of poverty that is most vicious, but rather the absence of change or opportunity to escape that poverty. Where the 20th century approach produced a vicious cycle of aid, default, and dependency on foreign governments, the IMF, or the World Bank, the 21st century holds out the prospect that countries can generate growth and prosperity themselves, without foreign interference.[25]

The 0.7 Percent of GNP Mirage

The Bush Administration parts company with the United Nations and most other donor nations over the means to achieve the goals in the Millennium Declaration. As stated by Assistant Secretary of State for International Organization Affairs Kristen Silverberg:

> The U.S. stands by its commitment to the goals in the Millennium Declaration. The President has said so specifically. This is an important commitment we made and, of course, we remain committed to it. Separate from the Millennium Declaration, the U.N. Secretariat created a document that provides a number of indicators, ways to measure, ways the U.N. Secretariat thinks would be appropriate to measure progress towards those goals. Some of them we agree with, some of them we don't agree with.[26]

The main disagreement is the 0.7 percent of GNP aid target, which the U.S. refuses to endorse. A key point of contention is the notion that increasing development assistance will result in improved results and that development requires a massive increase in economic assistance. As explained by Easterly, the basis for linking aid and economic growth dates back decades to a simple model in which economic growth depends on investment (domestic savings and foreign aid) as a share of GNP. In this model, economic assistance is necessary to fill the "financing gap" between domestic savings and the investment necessary to meet growth targets. Looking at data for 88 countries, Easterly found only one case in which foreign aid led to increased investment and investment led to increased economic growth. According to Easterly:

> The "financing gap" model in which aid increases investment and then that investment increases economic growth has dubious theoretical foundations and numerous empirical failings.… Yet the idea that "aid buys growth" is an integral part of the founding myth and ongoing mission of the aid bureaucracies.

Easterly notes that the World Bank used this model to calculate the aid requirements for meeting the Millennium Development Goal of cutting world poverty in half.

Despite the questionable basis for using aid targets in development strategies, they continue to possess enduring weight in the U.N. and among developing countries eager for increased income transfers from developed countries. The specific target of 0.7 percent dates back to the 1968 Pearson Commission

23. Marc A. Miles, "Introduction," in Marc A. Miles, Edwin J. Feulner, and Mary Anastasia O'Grady, *2004 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2004), p. 21.
24. Brett D. Schaefer, "Multilateral Economic Development Efforts in Sub-Saharan Africa," Heritage Foundation *Lecture* No. 858, December 20, 2004, at *www.heritage.org/Research/TradeandForeignAid/hl858.cfm#pgfId-1120314*.
25. Marc A. Miles, ed., *The Road to Prosperity: The 21st Century Approach to Economic Development* (Washington, D.C.: The Heritage Foundation, 2004), p. 8.
26. Press briefing, "Assistant Secretary of State for International Organization Affairs Kristen Silverberg on United Nations Reform," U.S. Department of State, August 31, 2005, at *www.un.int/usa/05ks0831.pdf* (September 14, 2005).

report, which recommended that a "much-increased flow of aid will be required if most developing countries are to aim for self-sustaining growth by the end of the century. This means specific aid targets [for] official aid [of] 0.70 percent of GNP by 1975."[27]

This target was passed by the General Assembly in non-binding resolutions. The first was passed in 1970.[28] More recently, it was included among the indicators for the Millennium Declaration goals and the proposed outcome document of the September World Summit. The U.S. successfully led an effort to amend the World Summit document to remove such a commitment.

The U.S. is right to balk at demands for increased development assistance based on targets to which it has not committed. To meet this target, the U.S. would have had to increase development assistance to nearly 4.3 times the $19 billion that it spent in 2004, or $82.5 billion.[29] Dramatic increases in foreign assistance built on such shaky foundations deserve skepticism, especially when they focus solely on government assistance while ignoring the critical role of the developed countries themselves in creating an environment that stimulates growth and the private sector's role in providing most of the resources for economic development and poverty reduction.

False Criticism of America's Commitment to Development

Many have painted President Bush's rejection of the 0.7 percent of GNP development aid target as a lack of American commitment to development in Africa. Based on the record, however, criticism of the Bush Administration by aid advocates seems misplaced. America has provided about $290 billion (in 2002 dollars) in bilateral development assistance since 1960, or approximately one-fifth of all official development assistance over that period.[30] Under President Bush, America has doubled its development assistance, including tripling its assistance to sub-Saharan Africa since 2000. He also has championed access to the U.S. market through the African Growth and Opportunities Act.

But such measures tell only a small part of the story. Traditional measures of national contributions to development entirely ignore the private sector. This gross oversight not only dramatically underestimates development resources, but also ignores the most effective resources. As observed in *American Interests and UN Reform*:

> Most resources for economic development and sustainable poverty reduction come through trade, private financial flows, international charitable organizations and expatriate remittances. The 0.7 percent of GDP target would be more meaningful if other contributions relevant to development were incorporated into this calculation, including private charitable donations.[31]

Using such a calculation, the U.S. Agency for International Development estimates that total

27. See World Bank Group, "Pages from World Bank History: The Pearson Commission," July 11, 2003, at *web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/EXTARCHIVES/0,,contentMDK:20121526~pagePK:36726~piPK:36092~theSitePK:29506,00.html* (September 14, 2005).

28. The U.N. General Assembly adopted the "International Development Strategy for the Second United Nations Development Decade," which includes the 0.7 percent of GNP aid target, without vote in Resolution 2626 in 1970 and Resolution 3362 in 1975. See U.N. General Assembly, "Resolutions Adopted on the Reports of the Second Committee," 25th Session, October 24–December 11, 1970, pp. 39–49, at *daccessdds.un.org/doc/RESOLUTION/GEN/NR0/348/91/IMG/NR034891.pdf?OpenElement* (September 15, 2005), and U.N. General Assembly, "Resolutions Adopted by the General Assembly During Its Seventh Special Session," September 1–16, 1975, pp. 3–9, at *daccessdds.un.org/doc/UNDOC/GEN/NR0/752/00/IMG/NR075200.pdf?OpenElement* (September 15, 2005). General Assembly resolutions are non-binding. The United States and other nations voiced reservations about the 0.7 percent of GNP aid target contained in these resolutions, and the U.S. has not committed to meeting this target.

29. Organisation for Economic Co-operation and Development, "Official Development Assistance Increases Further—But 2006 Targets Still a Challenge," April 11, 2005, at *www.oecd.org/document/3/0,2340,en_2649_34447_34700611_1_1_1_1,00.html* (September 14, 2005); Organisation for Economic Co-Operation and Development, "Net Official Development Assistance in 2004," p. 1, at *www.oecd.org/dataoecd/59/51/34700392.pdf* (September 14, 2005).

30. Organisation for Economic Cooperation and Development, International Development Statistics.

U.S. assistance to developing countries may have been five times its official development assistance in 2000.[32] Other efforts to measure contributions to development, such as the Commitment to Development Index, which ranks the U.S. twelfth out of 21 nations, similarly portray U.S. contributions more positively than a simple measure of government assistance as a percentage of GNP.[33] *American Interests and UN Reform* summed up the situation:

> [T]he most important benchmark, of course, is the effectiveness of assistance in achieving genuine economic growth and development to alleviate poverty. The reality is that effective poverty reduction is often delivered by private, nongovernmental groups and that sustainable poverty reduction also requires investment, trade, and economic growth.[34]

What the U.S. Should Do

The U.S. recognizes that, while development assistance may be useful, it is not sufficient to reduce poverty. Far more important are the policies adopted by developing countries. If the U.S. is to help poor countries develop, it should:

- **Reject targets for foreign assistance.** Calls for additional assistance fly in the face of economic analysis, bolstered by decades of practical experience, that supports the conclusion that economic assistance is a minor factor in economic growth.
- **Emphasize the importance of good policy, including economic freedom, good governance, and the rule of law.** Over the past decade, numerous studies have concluded that economic freedom, good governance, and the rule of law are the keys to promoting economic growth and reducing poverty. Meeting the goals in the Millennium Declaration—and, more important, strengthening each country's ability to continue progress already made toward those goals—depends in great part on increasing economic growth. Without economic growth, countries will lack the resources to support efforts to improve the lives of their citizens.
- **Call attention to the fact that the Millennium Development Goals are not a development strategy and that focusing on them risks shifting attention away from the policies necessary for development.** The MDGs focus on the symptoms of poverty rather than the causes. Even though numerous economic studies have shown that good governance, economic freedom, and the rule of law are key factors in economic growth, specific indicators for these factors are missing. Focusing foreign assistance on improving specific indicators may provide short-term improvements in specific areas, but it will not contribute to long-term economic growth or help poor countries to graduate from the need for assistance in the first place.
- **Introduce a balanced measure of development resources.** Aid is not the most important factor in development: Policies are. However, even if one focuses on resources flows, most resources for economic development and poverty reduction come through private financial flows such as trade, investment, charitable organizations, and remittances. Estimates of a nation's commitment to development would be

31. U.S. Institute of Peace, *American Interests and UN Reform: Report of the Task Force on the United Nations* (Washington, D.C.: U.S. Institute of Peace, 2005), p. 107, at *www.usip.org/un/report/usip_un_report.pdf* (September 14, 2005).

32. U.S. Agency for International Development, *Foreign Aid and the National Interest: Promoting Freedom, Security, and Opportunity* (Washington, D.C.: U.S. Agency for International Development, 2002), p. 131, Table 6.1, at *www.usaid.gov/fani/Full_Report--Foreign_Aid_in_the_National_Interest.pdf* (September 14, 2005).

33. This measure incorporates policies on trade, investment, migration, security, environment, and technology in addition to foreign assistance. See Center for Global Development, Commitment to Development Index, at *www.cgdev.org/section/initiatives/_active/cdi* (September 14, 2005).

34. U.S. Institute of Peace, *American Interests and UN Reform*, p. 108.

more meaningful if they incorporated these private flows.

Conclusion

The United States should not apologize for pointing out that aid targets not only are impractical, but also will not lead to development in poor countries. Quite simply, the problem of development is not insufficient resources, but developing countries' policy choices. The U.S. is and should be prepared to help developing countries that demonstrate a commitment to good policy, but focusing on aid inputs rather than real components of long-term growth and development is a futile exercise that will not help those in poor nations who are suffering from their governments' bad policy choices.

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