

Global Institutions and Partnerships

The Future of International Development?

Thomas Pogge and Carol Lancaster

Touching on various tiers of the global structure—from individual donors to public-private partnerships to multilateral aid agencies—these two thinkers share their perspectives on what can be changed and initiated in the years ahead to alleviate the plight of the world's poor.

GJIA: Recently, high net-worth individuals such as Bill Gates and Warren Buffet have pledged to step up philanthropic efforts in developing countries. What is the importance and potential for visible impact of such endeavors? To what extent do you think that these individual efforts diminish the importance or complicate the role of government and international aid agencies?

Pogge: I think these endeavors have been successful for the most part and have made a huge difference. This is nowhere clearer than in the area of global health where maybe ten to fifteen years ago it seemed entirely utopian to think that we could make meaningful progress against HIV/AIDS in the poorest and most deprived regions of the world; now treatment is right up to above the 50 percent level in some poor countries. There are still millions of people without treatment, but we have stepped it up to a very considerable

Thomas Pogge is the Director of the Global Justice Program and the Leitner Professor of Philosophy and International Affairs at Yale University. He is also a Research Director of the Centre for the Study of Mind in Nature at the University of Oslo.

Carol Lancaster is the current Dean of the Edmund A. Walsh School of Foreign Service and Professor of Politics at Georgetown University. She was previously the Deputy Administrator of the U.S. Agency for International Development and a Deputy Assistant Secretary of State for Africa.

extent. This is now being extended to other areas such as malaria, TB, various tropical diseases, maternal health, and neonatal health. Remarkably, the new money from Gates has not diminished public spending on global health. On the contrary, it has been matched by new governmental initiatives such as the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) and new contributions to multilateral organizations such as the Global Fund and the GAVI Alliance. On the whole, the various funders of transnational health aid have worked reasonably well together, and the quite impressive increase of funding for global health since 1998 or so has shown very significant positive results.

Lancaster: First of all, philanthropists are already visible. Bill Gates has had an extraordinary impact on issues involving health. Now he is getting into issues involving agriculture. I would not say that everything done has been completely successful, but individuals and foundations like his have accomplished a lot. People are benefiting from these projects. The more you get people like Bill Gates involved in addressing major world problems, the more others will join him in addressing those issues and the better off we will be. The amount of money he is putting into such endeavors is significant and provides, potentially, a great impact and visibility, provided it is planned and implemented well.

As far as complicating or supplementing the work of aid agencies, questions can be raised regarding the nature of coordination—an area in which we have long had challenges. Countries like Lesotho have around thirty-five

or more official aid agencies operating within their borders, not to mention many NGOs and foundations. That has its costs: the administration of all these agencies takes a toll on the government. In effect, if it is not implemented well, aid can make the strong stronger and the weak weaker. At the same time though, there is so much to do that there is no lack of important activities to be supported by the bilateral and multilateral aid agencies along with the Bill Gates's, the NGOs, the venture philanthropists, and the corporate sector. The dynamic area in a lot of development work today is in corporate enterprise-funded shared value investments to help build up the communities in which they are living, while strengthening enterprises's own business potential.

All the work done by the Coca-Cola Company on water management in Jaipur is for Coke, but it also helps Jaipur. That type of investment, if managed well, can yield huge benefits. To call upon a phrase that one of my entrepreneurial friends uses: "There is a selection of activities that are called one-to-one, a selection called one-to-many, and a selection called many-to-many." That applies to the history of what is happening in the development field. In the "old days" efforts were often one-to-one: government-to-government. There was a sense that one party would supply the capital and tell the other what to do with it. Aid quickly became one-to-many, not just government-to-government, but governments-to-NGOs and other organizations. What we have now is many-to-many (i.e., many sources and many recipients of aid). And that has potential transaction

and coordination costs, but I think it is also an awfully great opportunity to get a lot done.

Obviously, philanthropists and corporate enterprises are part of the scene. Why are they and many NGOs not engaged in the whole development conversation as much as official donors? It just has not happened yet. There is a problem in the development community: people do not talk to each other as much they should. While a lot of conversation goes on between NGOs and Washington aid agencies like USAID and the World Bank, many philanthropists do not talk that much to these people. It is difficult when the philanthropists are not located in Washington; easy interaction does not happen. The corporate sector is another piece of this picture. I talked at one point to the President of Georgetown University about doing a development “Davos” to bring people from different groups together to talk about some of these issues. USAID is actually doing this this summer at Georgetown with a conference on the Frontiers of Development.

GJIA: You have both written a lot on organizations like the IMF, World Bank, USAID, and others in terms of their effectiveness to alleviate poverty through aid distribution. Recently there has been a push toward rethinking their approach on new mechanisms through focusing on, as many of our contributors to the issue ask for, public-private partnerships and empowering the local aid recipients through transfers of ideas and technical expertise. What are your thoughts on the impact of such realigned objectives?

Pogge: It is very hard to generalize about these matters, to say that there is a category of organizations that are working better than others. Aid has in many ways been ineffective, or less effective than it could have been, and this remains true even with these new vehicles. But there are large variations. One very big problem has been that aid organizations based in the North are coming in with certain ideas about how to deliver aid that are driven, on the one hand, by their own educational background and prejudices and, on the other hand, by their fundraising needs. This is always important to bear in mind: that there is a disconnect between what would really be most useful to the intended beneficiaries and what is actually being delivered by the organization that comes in.

This disconnect is driven by the need to raise money and hence to please the people who are giving the money. These people have certain views and they have certain psychological mechanisms and motivations. An organization’s fundraisers therefore have to ask themselves “Where should we plant our flag? Where should we be active? What should we be doing? In which country?” Organizations are often driven by the need to be present in the media of the countries where they are trying to raise their funds. And also of course these organizations are often competing against one another, which can also get in the way of effectiveness. So I think a good part of the problem is actually this need for fundraising and trying to be responsive to two very different audiences. You have to keep the donors happy and keep them motivated to give money. But then there is also the audience of the people whose lives are

supposed to be improved.

Lancaster: Public-private partnerships are a relatively new activity for aid agencies. They really got going in the early part of the last decade; it is a great idea, but I do not think it represents a major portion of the public aid business at this point and I do not think it will become a major portion of the public aid business in the future. Public aid agencies have a set of objectives that are not always aligned with those of the private sector. Our aid agency, USAID, does a lot of development, but it also has a political agenda. It is an arm of U.S. foreign policy. The World Bank, which is a true multilateral agency, works in certain areas in which public-

you,” you might get some business, but I suspect you would not get a lot. It is the combination of ideas and money that create incentives for people to explore and undertake transformative initiatives.

GJIA: What do you think Dr. Jim Yong Kim’s nomination as the World Bank president signals for the world development agenda? Many prominent economists have argued this signals the Obama administration’s de-emphasis on “pro-growth, macro-level reforms in favor of small-payoff, micro-level change”¹ and focus on the humans need school of development, which is not the right course of action. What are your thoughts?

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private partnerships may or may not fit; it often provides public goods that the private sector is not really interested in.

The other part of your question asks if aid agencies are going to turn themselves into knowledge institutions. There is a lot of talk about the World Bank becoming a knowledge institution. I think that is great. My own personal view is there are a lot of places to get knowledge from. Aid agencies can certainly be helpful in that. That said, I think that governments and other aid recipients really look to aid agencies for money. If the money aspect is taken away from organizations like USAID or the World Bank and they simply approached a problem with the mentality of “we’ve got lots of ideas for

Pogge: I know Dr. Kim a bit from academic meetings and especially also from his service on the Advisory Board of *Incentives for Global Health*, the NGO that is developing and promoting the Health Impact Fund proposal. Dr. Kim is a splendid appointment, far better than I dared hope for. This is so for two main reasons.

First, Dr. Kim really cares about what the World Bank is supposed to be all about: “our mission is a world without poverty.” In the past, the Bank has largely done the bidding of the principal states and of the United States in particular. It has lent its expertise to presenting whatever the powerful governments wanted as good for the poor.

In fact, of course, the schemes of the powerful rarely benefit the poor. While the share of global household income going to the richest five percent of the world's population has increased from 42.87 to 46.36 percent between 1988 and 2005, that going to the poorest half has declined from 3.53 to 2.92 percent and that going to the poorest quarter from 1.16 to 0.78 percent. During this same period, the Bank has participated in building our new supranational institutional architecture — the rules governing finance and investment, trade, intellectual property — while doing little toward articulating or defending the interests of the poor. Dr. Kim's appointment signals a change in emphasis by giving a constant defender of the poor a substantial role in international politics.

Secondly, Dr. Kim is politically skillful. He works well with others and understands how to realize moral imperatives in political practice. A great example of this is the 3-by-5 initiative he launched in 2003. Its immediate objective was to get life-saving anti-retroviral treatment to 3 million HIV/AIDS patients in low- and middle-income countries by 2005. This initiative was immensely important in drawing world attention to the huge and shameful global health deficits and in greatly increasing international outlays on reducing these deficits. It convinced many in the affluent countries that *all* people living with HIV/AIDS ought to have access to the treatment they need and likewise all those threatened by malaria, TB, and other debilitating or life-threatening diseases. Having pushed hard for Dr. Kim, the United States cannot easily undermine or dis-

card him. And I am optimistic, too, that he will be able to inspire many people in the Bank to take to heart its official purpose: to defend the interests of the world's poor in decision making about social institutions and policies that affect their prospects for survival, health, education and political participation.

Lancaster: I was very impressed by Dr. Kim, whom I met several weeks ago. He is a medical doctor and anthropologist and has done a lot of work with the WHO, but he struck me as so much more than that—as someone who has a broad concept of development. He agrees that without growth, we are not going to have development, but there are other things besides growth that need take place. We want people to be able to lead decent lives—that may mean providing education, bed nets, healthcare, or it any number of things that growth may or may not take care of. What Dr. Kim is really interested in, as I understood him, is something he called the “science of execution” around social values—how things can be done better. Everyone talks about planning, but his focus seems to be not on how to get the money out the door, but on how to implement plans in an evidence-based manner that draws on our best practices.

Regarding the selection of Dr. Kim, the issue is who chooses the head of the World Bank. I understand all of the reasons why the U.S. government gets to choose, at least unofficially, the head of the World Bank (and the Europeans get the head of the IMF)—it makes active participation more politically attractive in Washington and in the Congress.

But it is no longer clear that having a head of the World Bank is essential to continuing U.S. support for that institution. Is not it time for these international institutions to stop being patronage organizations at the top? It is time to choose the best person possible for the job from an international pool of candidates.

GJIA: Is there a duty or a role for financial institutions in alleviating poverty and contributing to development?

Pogge: Yes, indeed. If these institutions were motivated to help with that task, of course there would be a role for them. They could contribute greatly by helping governments close the secretive channels through which poor countries

interest rates were very high and some poor people who borrowed from his Grameen Bank ended up worse off than before. Still, such opportunities should be identified and explored.

One friend of mine, Leila Chirayath, runs a non-profit outsourcing company, Samasource, that trains poor people in computer-based work and then connects them to employers in affluent countries. Another friend of mine, Andy Kuper, runs an investment fund, LeapFrog Investment, which takes substantial stakes in micro-insurance companies, helping these companies design and market insurance products that reduce the vulnerabilities of poor people while still earning some profit for the insurer. Such insurance enables poor people to weather sudden shocks,

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suffer some \$1,000 billion in illicit outflows each year — channels that are also heavily used by traffickers in drugs and human beings as well as by terrorists. The problem is that many banks are not motivated to do this: they make lots of money by facilitating illicit financial flows and therefore want to keep those channels open.

Financial institutions could also do better in serving the poor in ways that are also profitable to themselves. This may seem unpromising at first because the poor have so very little money. Yet, Mohammad Yunus has shown with his micro-lending that serving the poor can be profitable. His effort has been controversial, of course, because his

such as a disease or bad harvest, and to transition to a new way of making a living without risking the lives of themselves and their families. Both enterprises are doing well, which shows that such efforts can be sustainable.

Lancaster: I do not think that the banks accept that they have a duty or obligation to shared value of investments. They think in more practical, bottom line terms. If they want to function in a community and minimize friction or problems in that community and beyond, they must contribute to that community. There is another benefit for philanthropy from banks, investment firms, and enterprises—it gives

their employees a value proposition in what they do every day that is not just making money. That makes a difference in terms of morale and engagement. In my view, the functional aspects of duty emerge from the way people see things—they are constructed values in societies. These norms are being constructed even as we speak.

GJIA: Dr. Pogge, on the issue of USAID brought up earlier by Dr. Lancaster, do you think that there are currently any particular shortcomings to its philosophy and operational strategy? Could it be reformed in such a way so that it would be a morally defensible institution and if so, what would that look like?

Pogge: In some ways it is morally defensible now. It does spend money on development. To be sure, it is often doing so in a way that is adulterated by other ulterior motives. It is often used as a policy instrument toward advancing the geostrategic interests of the United States, but it is also doing real good. It could do much more good. One important reform USAID could be involved in is to make aid more multilateral. Americans are always cagey about multilateral efforts and, for the reasons I mentioned before, it would be very good to have more collaboration in the development field. Development organizations should not, for example, burden developing nations and their administrations with writing reports and justifications and so on for a huge number of different donors, and jumping through all sorts of hoops. Endless hours are wasted on accounting for this and that and meeting the vari-

ous different criteria of — and physically meeting with visiting officials from — all the governmental, non-governmental, and supra-governmental organizations that are giving money for various purposes, all to make sure that each of the various bits of money is spent in the way its donors intended. This is hugely wasteful, and often the objectives are at cross-purposes from one another. Much more could be achieved if we had a more collaborative approach which would also prevent, by the way, corrupt governments in the developing world from playing off development organizations against one another. For USAID, as one of the largest agents in this field, I think this would be a big step forward if they could be a catalyst for better collaboration.

GJIA: Collaboration on the ground in the countries where they are working?

Pogge: That is right. One way to achieve this would be to have different prominent aid agencies, like Britain's DFID or Sweden's SIDA take the lead in a certain country or area. This agency could then be, in partnership with local government officials and local civil society organizations, the organizer and catalyst. It would study the country in great depth, identify its priority needs, and then others could come in to the extent that they want to with resources and ideas. But there would be one lead agency for coordination to make sure that waste is kept to a minimum. This sort of model would also be nice because different styles of aid leadership would emerge, and one could then learn from the successes and failures of these different styles. There

would be a bit of experimentation and a kind of wholesome competition. And there would be a substantial reduction in waste which is now such a big drain on development efforts.

One other thing USAID could also do—and I think this is the most important thing in this whole area of development—is to think beyond the tiny box of development assistance. The evolution of world poverty is affected, of course, by the quantity and quality of aid, but it is also profoundly affected by the other 99 percent of current international practices: by the foreign policies of the wealthier countries and by the supranational institutional arrangements these countries design and impose. If USAID

in and say we need to give money, to subsidize, so that poor people can also get a little medicine. But it would be much better to bear this in mind when deciding about how to incentivize pharmaceutical innovation in the first place — and then to incentivize it in a way that will not impose enormous burdens on the poor, burdens that development and humanitarian organizations would then have to mitigate. Compartmentalization is highly inefficient because it is typically much more expensive to mitigate adverse side effects on the poor than to avoid them.

GJIA: In other words, you are arguing that contribution from those benefiting

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could effectively bring its expertise to bear on these other poverty-affecting features, the need for development assistance would over time be much reduced.

Development aid is mitigation that compensates for the complete exclusion of the interests of the majority of humankind from supranational rule making. The TRIPS Agreement is one example. We now have this very strong protection of intellectual property rights forced upon the poor countries as a condition of membership in the WTO. Such strong intellectual property rights obstruct access to medicines; and then the development people come

from potentially destructive practices should begin sooner and with more forethought so that it can be coordinated with the work of aid agencies?

Pogge: Yes. The two sides should operate in full knowledge and coordination. If USAID had a seat at the table when the next trade agreement, such as the TRIPS agreement, is negotiated, then USAID could be there speaking up for the poor. And USAID would say, “from the point of view of development, which is our mandate, we have to tell you that the TRIPS agreement is a very bad idea, very costly for the poor.” At least, USAID could point out that the

agreement has this big side effect and could provide an estimate of how much it would cost fully to compensate this effect by helping the poor retain access to important new medicines. This cost could then be taken into account in the design of international agreements.

In the real world, of course, supra-national arrangements are designed without any attention to the poor. Only major corporations, banks, industry associations, etc. are in a position to lobby the most influential governments which call the shots. These powerful agents do not hate the poor, of course, but they are single-mindedly focused on their own advantage, on securing as large a slice as possible of the global product. They take no account of the adverse side effects that the success of their institutional schemes imposes on the majority of humankind. These side effects are left to be dealt with by those on whom they fall and by governmental and nongovernmental aid organizations financed by taxpayers and the general public — typically, as I have said, at much greater cost than what the cost of avoidance would have been.

GJIA: And you, Dr. Lancaster? How do you think USAID could be reformed in a way that would make it more of an effective institution?

Lancaster: USAID is, as I said, an arm of U.S. foreign policy, so it is active in Afghanistan. For thirty years it provided very large amounts of money to Egypt. It would not have provided that amount of money to Egypt if Egypt were not a key part of the United States Middle East strategy. USAID is doing a lot of different things and it has to be judged

and reformed on those grounds.

The main concern I have had over the last ten years with USAID is that it is in a very awkward bureaucratic position. It is semi-independent of the State Department and that reflects the political reality that I just spoke about—that it is serving political goals, or diplomatic goals if you like, and it is also serving development goals. Sometimes they combine well, and sometimes they collide. “Semi-independent of the State Department” means that it is not completely under control of the State Department, but it is not completely autonomous either. The debate that really raged a couple of years ago pertained to where it should fit into the bureaucratic and administrative structure of the U.S. government. This seems to you probably small and not important, but it can make all the difference in the world. If one puts a small agency in a bigger agency, the small agency’s mission is going to become the mission of the bigger agency. USAID is half-in and half-out of the State Department, but it is more in than it was ten years ago.

A lot of us in the development community worry that eventually USAID will lose its autonomy and become much more of a banker for the State Department, though that has not happened yet. Hillary Clinton put that issue to bed because she knew what she wanted to do. She wanted a closer alignment of USAID and State. However, the reforms that USAID has implemented have simultaneously given it back some autonomy. An aid agency cannot operate with any policy influence if it does not have a policy shop and a budget shop. Those were taken away; they have

now been given back.

GJIA: How should USAID revise its contributions to international aid flows to accommodate for the increasingly prominent role of BRIC economies in international development assistance?

Lancaster: The BRICs, but above all the Chinese, are getting into the development assistance field as donors as well as recipients. The Brazilians have been around for a while with small amounts of money being sent to Mozambique, Angola, and other Lusophone places, but the Chinese have really gone big in the aid business. The problem is that we do not know how big their aid is. The Chinese do not use data consistent with the Development Assistance Committee (DAC) data. I do not think the Chinese separate aid from export promotion or investment, so theirs is a whole different package of economic transfers. How can Western and Japanese aid agencies accommodate these new entrants? There has been a real effort to bring the Chinese into the Western aid system, but the Chinese do not want to be a part of the Western aid architecture; they do not want to be a part of DAC, the OECD aid arm. They want to be independent of the West and seen as such.

So, their own aid is different from that of traditional aid countries and is sizeable, so it is important to engage them in conversation. There are a number of structural problems. Whom do you talk to in China about Chinese aid? China does not have an aid agency—Chinese aid is run out of the Ministry of Commerce, which tells you something about Chinese aid by the

way; their administrators are not development experts, they are just managing the money with an evident commercial interest in where it goes and how it is used. In the aid business, when you want to go talk to someone you go to the government aid agency, and you also go to whatever think tanks are around town. In London, you go talk to the Overseas Development Institute; in Germany, you visit the German Development Institute. There is no such thing in China. China has a huge number of semi-government research institutes, but none of them is really situated to talk in an informed fashion to others about the Chinese aid program. That is what we need—we need a portal in China where we can talk to people and they can talk to us. Then at least we would know what the other party is thinking. The British and others have made some progress in engaging the Chinese, but the Chinese are really doing their own thing. The question of how to engage them has yet to be solved in an effective and efficient manner

As a final note to conclude this conversation, I will say this: there is a lot still to be done about poverty reduction in the world. We have the knowledge and the resources. We may not have the ability to make change quickly because things in societies do not change quickly, but as the century wears on and we continue to do better with poverty, the debate will shift to an emphasis on global public goods. That has a real impact on developing countries as well. If the oceans rise because of global climate change, the Maldives will disappear and other places disappear too or become too dry or too wet. I suspect these are going to be increasingly important and

compelling issues of the twenty-first century. They are going to overlap—they have already overlapped—with the development issue. That is something we need to be thinking a little more about. How this all comes together will be the next big challenge for the coming gen-

eration to tackle.

Carol Lancaster was interviewed by Sikander Kiani and William Handel on 12 April 2012. Thomas Pogge was interviewed by Katharine Stonehill on 2 April 2012.

NOTES

1 Jagdish Bhagwati, "Obama's Blunder at the Bank" *The American Interest*. Internet, <http://blogs.the-american-interest.com/bhagwati/> (date accessed: 6 April 2012).