

Can the West Save the Rest?

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Based on:

The White Man's Burden

How the West's Efforts to Aid the
Rest Have Done So Much Ill and
So Little Good (The Penguin
Press: New York), 2006

The two tragedies of the world's poor

- The first tragedy: Jeffrey Sachs notes that 30,000 children die every day from extreme poverty -- for example, 1.8 million annual child deaths from diarrhea that could be prevented with 10-cent doses of oral rehydration therapy.
- But there is a second tragedy: that the West already spent \$2.3 trillion on foreign aid over 5 decades and babies with diarrhea are still not getting the 10-cent doses of oral rehydration therapy.
- **This is the scandal of our generation – that money meant for the desperate poor did not reach them.**

The Sachs/UN/World Bank/IMF Plan for the West to Save the Rest

- The big answer to the first tragedy is **more aid money** (the same answer as in the previous 5 decades of foreign aid), which does nothing to address second tragedy.
- To spend this money, for 2015, the Plan proposes 449 separate interventions to meet the 54 Millennium Development Goal (MDG) indicators for 18 targets for 8 MDGs (indicators of the End of Poverty) in a 451 page main report with 3,300 pages of technical annexes.
- Jeffrey Sachs recommends that the UN Secretary-General personally run the Plan, coordinating the actions of thousands of officials in six UN agencies, the UN country teams, the World Bank, and the International Monetary Fund, all consistent with the Bank and Fund's Poverty Reduction Strategy Papers (PRSPs), which in turn are guided by the 1,246 page PRSP Sourcebook.

The UN/World Bank/IMF/Aid/Sachs Plan to end world poverty through aid money...

- Has all the aid donors and recipients collectively responsible for meeting 54 worldwide Goals, that also depend lots of other things besides the donors and recipient governments, so please read the fine print:

- nobody is individually responsible for any one result.

- Aid plans give appearance of action, which substitutes for pressure for REAL action, perpetuating the second tragedy.

Why Bono, Sachs, and other aid Planners get it wrong: lack of

CIAO

- Lack of **C**ustomer feedback (C)
- Lack of **I**ncentives
- Lack of **A**ccountability
- so: lack of good **O**utcomes
- Accountability → Incentives → Customer feedback → Outcome

The UN Millennium Development Goals campaign to end world poverty is (unintentionally) the Millennium Development Scam

- How are the Planners going to possibly get **customer feedback** on which of the 449 interventions worked?
- Where are the **incentives** for those implementing adjusting the 449 interventions?
- Who can possibly be held **accountable** if some of the 449 interventions don't work?
- So how is plan going to get to **outcomes**?
- Why doesn't somebody just get held accountable for getting 10-cent medicines to babies?

The World Bank/IMF Poverty Reduction Strategy Paper : another example of Planning

- “The sector ministries prepare medium-term **strategic plans** that set out ... **key objectives**, with their associated outcomes, outputs, and expenditure forecasts ... These **plans** should consider the costs of both ongoing and new **programs**... with financing needs for salaries, operations and maintenance, and investment clearly distinguished.”
- The PRSP should also include “an external assistance **strategy** in the context of the PRSP process that explicitly identifies the **priority sectors** ... More detailed external assistance **strategies** can then be developed for **key areas** through sectoral working groups in which representatives of major donors and line agencies participate... within the **framework** of a global external assistance **strategy**...”

Planners' favorite answer: the 100% solution

- JFK advisor Walt Rostow called for doubling foreign aid in 1960
- World Bank President McNamara called for doubling aid in 1973.
- WB called for doubling aid with end of Cold War in 1990.
- Sachs, Blair, Brown call for doubling foreign aid in 2005, and G-8 Summit in July 2005 agreed to double aid to Africa.
- All the incentives in aid agencies are for spending money! Obsession with **amount spent** substitutes for CIAO on whether that money actually reaches the poor, so the second tragedy continues unabated.

F.A. Hayek and Karl Popper on why plans don't work

- Hayek: “the success of action in society depends on more particular facts than anyone can possibly know.”
- Hayek: “The curious task of economics is to demonstrate to men how little they really know about what they imagine they can design.”
- Popper: "It is not reasonable to assume that a complete reconstruction of our social system would lead at once to a workable system."

The alternative to Planners: Searchers (examples at home)

- Private entrepreneurs who get **feedback** that you want Harry Potter books, have **incentives** to get them to you, and are held **accountable** if you are dissatisfied.
- Politicians subject to voter **feedback**, who have the **incentives** that your needs for public services get met, and are **accountable** in that they can lose their jobs.
- Social reformers with CIAO who work on specific problems, and get credit for solutions
- This is not to say that **markets** and **democracy** and **reformers** are an overnight panacea, but (a) they are the ultimate homegrown source of prosperity, and (b) can inspire Western aid efforts at supplying public goods to do less planning and more searching.

Planners vs. Searchers

- Planners never get feedback on whether the Planned got what they needed; Searchers find out if the customer got their needs met.
- Planners announce good intentions but don't create incentives for anyone to carry them out; Searchers find things that work and get some reward.
- Planners raise expectations but accept no accountability for meeting them; Searchers accept responsibility for their actions.

The Aid Wall

- Rich get their needs met from the efforts of political, economic, and social Searchers with CIAO...
- ...but on the other side of the Aid Wall, the poor are stuck with unaccountable Planners.
- The Second Tragedy continues.

Homegrown development

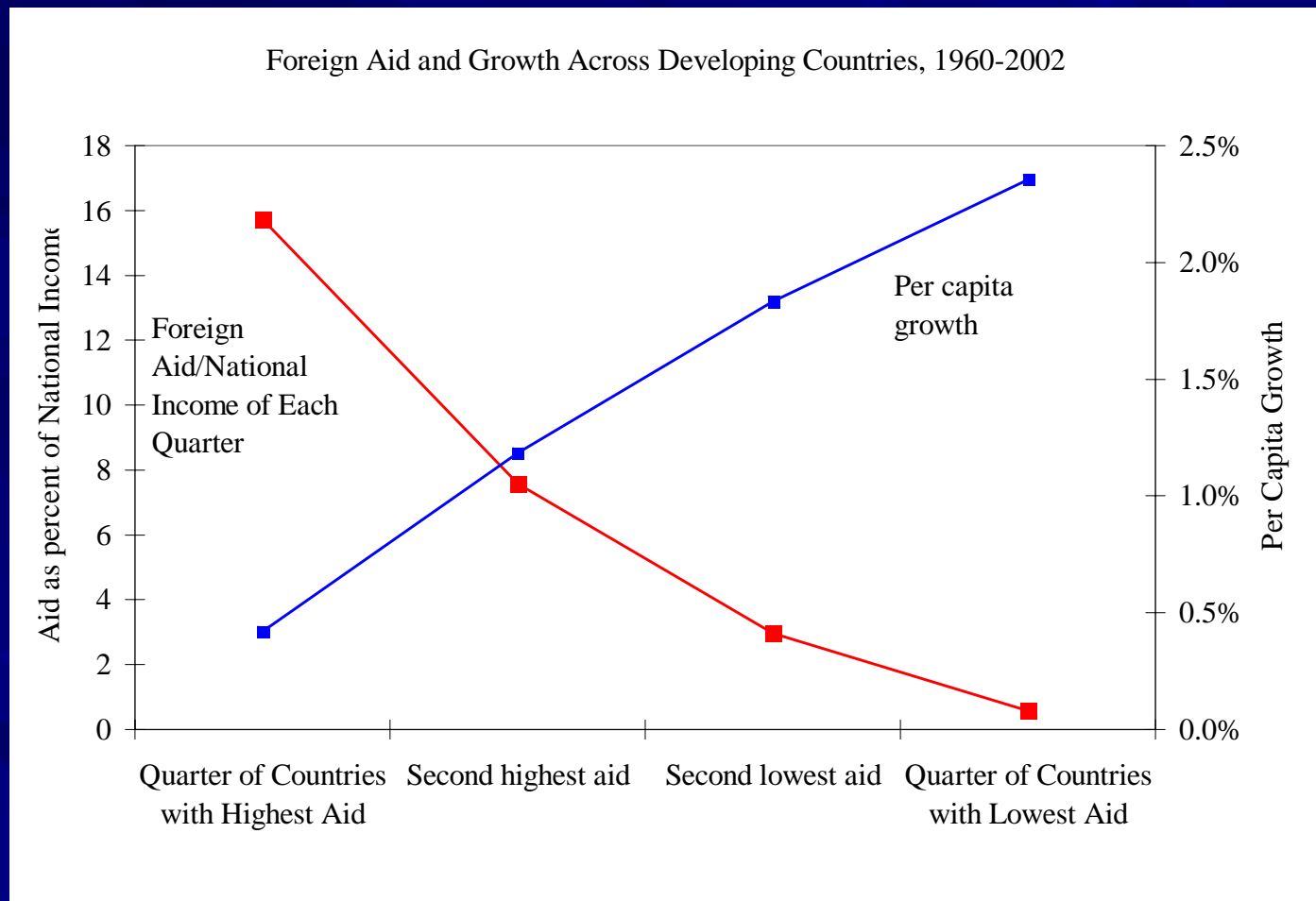
- While the West was fussing about **a few billion dollars** here or there for aid,
- the citizens of India and China were increasing their own incomes by **\$715 billion** a year.



Examples of social searchers at work

- Dr. Zafrullah Chowdhury (Dr. Zaf) started Gonoshasthaya Kendra (GK), the People's Health Center, to use salaried and motivated young women on bicycles as paramedics in rural Bangladeshi villages. Villagers pay modest sums for health care and hold GK accountable if results are bad. Maternal mortality in the area covered by GK is a fourth of national average.
- Can't aid agencies search for Dr. Zafs and support them?

The only thing against the Planners is that 42 years of aid Plans have not worked to end poverty



Excuses for aid not working to raise growth

- Was it the Cold War? No, (1) aid not working any better since end of Cold War, (2) donors not motivated by Cold War didn't do any better (e.g. Scandinavians), (3) many countries were not strategic and got aid and it didn't work there either, (4) West often wanted growth even in strategic countries
- Is it all because it is rigged to benefit rich country firms and consultants? No, multilateral aid doesn't do any better even though it isn't rigged as much this way.

Top-down planners lack feedback on local conditions

- A Canadian/World Bank project in Lesotho to promote farming in a mountainous region failed according to project managers because local people were “defeatist” and didn’t “think of themselves as farmers” ...
- ...possibly because they were NOT farmers, they were migrant workers to South African mines.
- The only lasting impact of the project was building a new road, on which South African lorries brought grain INTO the region, driving the few existing local farmers out of business.

Another sign of **unaccountable** planners: they keep repeating the same failed approaches

- The government to government aid approach
- Either aid agencies believe poor country governments are good and deliver aid through them...
- ...or they believe poor country governments are bad, and condition aid on those governments following Western advice to change from bad to good.

The unaccountable chasing the unchangeable

- In 1960s and 1970s, West gave aid for projects, assuming governments had good institutions and policies.
- **When that didn't work because of governments with bad incentives to foster development**, aid in 1980s made conditional on bad governments adopting good policies (Structural Adjustment I)
- **When that didn't work because aid incentives were too weak**, aid in 1990s conditional on corrupt governments adopting good institutions (Structural Adjustment II)
- **When that didn't work because aid incentives were still too weak**, West in 2000s sometimes resorted to military intervention with US army and UN peacekeepers to take over government altogether.

The failure of structural adjustment in Africa

	Adjustment loans 1980-99	Per capita growth rate
Niger	14	-2.30%
Zambia	18	-2.10%
Madagascar	17	-1.80%
Togo	15	-1.60%
Cote d'Ivoire	26	-1.40%
Malawi	18	-0.20%
Mali	15	-0.10%
Mauritania	16	0.10%
Senegal	21	0.10%
Kenya	19	0.10%
Ghana	26	1.20%
Uganda	20	2.30%

Time spent in IMF programs prior to state failure (AKA LICUS)

- Somalia spent 79% of the time 1980-89 in IMF programs
- Liberia spent 77% of the time 1963-1985 under IMF tutelage
- Zaire spent 74% of the time 1976-89 in IMF programs
- Haiti spent 69% of the time 1958-2002 under IMF tutelage
- Cote d'Ivoire spent 78% of the time 1981-2002 under IMF programs

World Bank/IMF response to failure of structural adjustment loans

- The names of the loans were changed to “poverty reduction support credits” (World Bank) and “poverty reduction and growth facilities” (IMF)

Accountability? UN Report in September 2005 talks about failure of UN 2000 plan

“... millions more **fell into deep poverty.**” (p. 6) “The decline in hunger is **slowing**” (p. 7) “**deaths among children** ...where progress has **slowed.**” (p. 19) “A safe and inexpensive vaccine has been available for over 40 years... {yet} coverage of measles **immunization ... is lagging** ... about a third of all children are still **unprotected.**” (p. 20) “there was **no change** ... {in} **maternal mortality.**” (p. 23) “**Forests are disappearing** fastest in the poorest regions” (p. 30) “The **growth in ... slum-dwellers** is outpacing urban improvement” (p. 35)

More Searchers at Work

- Santiago Levy, a Mexican government official, started a program to make cash payments to parents in return for them keeping children in school and taking them for regular health checkups
- Small pilot project (Progresas) was found to be effective by independent evaluators (feedback).
- Program has now been expanded nationwide (Oportunidades) and is being imitated in other countries (incentives and accountability).
- Have aid finance a ton more homegrown Progresas and not top-down MDG plans.

Policy recommendations

- When feedback reports that something doesn't work, aid agencies must have the incentive to discontinue it, because they are accountable for failure,
- So we could discontinue structural adjustment loans for poor countries under whatever name.
- Get rid of utopian goals and plans: just say no to MDGs and PRSPs.
- For long run development, most of the hope is not from aid but from homegrown private entrepreneurs, social entrepreneurs, and reformist politicians with good CIAO.

Reforming aid agencies

- Aid agencies can be set free to concentrate on piecemeal improvements for the poor rather than try to “develop” societies
- Let's then have **independent evaluation of aid** (feedback) to see what piecemeal interventions are working to give incentives to aid staff to search for what works.
- Have aid agencies specialize much more in individual, monitorable tasks for which they can be held accountable
- For example, have someone somewhere responsible for delivering 10-cent oral rehydration therapy doses to infants

You can all be searchers

- Only an elite few professionals can Planners...
- ...but we can all be Searchers, giving increasingly vociferous feedback to aid agencies and rich country politicians to say
- A half century of aid impunity is too long...
- ...a half century of glamorous but unaccountable aid spending campaigns is too long...
- ...a half century of aid spending without getting 10-cent medicines to sick babies is too long.

Robert F. Kennedy on Searchers

- **“Each of us can work to change a small portion of events, and in the total of all those acts will be written the history of this generation ... Each time a man stands up for an ideal, or acts to improve the lot of others... he sends forth a tiny ripple of hope, and crossing each other from a million different centers of energy and daring, those ripples build a current which can sweep down the mightiest walls of resistance.”**