

# Reframing the Development Project for the Twenty-First Century

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It is time to put aside the 20<sup>th</sup>-century conception of the development project as primarily about charity or aid from rich to poor nations. The global economic crisis illustrates that we live in what is now an interdependent global system, in which the prosperity and security of people in the rich world can no longer be guaranteed within rich countries' own sovereign borders. It is not just the economic crisis that clarifies this interdependence, including that of the world's rich minority on the capability and welfare of the world's poor majority: the problem of climate change, for instance, cannot be managed by the rich world alone (Wheeler, 2007), nor, for that matter, can the risk of global pandemics or the challenge to social order of cross-border corruption, drug trafficking, and illegitimate tax flight.

And in a world unequally divided between the lucky affluent and the savagely poor, in which information and communications have created the near-equivalent of a global village, the lucky are increasingly impelled, through public and private giving, to try to enhance the lives and livelihoods of their unlucky fellow global citizens. On this score, the people are sometimes ahead of their politicians.

In short, interdependence and interconnectedness have made development more than ever both a security and a moral imperative.

## **Development redefined as a global social contract**

Development advocates in rich and poor countries should seize the opportunity created by the 2008-2009 triple whammy of global crises (of food, fuel, and finance) to rewrite the development narrative for the 21<sup>st</sup> century. Development should be defined in terms of a global social contract analogous at the global level to the domestic social contracts of the mature Western democracies. In the latter, citizens organize with each other through their national

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<sup>1</sup> The evidence on which many statements in these remarks are based, and the sources for them, can be obtained from Nancy Birdsall ([nbirdsall@cgdev.org](mailto:nbirdsall@cgdev.org)). The idea of putting aside the concept of foreign aid or ODA (overseas development assistance) in favor of something different is not my own; I first saw it set out in a careful discussion by Jean-Michel Severino and Olivier Ray (see "The Death of ODA: Death and Rebirth of a Global Public Policy," CGD Working Paper 167, <http://www.cgdev.org/content/publications/detail/1421419/>), though the categories they suggest are not the same as those I propose. Owen Barder (forthcoming CGD Working Paper, 2009, "What Is Poverty Reduction?") also makes a distinction between development and redistributive "aid" transfers.

and local governments to minimize inequalities in access to education and health care, to provide for unemployment, old age, and other forms of social insurance, and to regulate and supervise market functions, including banking and finance, that are subject to excesses due to inherent market failures. Through a political process, these functions and services are financed by taxes and deployed through agreed-upon allocation of expenditures. Using the domestic social contract as an analogy is not perfect, but note that in federal systems, where local governments lack the financing or institutions to provide basic services, central governments provide financing and institutional support in the interests of their countries' overall medium-term prosperity and cohesion, just as donors do for some countries in the interest of global prosperity and cohesion; and that within countries, although many functions such as education and maintaining roads are largely managed locally, others such as financial regulation cannot be completely and effectively managed without some central role—again, analogously to the distribution between national authorities and globally coordinated rules.

### **Three broad objectives of development programs**

The development project or contract across and within countries addresses three broad objectives. Note these are not objectives of the rich world only; they are objectives implicitly, if not explicitly, shared by citizens of the developing world and in most developing countries by the political, religious, and intellectual leadership.

#### *Transformation*

The objective, through economic development and state-building, is transformation of developing countries into middle-class societies in which citizens hold their governments accountable for provision of physical security and basic social services. This objective is addressed primarily through investments meant to increase economic growth and livelihoods, including in physical infrastructure, and investments to build more competent and responsible state institutions. A good indicator of progress in transformation is a growing middle class that has the economic heft and consequent political voice to hold government accountable for the domestic social contract—a middle class that pays taxes, that is not primarily reliant on government and state jobs but generates wealth and income through private-sector activity, and that demands from government good schools, a level playing field, protection of property rights, and the right to throw out incompetent and corrupt officials. Most of all, an indicator of transformation at the societal level is the ability and willingness of a state to participate in the global system and play by its rules.

Investing in transformation from outside is a risky and long-term development effort. As with venture capital, not all investments will bear fruit, and because results take time, investors must be persevering and patient. Development efforts in failing and fragile states, particularly those emerging from the trauma of internal conflict or violent regime change, are particularly risky, but the costs of preventing instability and conflict are minimal compared to the human and financial costs of intervening after the fact to support the rebuilding of competent state

institutions. Even investments in well-run and responsible but low-income states (in agriculture, infrastructure, expenditure, tax systems, and so on) will not all work, nor will they all be any more free of incompetence and corruption on the part of recipient partners than is often the case with similar investments in the most mature economies.

Short-term indicators of results or success in the business of transformation are elusive. In the medium-term, in addition to a middle-class indicator, simple indicators of success would be poverty reduction, growth itself, and the degree to which growth is shared. But attributing these economy-wide outcomes to “development” interventions such as external financing of public investments in roads and schools or support for building legal institutions or better management of tax systems is extraordinarily difficult. In fact the evidence that traditional “aid” for investment, budget and sector-wide support, and so on enhances growth is weak, and perhaps for that reason taxpayers in rich nations are less likely to embrace investments in transformation than transfers that more obviously address the immediate and obvious education and health needs of people. The only possible exception is peace-building—an early and sometimes necessary step in state-building in post-conflict settings; the logic of supporting peace-building and peacekeeping in Liberia and Sierra Leone has been relatively easily accepted by American and British taxpayers and legislators. Perhaps it is for that reason that a greater share of transformation investments compared to investments in social services for people has generally been supported by the multilateral compared to bilateral development institutions, suggesting one case for governments in the rich world to deploy some of their development resources through multilateral institutions.

### *Solidarity*

It is solidarity with people that impels substantial transfers for humanitarian and emergency help after wars and natural disasters. The solidarity objective also motivates international support for transfers to reduce poverty and hunger, infant and child mortality, and needless exposure to the suffering of preventable disease, as well as to finance minimal access to health, education, and savings and credit (through microfinance programs) for people regardless of income, gender, ethnic status, and so on. Solidarity programs seem to be more easily understood and broadly endorsed by taxpayers in rich countries, because they help people and possibly because it is easier to “see” results; the evangelical movement in the United States has been particularly supportive of health programs in poor countries and of debt reduction on the grounds that high debt service was undermining the ability of poor countries to finance health and schooling and other services with an immediate and clear impact on people’s lives.

In fact, the effectiveness of development transfers in support of solidarity objectives is relatively easy in principle to demonstrate; in the case of large public health programs which have had systematic impact evaluations, it has been demonstrated well. Also, for many interventions in education, health, and other areas, it is relatively easy to link external transfers to progress; the Global Alliance for Vaccines and Immunization (GAVI), for example, pays a bonus for each additional child immunization in some developing countries. For the solidarity objectives that are relatively easily measured and globally agreed-upon (increase access to

education, reduce infant mortality) I have become a believer in such outcome-based transfers, without restrictions on the policies or program inputs of recipient partner governments, as a vehicle for external supporters to make recipient partner governments accountable to their own citizens for announced and agreed-upon outcomes rather than to the donor countries, while also making donor governments fully accountable to their own taxpayers for outlays tied to results.

For taxpayers in the rich world, I suspect that much of the appeal of the Millennium Development Goals, for all their shortcomings as a complete development agenda, is that they are primarily about attaining solidarity *ends*—to reduce poverty, improve health, increase education—in contrast to the *means* of economic growth and state-building that advance those ends through the more elusive and less attributable (but in many ways far more fundamental and sustainable, and more likely to allow eventual exit of development “donors”) economic, political, and social transformation. And of course the MDGs have had the advantage of increasing the effort to measure progress against key solidarity objectives of development, though some would justifiably like to see add other measures of well-being—from a measure of learning instead of grades of school completed, for example, to a broader measure of well-being than can be captured well by income poverty—and some would like to add MDGs that would require attention to results against the transformation objective.

### *Protecting the global commons*

Because of the increasingly apparent and large risks of climate change to people’s well-being in the developing world, a third objective of the development project has gotten increased attention by the development community in the last decade. The reality is that many global public goods and bads, poorly managed, tend to have asymmetric effects, failing to help or harming poor countries more than rich countries and poor people more than rich people, regardless of country. This is obviously true of the costs and risks to people everywhere of unmanaged pandemics, forest, fisheries and biodiversity losses, and illegal narcotics and sex trafficking. It is also true of less tangible aspects of the global commons, including the global trading system and a well-regulated global financial system—which can equally be thought of as part of the global commons. Finally it is the case that the poor lose out because global public goods of potentially substantial benefit to them—from agricultural research and development for dryland and root crops to solar-powered battery technologies—tend to be even more underfunded than public goods in general.

One characteristic of the global commons is that much investment of potentially great benefit to people in the developing world could be made within rich countries—and yet could be considered “development” spending. At the Center for Global Development, among our recommendations for a development agenda to the incoming Obama Administration is for the U.S. government to build on U.S. scientific and business prowess and invest far more at home in energy, health, and agricultural technologies that could change lives of people in low-income countries. A mechanism for increasing investment in global goods of particular benefit to the poor by the private sector is the Advance Market Commitment, under which government and

other sponsors promise to pay future private providers of a particular product—a malaria vaccine or a solar cell battery -- a minimum amount, creating a commercial incentive for private investors and venture capitalists to take on the risks of research and development of the product specified.

Of course much of the work of protecting the global commons, and generating global goods that could benefit everyone, is not “development” work *per se* and should be funded not from the “development” budgets of rich and poor governments. But it would be foolhardy for development advocates not to allocate some “development” funds to the global commons, given that the risks and costs of poor management fall so heavily on the poor, and to leverage such spending in a manner that increases the likelihood of a positive development bias in the deployment of human, physical, and financial resources to deal with emerging challenges to the global commons.

Of course I do not want to exaggerate the distinction among these three objectives, especially between the transformation and solidarity objectives. All three are fundamental to securing a common future for citizens of an increasingly interconnected and interdependent global community. And all three have their counterpart of publicly financed investment (in physical infrastructure, university education) to transform underdeveloped regions such as Appalachia in the United States; solidarity programs (to provide equal opportunity for schooling), redistributive transfers (to protect the indigent and the handicapped), and social insurance (pensions, health, unemployment payments and training); and public goods regulation and expenditures (to reduce pollution, supervise banking). As with the development project, the domestic social contract does not always work perfectly—but it represents for citizens their effort in their mutual interests to use the “state” to complement the market and control for its excesses.

### **A global polity to complement the global economy**

The global economy has far outstripped the international institutions (the United Nations, the World Bank, the International Monetary Fund, and the World Trade Organization) and clubs of nations (the G-7, more recently the newly empowered G-20) that make up what might be called the global polity. In contrast to the sovereign state, the global polity is relatively weak and ineffective—as illustrated by the difficulty of coordinating a global response to the current economic crisis. In contrast to the democratic legitimacy of the western democracies, the global polity lacks legitimacy. At this extraordinary and difficult moment, when the development project is at great risk, and the United Nations, the IMF, and the World Bank in particular should be at the center of critical coordination on behalf of the developing world, their weakness is being painfully exposed. The progressive non-governmental organizations see the IMF and World Bank as undemocratic and intrusive, and the rising powers in Asia show declining interest in what they view as fundamentally transatlantic institutions. Meanwhile the U.S. Congress and Western legislators chafe at adding to the apparent power and influence on international institutions. At the same time, many development technocrats view the United

Nations and its agencies as unwieldy and ineffective and lacking the financial heft to matter; it is “legitimate” in representing well (some say too well) the developing countries but lacks the financial heft that would make it relevant in a global economy in crisis.

The fact is that in an asymmetric world, in which the poor easily fall behind in good times and are the first to lose (in welfare if not in absolute dollar terms) in bad times, the development community should be calling on the political leaders everywhere—in the rich and developing world—to support the strengthening of our global institutions and, in the case of the IMF and the World Bank especially, the urgent reform of their governance to make them more representative of developing countries and therefore more legitimate and ultimately more relevant and effective. Without the global institutions it will be difficult to build and sustain the development project or, to return to where I started, to put and hold together the ingredients of an effective and enduring global social contract.