Making Poverty History?

How Activists, Philanthropists, and the Public Are Changing Global Development

Brookings Blum Roundtable 2007

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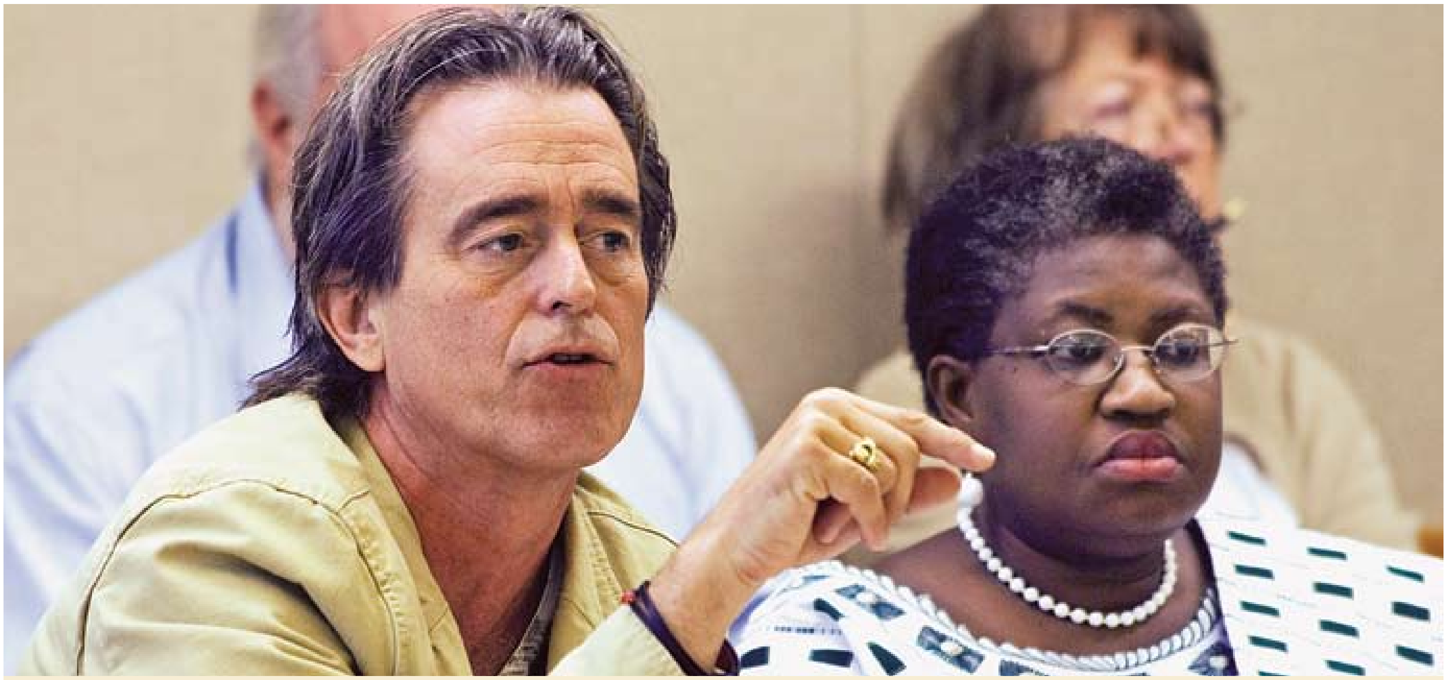


Bobby Shriver *(Cofounder of (PRODUCT) RED)* and
Ngozi Okonjo-Iweala *(Managing Director of the World Bank)*

Foreword

From August 1 to 3, 2007, fifty preeminent U.S. and international experts from government, business, academia, and the philanthropic and nonprofit sectors came together at the Aspen Institute to explore the changing contours of the global development community. By examining the common challenges development actors face—promoting accountability, using resources effectively, and achieving scale and sustainability—participants aimed to spur successful practices and establish foundations for collaboration among the expanding field of players determined to lift the lives of the world's poorest people.

The Brookings Blum Roundtable was hosted by Richard C. Blum of Blum Capital Partners and Lael Brainard and John L. Thornton of Brookings, with the support of honorary co-chairs Walter Isaacson of the Aspen Institute and Mary Robinson of Realizing Rights: The Ethical Globalization Initiative. Previous Brookings Blum Roundtables have focused on America's role in the fight against global poverty (2004), the private sector's role in development (2005), and the nexus between poverty and conflict (2006). The outputs from these Roundtables are available at http://www.brookings.edu/global/brookings-blum-roundtable.aspx.

Although the experts at the Roundtable hailed from around the world and represented diverse sectors and approaches, each participant brought to the table an individual and institutional commitment to spur development and dignity. Rather than summarize Roundtable proceedings, this essay—like those from previous years—presents the main themes and proposals that informed the exchanges. A companion volume—*Global Development 2.0: Can Philanthropists, the Public, and the Poor Make Poverty History?*—contains essays providing in-depth analysis of the specific topics addressed.

Acknowledgments

The Roundtable was made possible by a generous grant from Richard C. Blum, chairman of Blum Capital Partners. The meeting's success owes greatly to the superb research, coordination, and vision of the associate director of the Brookings Blum Roundtable, Abigail Jones, as well as Ann DeFabio Doyle, Raji Jagadeesan, H. Zaks Lubin, Anne Smith, and Brian Wesolowski.

Bill Gates, Bono, and Me: A New Cast of Characters

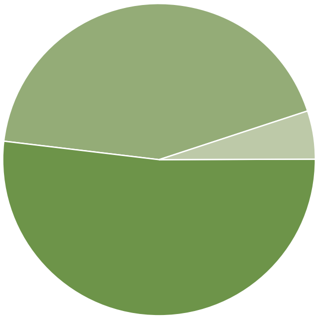
“From a bureaucratic backwater in the waning days of the Cold War, the fight against global poverty has become one of the hottest tickets on the global agenda—with rock stars, world leaders, and newly minted billionaires calling attention to the plight of the poor at international confabs such as the World Economic Forum and the Clinton Global Initiative.”

Lael Brainard
Vice President and Director,
Brookings Global Economy and Development

The international development community as we have known it for sixty years is undergoing an extreme makeover. If its roots go back to the Marshall Plan and the founding of the Bretton Woods institutions, its modern incarnation has branched both up and out—dramatically altering the landscape of humanity's efforts to alleviate poverty.

During the postcolonial era of giving in the 1960s and 1970s, roughly thirty-eight official bilateral and multilateral donors annually disbursed an average of $43 billion in assistance (in 2005 dollars). Today, hundreds of development entities are spread across a larger group of countries, annually disbursing $158 billion (net of debt relief). The fight against poverty, which was once almost exclusively restricted to aid officials and learned experts, has become one of the twenty-first century's most popular causes. And the throng of new participants is not just niche players; the Brookings Wolfensohn Center scholar Homi Kharas estimates that in 2005, their giving was approximately equal to official development assistance from traditional donors.[1]

Figure 1: Aid Flows to the Developing World in 2005 (Total flows=$158 billion)



Note: DAC=Development Assistance Committee of the Organization for Economic Cooperation and Development.
Source: Homi Kharas, “The New Reality of Aid,” in Global Development 2.0: Can Philanthropists, the Public, and the Poor Make Poverty History? ed. Lael Brainard and Derek Chollet (Brookings, forthcoming).

Broadly speaking, there are five groups of newly prominent development players. First are what might be called the “megaphilanthropists”—the modern-day Fords and Rockefellers whose breathtaking commercial achievements have afforded them the resources and influence to engage in development on a global scale. Many of these new actors—such as Bill Gates of Microsoft, eBay executives Jeff Skoll and Pierre and Pam Omidyar, Virgin mogul Richard Branson, AOL cofounder Steve Case, and Google wunderkinds Sergey Brin and Larry Page—earned their billions by pioneering transformative new information technologies. Today, they are bringing that same bold vision and creativity to their antipoverty efforts. Indeed, though the megaphilanthropists' money may have been their ticket to the development table, it is neither their only nor necessarily most important asset; they also bring to the cause convening power, an eye for breakthrough innovation, a keen drive toward efficiency, and marketing savvy.

Many of these megaphilanthropists are test driving new models of “venture philanthropy.” These models seek to blend the best of the private and philanthropic sectors by investing in social enterprises that seek returns through market approaches. Others are spurring the growing interest in blending philanthropic and market investments to seed the growth of indigenous small and medium-sized enterprises (SMEs), which are too often starved for capital in poor countries.

Several megaphilanthropists are engaging in “knowledge philanthropy”—investing in the development of

"Philanthropy cannot be a substitute for a vibrant business sector or a stable government, yet it can sway the behavior of businesses and governments. By monitoring these sectors and engaging civil society to hold them accountable, philanthropy can make a significant contribution to social transformation efforts."

George Soros
Founder and Chairman,
Open Society Institute

powerful science and new technologies to overcome the burdens of disease, malnutrition, poor water and sanitation, marginal agriculture, and unreliable power that encumber the lives of the poor. Still others, such as George Soros, are setting their sights on social and political transformation, empowering local actors who seek to transform societies in which ingrained corruption and unaccountable regimes have held back progress for generations, or in which entrenched interests have obscured growing dangers to the environment. Collectively, they represent an infusion of entrepreneurial dynamism to the development field.

The second group of newly prominent development players are from the corporate sector, which is becoming increasingly engaged. We see this in the actions of a growing number of major multinational firms that are pioneering corporate social responsibility endeavors—from corporate foundations applying what the Brookings and Harvard scholar Jane Nelson calls "a more enterprise-based and competence-led approach to philanthropy"[2] in order to advance long-term development goals, to innovative efforts to provide key services and products to the poor that encompass everything from Unilever's sales of individual shampoo sachets in India to Citigroup's thriving microfinance practice around the world.

The private sector is also fostering greater consumer involvement against poverty. (PRODUCT) RED, for example, has reached out to consumers through brands such as Gap, Apple, Converse (owned by Nike), Motorola, and American Express. Through profits made on sales of individual company products, the (PRODUCT) RED organization has channeled $30 million through the Global Fund to Fight AIDS, Tuberculosis, and Malaria to provide antiretroviral drugs to AIDS patients and child care to AIDS orphans in Ghana, Rwanda, and Swaziland. (PRODUCT) RED cofounders Bobby Shriver and Bono have created a self-sustaining campaign that promotes greater awareness of the needs of the world's poorest people while providing individuals with an avenue to make a difference by simply buying the products.

Third, more than two dozen new bilateral donors, from China to Chile to the Czech Republic, are asserting a more prominent role in providing assistance. Many of these new official donors have recently come through (or are still undergoing) the process of development themselves, and they feel they can offer more relevant advice than rich country donors. Despite being less wealthy than the traditional official donors, several of these new players are growing deep pockets. For example, China's foreign assistance already surpasses that of Australia. Estimates suggest that new bilateral donors collectively gave about $8 billion in 2005.[3]

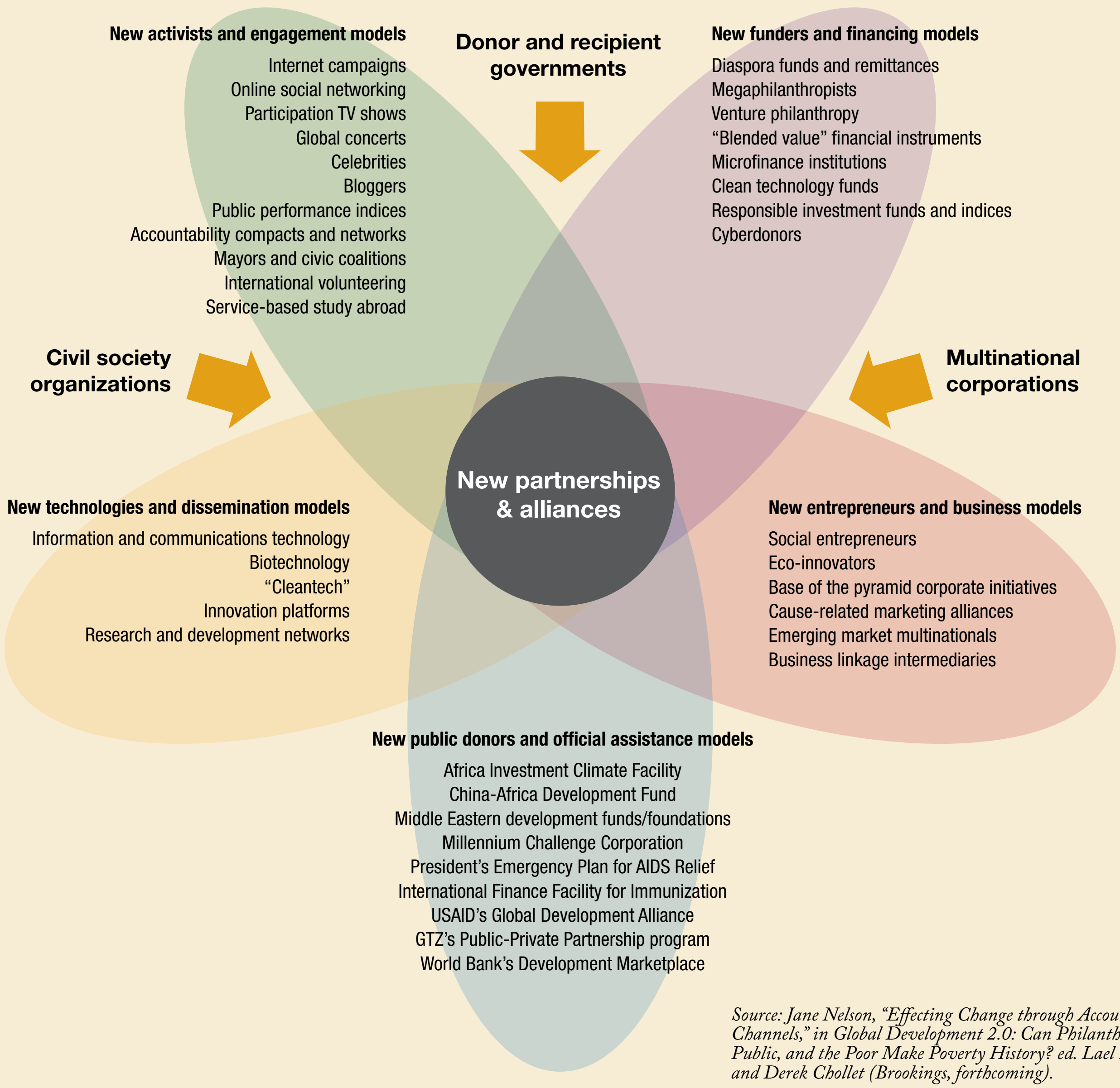
The fourth group of unconventional development players can be broadly defined as "celebrities": high-profile individuals—from rock stars to actors, preachers, and former presidents—who are maximizing the power of their public appeal to champion global poverty awareness and activism. These celebrities bring what the Oxford scholar Paul Collier has called "development buzz" to the "development biz."[4]

Many of these well-known individuals have a demonstrated ability to raise money, attract the media spotlight, reach new audiences, and shape public opinion. And at a time when trust in government is generally low, such well-informed celebrities are injecting a dose of credibility and charisma into the foreign assistance and development debate. Indeed, several have had great success influencing official donors and government leaders. In 2005, the rock star Bono of U2 helped convince world leaders at the Group of Eight Summit in

"If the presence of new players on the international stage can help us rigorously rethink why old development models have failed, then that alone would be of huge benefit to poverty alleviation efforts worldwide."

Olara A. Otunnu
President, LBL Foundation for Children;
Former United Nations Undersecretary General and
Special Representative for Children and Armed Conflict

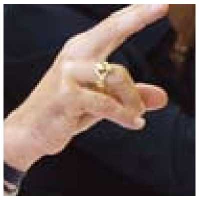
Figure 2. Forging New Partnerships and Alliances



Source: Jane Nelson, "Effecting Change through Accountable Channels," in Global Development 2.0: Can Philanthropists, the Public, and the Poor Make Poverty History? ed. Lael Brainard and Derek Chollet (Brookings, forthcoming).

"(PRODUCT) RED has given individuals a new way to engage with the developing world. Buying from red companies funds the purchase and distribution of antiretroviral drugs. You buy (CONVERSE) RED, they get the pills."

Bobby Shriver
Cofounder,
(PRODUCT) RED



Gleneagles to forgive a portion of Africa's multilateral debts. Hollywood stars including Angelina Jolie, George Clooney, and Don Cheadle have focused public attention on humanitarian crises such as HIV/AIDS and the conflict in Darfur. And former U.S. president Bill Clinton's annual Clinton Global Initiative, which aims to tackle a range of global challenges including public health and development, mobilized almost $10 billion in pledges in its first two years alone.

The fifth significant group of new development players is the global public itself. Often fueled by celebrity appeals and the "voice" power of Internet communities, the public is making its presence known. Witness the hundreds of thousands who attended the ten "Live 8" concerts in the run-up to the Gleneagles summit, the more than 2.4 million signatures for the ONE Campaign, and the 63.5-million-strong audience for the 2007 U.S. television special *American Idol: Idol Gives Back.* These campaigns owe much to the success of the Jubilee 2000 debt relief campaign, which utilized the Internet, celebrity, and a diffuse network structure to mobilize public support and achieve its goal.

Along with lending its voice to specific issue-driven campaigns, the public has become an active participant in financing development and a growing contributor to development activities on the ground. Individual donations from the United States to the developing world have surged to approximately $26 billion a year, and innovative models promise to further facilitate this exchange.[5] Through the Internet, grassroots philanthropists can take their generosity worldwide—becoming bankers to the poor at Kiva.org, where a loan as small as $25 can help a microentrepreneur in a developing country; or browsing GlobalGiving.org's "marketplace of goodness" in search of a specific project to support. And, according to the Brookings Initiative on International Volunteering and Service, more than 50,000 Americans volunteer their time in overseas service each year, returning home with firsthand appreciation of the challenges poor communities face.[6]

How New Is New?

Critics might argue that many of these "new" development players are not new at all. After all, Audrey Hepburn was bringing attention to the plight of children in places like Sudan, Vietnam, and Somalia long before Angelina Jolie came on the scene. George Harrison and Ravi Shankar held their benefit Concert for Bangladesh fourteen years before Bob Geldof's Live Aid in 1985. Generations of Americans have trick-or-treated for UNICEF, a tradition that dates back to 1950. And U.S. foundations like Ford and Rockefeller were revolutionizing development decades before the information technology explosion that ushered the Bill & Melinda Gates Foundation and Google.org onto the stage.

But if these types of players are not new, strictly speaking, their outsized influence relative to the traditional players certainly is an innovation. The cumulative combination of enormous wealth among private donors, the messaging megaphone associated with new media and social networking, and the new flows of assistance from developing country donors and diasporas together herald a new era of global action on poverty—one that involves, as Nelson argues, "new types of cooperation and collective action across the traditional boundaries of public, private, and civil society sectors."[7]

Moreover, the increasingly competitive development field is causing established players to reexamine their role

As a UNICEF ambassador, Audrey Hepburn traveled to Ethiopia where years of drought and civil strife caused widespread famine in 1989.

and raise their game. In 1997, the new U.K. government of Tony Blair created a cabinet-level Department for International Development (DFID) with an exclusive and resolute focus on poverty reduction, fulfilling a campaign promise strongly supported by influential antipoverty groups. In 2003, U.S. president George W. Bush announced the creation of the $15 billion President's Emergency Plan for AIDS Relief, winning the support of a powerful coalition of HIV/AIDS advocacy groups. For their part, the World Bank and the International Finance Corporation are increasingly pursuing cross-sector partnerships, as evinced by their Lighting Africa Initiative, which seeks to create the market conditions needed for the supply and distribution of "green" lighting products to the 250 million people in Sub-Saharan Africa who currently have no access to electricity. Meanwhile, iconic private foundations like the Rockefeller Foundation, which in its early years spent more on foreign aid than the U.S. government, are now reorienting themselves to better leverage their intellectual and financial assets—for instance, through collaboration with the powerful newcomer the Gates Foundation.

It is fashionable to describe this ever-more-crowded development landscape as increasingly competitive, entrepreneurial, and market-led. But this new "development market" must become more effective so today's outpouring of generosity will yield sustained improvements in the lives of the world's poorest people and not succumb to the familiar cycle of activism followed by withdrawal. In a conventional market, competition drives down costs and improves offerings as producers compete to win consumer spending. But in the development market, more producers (i.e., donors) do not guarantee more effective antipoverty outcomes, because the demand for results ultimately rests with donor country taxpayers and philanthropists, not poor countries.

Thus, a crucial challenge for the contemporary development community is to close the structural gap between the supply and demand sides of assistance—that is, between aid donors, activists, and service providers on the one hand and aid recipients on the other—to ensure that limited development resources go where they are needed most. Achieving this will require the engagement and creativity of both traditional and new players. If humanity is to prevail in the fight against global poverty, *the most important and empowered new actors must be the men and women of the developing world themselves*—who must have more choices and a stronger voice in the decisions that affect their lives.

Promising Arenas for Action

"Development is all about creating an environment where people can pursue their dreams. You need sound infrastructure, high degrees of public and private sector transparency, and robust social programs to create such an environment. We haven't begun to realize the potential of entrepreneurs in the developing world because these conditions don't exist everywhere yet."

Richard C. Blum
Chairman and President, Blum Capital Partners, LP

Having achieved success as entrepreneurs in the corporate marketplace or in popular culture, many of the new players come to the development arena with different assumptions and different skill sets. As a result, they appear more inclined to test drive unconventional approaches—such as empowering social entrepreneurs and small-scale private enterprise, advancing bottom-up technological development, and deploying messaging and social networking tools for development ends. These new actors are also freer than many official donors to work with in-country counterparts in the private sector and civil society, thus empowering a broad variety of players to stimulate development from the ground up.

Innovative Social Entrepreneurs

As the new sources of funding and advocacy-enabled public support are translated into results on the ground, the blended space where social value and market value converge is being singled out for special attention, owing in part to strong resonance with the new generation of givers and recognition of the limitations of top-down approaches to development. In the words of the Duke University scholar J. Gregory Dees, "philanthropists can add value by accelerating market development in ways that improve the lot of the poor, directing their capital and resources to the ventures most likely to engage the poor in a constructive way."[8]

Many of the new development players are casting their bets on "social entrepreneurs"—a term often credited to Ashoka founder and chair Bill Drayton. Social entrepreneurs are change agents who bring to social endeavors the same skills of innovation, leadership, team building, persistence, and implementation that are required to pioneer successful businesses. Exemplifying these qualities is Fabio Rosa, who has been an Ashoka Fellow for almost two decades. In the 1980s, Rosa developed and deployed a system that brought low-cost electricity to rural Brazilians—dramatically improving villagers' productivity and standard of living. After the privatization of Brazil's electric industry, he launched a new effort to help remote villages rent solar power equipment—a business endeavor with important social, health, and environmental benefits.

Some of the most prominent new philanthropists are looking out for more leaders like Rosa. The eBay veteran Jeffrey Skoll, for example, has devoted his Skoll Foundation to connecting and celebrating social entrepreneurs by awarding substantial prizes to "innovators who have achieved proof of concept, are poised to replicate or scale up toward systemic social change and have a message that will resonate with those whose resources are crucial to advancing large-scale, long-term solutions."[9]

Meanwhile, new intermediaries such as the Acumen Fund and the Grassroots Business Initiative are emerging to provide seed capital and managerial know-how to social enterprises. Indeed, we may be witnessing the emergence of a new market segment similar to the evolution of microfinance. Where microfinance institutions have developed to connect capital with microentrepreneurs, an intermediary philanthropic market may be emerging to serve social entrepreneurs—those whose endeavors propose large-scale social change and promise to have ripple effects throughout the economy.

In looking for worthy social development endeavors and entrepreneurs, the new philanthropists increasingly expect to apply the same notions of impact, cost-effectiveness, scalability, and sustainability demanded in corporate boardrooms. The most successful social entrepreneurs are

"Currently, the Overseas Private Investment Corporation (OPIC) supports over $1 billion in equity funds in Africa, not only for financial services, telecom, or infrastructure, but also for health and sanitation programs. Yet OPIC is quickly becoming less relevant in these markets, as there is a growing appetite for investment on the continent. With undeniable investment opportunities, companies will need the OPIC carrot less."

Robert Mosbacher, Jr.
President and Chief Executive Officer,
Overseas Private Investment Corporation

equally pragmatic. Nick Moon is cofounder of KickStart, a nonprofit that designs and mass markets affordable agricultural equipment to enable Africa's poorest people to move from subsistence to commercial farming. In his words, "We have to marry the bleeding heart with the hard head. If you can't see, quantify, or measure impact, it probably isn't there."

Private donors and investors are also exploring ways to blend philanthropic and market investments to spark the growth of indigenous businesses in the cash-strapped SME segment. Indeed, private enterprise belongs at the very heart of the development enterprise, especially in narrowing the gap between aid supply and demand. After all, private enterprise is the greatest source of self-employment and jobs—the two factors poor people rank highest as having the potential to improve their lives.[10] And, given the right circumstances, the entrepreneurial spirit can be sparked within any society—a welcome counterpoint to the culture of dependence too often associated with foreign aid.[11]

Although some investors are convinced that there are great opportunities to be found, there is still a need for nodal institutions or network enablers that can act as incubators, mentors, early investors, and talent scouts for promising SMEs, helping connect developing country entrepreneurs to money and markets. Organizations such as Business Partners in Africa and the Small Enterprise Assistance Fund suggest that success is possible, but achieving scale and sustainability will require bridging the conventional divide between for-profit and charitable entities. Some of the most obvious areas for action are creating attractive exits for equity investors and exploring tax incentives that encourage private investors to consider markets they would otherwise deem too risky.

Some successful social enterprises may always require subsidies, but some donors are seeking to invest in SMEs expressly to demonstrate that commercial viability can go hand in hand with the provision of socially valuable goods and services—hearkening back to the beginning of the venture capital industry in the wake of World War II, when firms like J. H. Whitney & Company, Rockefeller Brothers Company, and T. Mellon & Sons actively invested in seeding ventures with social as well as economic merit. Today, foundations are taking the lead where angel investors fear to tread. The Shell Foundation, for example, looks for business-focused, enterprise-based solutions with efficient service delivery, and helps seed their growth in the hopes they can one day source capital from financial markets.

Indeed, some socially transformative enterprises have proven commercially successful. Celtel, for example, a wholly commercial mobile telephony company that has built cellular networks in more than fifteen African countries, is enabling millions of Africans to raise their living standards through the power of communication. This decidedly for-profit company may not fit preconceptions of what an organization that helps the poor should look like. But its second-largest investor was DFID's private sector investment arm, the Commonwealth Development Corporation (CDC). When the MTC Group acquired Celtel for $3.36 billion in 2005, CDC claimed a 500 percent return;[12] meanwhile, Celtel founder Mo Ibrahim has gone on to become one of Africa's most creative philanthropists.

It is too soon to tell whether social enterprises and blended ventures will evolve sustainable models to address poverty. Many practitioners face an uphill battle in moving from startup to scale; resources for expanding

Photo courtesy of KickStart

Photo courtesy of KickStart

Empowering Local Entrepreneurs

A vibrant and productive middle class is recognized the world over as an economy's primary engine of growth. That is why a vibrant SME sector is so important—accounting for 90 percent of enterprises in the world and for 50 to 60 percent of employment opportunities. In the United States, for example, small businesses provide roughly three out of four of the net new jobs added to the economy. Yet many African SMEs struggle to access capital, face high transaction costs, and frequently produce products that fail to meet importing market requirements. High levels of unemployment across the continent confirm that this sector is decidedly underperforming and citizens are looking to their governments to intervene. According to a recent NOI/Gallup Poll conducted in Nigeria, citizens unequivocally believe that their government should focus on job creation at all levels.[13]

To that end, Kenya-based KickStart develops and promotes appropriate technologies to increase the productivity and profitability of small-scale enterprises. By marketing micro-irrigation, cooking oil, construction, sanitation, hay baling, and transportation technologies to thousands of entrepreneurs in East Africa, KickStart has helped launch 50,000 new businesses—800 a month—which have generated $52 million a year in new profits and wages since 1991. The organization's MoneyMaker irrigation pump alone has transformed thousands of small subsistence farms into new commercial enterprises by improving farmers' productive capacity by as much as fourfold. Coupled with the fact that 4 manufacturers produce these pressure irrigation pumps in East Africa, and more than 400 retailers sell them in Kenya, Tanzania, and Mali, the MoneyMaker line has created approximately 29,000 new jobs and $37 million in new annual profits and wages. By developing affordable (under $1,000), durable, and manually operated technologies that are locally mass produced, KickStart is helping to lift thousands out of poverty.


"Governments need innovative regulatory and tax frameworks to support the new hybrid social investment ventures. They must provide a clear signal to investors that below-market returns, coupled with high social returns, are valuable."

Paul Martin
21st Prime Minister of Canada

"proven models" are scarce, perhaps because funders' transaction costs for rigorous evaluation are high, and the desire to fund the next new thing is more appealing than financing for scale. The investor community is still waiting for signposts to navigate blended terrain; both philanthropic and private sector pioneers are still struggling to put a price tag on social value. And all involved have to grow more comfortable with the prospect of social enterprise failure if they are to take the daring risks that will spark dramatic gains.

Yet, the vigor with which entrepreneurial approaches to social change are being pursued gives cause for hope. As Dees argues, "We need better understanding of the institutional structures and supports that would allow [them] to thrive. If we can deepen our understanding in these ways, we may find a new approach to social change, one that strategically blends philanthropy and business."[14]

Knowledge for Development

The public often associates development work with saving lives. And indeed, some of humanity's greatest strides have been made in areas like child survival and life expectancy during the past fifty years. Between 1960 and 1999, life expectancy for the poorest fifth of the world increased from 53 to 87 percent of that for the richest fifth—whose own life expectancy rose from sixty-nine to seventy-six years. Child survival for the poorest fifth has reached 80 percent of that for the richest fifth. Polio has been virtually eradicated from the planet; advances are being made against other killer diseases like measles and malaria. And the caloric intake of the poorest has gone from 57 to 70 percent of the rich country benchmark over the past forty years. Though the income gap remains stubbornly persistent, it is clear that poor countries with a range of institutional capacities have achieved substantial gains in absorbing and adapting knowledge and technology in areas such as medicine, family planning, sanitation, nutrition, education, and agriculture.[15]

Although knowledge and technology can be powerful tools for development, market incentives too often tend to stratify the benefits of technology between the global haves and have-nots. Leveraging technology to improve the lives of the poor requires express efforts to promote adaptation and widespread adoption. Though some of the greatest triumphs in development have come from the systematic dissemination of technologies developed for wealthy country populations to poor communities (e.g., the elimination of smallpox), others have required the creation or adaptation of technologies to the specific conditions faced by poor communities (e.g., the Green Revolution). With much of the world's poorest population concentrated in tropical areas, there is a pressing need to develop technology specifically for those areas rather than relying on the transmission of agriculture and medicines developed for rich country markets located predominantly in temperate climates.

Developing this new technology will require changing incentives all the way through the systems for knowledge creation—from elevating the creation of solutions for the poor to a prestigious place in science and engineering curriculums in developing countries (e.g., India) and rich country university systems (e.g., the University of California, Berkeley; Massachusetts Institute of Technology; and Columbia University); to creating market incentives through innovations such as the Advanced Market Commitment mechanism designed by the Brookings and Harvard economist Michael Kremer

Photo courtesy of Dominic Sansoni / World Bank

Leveraging University Assets

The Richard C. Blum Center for Developing Economies, housed at the University of California, Berkeley, is one of many new development players placing bets on the transformative potential of technologies designed to address the challenges of the world's poorest people. Along with the Earth Institute at Columbia University and the Media Lab at MIT, the Blum Center is helping to pioneer both appropriate and high technologies tailored to the developing world.

Among the challenges the Blum Center's researchers are investigating is access to uncontaminated, potable water. According to the 2006 United Nations *Human Development Report*, more than 1 billion people lack access to clean drinking water. Every day, nearly 5,000 children perish—2 million each year—and countless other people fall ill because of water-related diseases, which is curbing poverty reduction efforts and economic growth in some of the world's poorest countries. The Blum Center's potable water initiative concentrates on the development, production, dissemination, and evaluation of low-cost, small-scale water treatment systems in Bangladesh, Ecuador, Guatemala, India, Kenya, Madagascar, and Mexico.

Photo courtesy of the Richard C. Blum Center for Developing Economies

"Google.org supports efforts to empower local communities to catalyze social change through our core competencies. We hope to develop and distribute technologies and information platforms that recipients can then overlay with their projects. Our greatest leverage is providing space for local organizations to scale their efforts up and out."

Sonal Shah
Program Manager,
Google.org

Photo courtesy of Campus Progress

and advanced by the Gates Foundation; to restoring research and development budgets and science and technology personnel in key development agencies; to involving poor communities directly in technology adaptation and uptake through organizations such as the Barefoot College run by Bunker Roy.

The entry of new players promises to breathe fresh life into this agenda. Google is designing its development program with its core competencies in mind, emphasizing areas where expanding access to information can empower poor communities. In one innovative partnership, it is deploying Google Earth satellite technology in collaboration with the U.S. Holocaust Memorial Museum to illuminate the devastation wrought in Darfur.[16] Funding from the Gates Foundation's Global Health Program has helped to seed dozens of public-private partnerships that are researching new solutions to the so-called neglected diseases that disproportionately afflict poor people. The Gates Foundation is forming a partnership with the Rockefeller Foundation in the hopes of reprising the role Rockefeller played in providing seed capital for the Green Revolution, with today's focus squarely on Africa. Philanthropy is helping to introduce multidisciplinary approaches to development in university settings such as the Earth Institute at Columbia University and the Richard C. Blum Center for Developing Economies at Berkeley. And forums such as the annual Technology, Entertainment, Design Conference and InnoCentive are encouraging innovative collaborations among leading entrepreneurs, corporations, philanthropists, investors, and scientists to develop new ways to deliver clean water, clean energy, and new medicines to the poor.

This new generation of social entrepreneurs and hybrid ventures will be critical in bridging the gaps among innovation, community engagement, and sustainability that too often have diminished the transformative potential of research and technology. The Nobel Peace Prize winner Muhammad Yunus has adapted the Grameen Bank's microcredit lending model to spread the power of communications technology to help lift millions out of poverty. The One Laptop per Child program led by the MIT Media Lab's Nicholas Negroponte, the PlayPumps technology that generates clean water from child's play, and KickStart's innovative approach to developing and marketing new technologies each started with the power of a compelling idea. All require the support of private philanthropy and advocacy networks, the active engagement of community organizations,[17] and ultimately support from official donors or uptake by the corporate sector to achieve scale and sustainably change the lives of the poor.

Policy research also has a critical role in providing rigorous assessments of the impact of innovative ventures on the well-being of the poor relative to alternative approaches, disseminating findings to facilitate replication and achieving scale, providing recommendations to fill gaps in the institutional environment, facilitating accountability, and shaping policy.

Without such critical partnerships and a favorable enabling environment, the promise of technology will remain elusive. As the Brookings and New York University economist William Easterly reminds us, "Beware of technological quick fixes. . . . Regrettably, the experience of aid is that plenty of promising technologies exist but never reach many poor people."[18]

As a UNHCR goodwill ambassador, Angelina Jolie visits UN peacekeepers and displaced children in war torn eastern Congo.

Mobilization and Messaging: Making Hope Sell

Some of the most visible new antipoverty advocates are global celebrities who have proven extraordinarily effective at mobilizing public support for ostensibly technocratic development issues. Their efforts owe a great deal to the success of the Jubilee 2000 debt campaign, which the Center for Global Development economists Nancy Birdsall and John Williamson have called "by far the most successful industrial-country movement aimed at combating world poverty for many years, perhaps in all recorded history."[19] Whether rock stars, movie stars, moral leaders, or political icons, these "celanthropists" are infusing antipoverty campaigns with their own charisma and brand allure. Some are adept at crystallizing complex issues in catchy slogans like "Drop the Debt" and "Make Poverty History." Others have made energetic use of the popular media to attract new development audiences; witness MTV's *Diary of Angelina Jolie and Dr. Jeffrey Sachs in Africa*. Seasoned performers on the global stage, these development champions are eloquent and impassioned in their appeals on behalf of the impoverished—invoking emotional language and images designed to anger, engage, and inspire action. And it works. The public is answering their call in unprecedented numbers.

At the same time, this high-profile celebrity advocacy may carry some unintended consequences. Some observers worry that black-and-white storylines obscure the nuances and intricacies of development, misleading the public to believe that solving poverty is just a matter of more foreign aid. As Collier cautions, "Unfortunately, although the plight of the bottom billion lends itself to simple moralizing, the answers do not."[20] Raising public expectations too high could breed disillusionment and disengagement down the line.

The blurring of celebrity brands with social movements creates challenges for both sides. Celebrities may be understandably leery of alienating their constituencies or tarnishing their reputation, which can crimp their desire to champion complex, controversial, or less media-friendly causes. Meanwhile, some nongovernmental organizations (NGOs) may be cautious about associating the serious causes on which they have been laboring for years with celebrity advocates whose own credibility, seriousness of purpose, and staying power may be untested.

In addition, the perceived validation that high-profile advocacy grants to a development cause may inadvertently cause other worthy priorities to be neglected. In Rwanda, for example, thanks to the success of the Global Fund, $48 million a year is available for HIV/AIDS, which affects about 3 percent of the population age fifteen to forty-nine years, in contrast to only $1 million for less publicly visible maternal and child health programs.[21]

Despite these potential pitfalls, under the right circumstances, celebrity advocates and high-profile campaigns have a great deal to offer the development community. Already, their efforts have delivered important—and in some cases, long overdue—gains for poor people, from debt relief to antiretroviral medications. Looking ahead, as the celebrity and high-profile advocacy movement matures, a range of opportunities can expand and intensify its reach.

One such opportunity will be to take on some of the riskier obstacles to development. It is not surprising that advocacy networks to date have proven more effective in instances of humanitarian crisis such as the Indian Ocean tsunami or the genocide in Darfur, where the face of

human suffering is beamed into our living rooms in real time, than on trade liberalization or dismantling agricultural subsidies, where domestic opposition is strong and the connection to poverty is less starkly illustrated. Grassroots donors want to feel that their contributions are making a real difference, which is easier in the case of appeals to alleviate visible catastrophes; meanwhile, celebrity and high-profile advocates are understandably drawn to black-and-white issues with a greater likelihood of success. But a future test for these advocates will be to leverage their power to mobilize the public on behalf of more complex issues that are tougher sells, such as trade and market access.

A second important opportunity is to help improve global perceptions of Africa's progress by harnessing new development actors' messaging and mobilization expertise toward a mantra of hope and partnership. Thoughtful observers have expressed concerns that some well-intentioned Western antipoverty campaigns may be inadvertently reinforcing troubling stereotypes, for instance by downplaying the agency of Africans themselves while emphasizing the role of outside actors. Though images of human misery may spur charitable donations, they also perpetuate notions of wholesale suffering and instability—dissuading potential private sector investors from giving the continent a chance. As Easterly has argued, the

"In an age of NGO and shareholder activism, the United Nations Global Compact helps companies manage risk as they've taken a proactive stance on the critical issues of the time, from human rights to sustainable development. Maintaining your corporate reputation is a very serious subject when the public has become such a powerful player on the international stage."

Samuel E. Jonah
Executive Chairman, Jonah Capital;
Former President, AngloGold Ashanti, Ltd.

"Debt relief is a boring subject, and during the Jubilee 2000 debt relief campaign, we had to embed the core policy messages within the popular consciousness. There is always an inherent risk in simplifying structural adjustment and debt service ratios into an alliterative slogan, but 'Drop the Debt' really got the public engaged. We couldn't pressure the leaders of the G8 without public support. Jubilee 2000 confirmed that the public is a formidable new development player."

Jamie Drummond
Executive Director,
DATA

emphasis on war, famine, disease, and death often present in popular portrayals of Africa creates a "dark and scary image of a helpless, backward continent," when, in fact, Sub-Saharan Africa has seen its gross domestic product grow at an impressive 5 percent for the past three years, its mobile telephone and Internet usage double each year for the past seven years, and its foreign direct investment surpass foreign aid.[22]

In partnership with the increasing numbers of inspirational African leaders in government, business, and civil society, new development actors can help bring more of Africa's "good news" stories to light—and in the process, improve the investment climate and global image of many African countries—making clear that African initiative will ultimately be the critical engine for sustained growth. Already, a number of pro-poor advocates and NGOs are taking this challenge to heart. In Oxfam America's campaign against the U.S. Farm Bill, for example, the organization brought African farmers to the American heartland to emphasize a message of dignity, not despair. Kiva.org cofounder Matt Flannery defines the organization's goals in terms of progress, not poverty, and describes its work as building partnerships instead of giving aid. And (PRODUCT) RED and DATA (Debt, Aids, Trade, Africa, now merged with the ONE Campaign) are exploring how to use their formidable profile and savvy to help brand Sub-Saharan Africa as open for business—a region where free markets are growing, democracy is spreading, conflicts are ending, and the potential middle class could be 43 million strong by 2030, according to World Bank estimates.

Celebrity and advocacy movements are one of the most visible distinguishing features of the contemporary development landscape. In the months and years ahead, these new development actors should be encouraged to put their credibility, charisma, passion, and power to even greater benefit—both in educating Western publics and policymakers about development challenges and solutions, and in amplifying the voices of the agents of change within developing countries.

"Rock stars proved instrumental in supercharging a new generation of climate crusaders during 2007's Live Earth. We must build on this energy and continue to encourage young people to get involved in the fight against global climate change."

Al Gore
Cofounder and Chairman,
Generation Investment Management;
45th Vice President of the United States

Africa: Open for Business!

From the HIV/AIDS pandemic, to crippling inflation in Zimbabwe, to genocide in Darfur, Africa's economic and development fortunes have been the subject of widespread media attention. Yet the intense spotlight generally overlooks most of Africa's successes, often overshadowing some of the most optimistic development achievements. As the region sees fewer conflicts, more democratic elections, and economic growth rates that are now reaching those of other developing regions, many of its countries could be poised for sustained growth and development. As African Development Bank president Donald Kaberuka notes, "Africa is on the move and has the best chance in thirty years to go beyond the tipping point—to turn the tide and break out of the long economic stagnation of the 1970s and 1980s."

Some seventeen of the forty-eight countries in Sub-Saharan Africa have seen average growth rates of 5.5 percent for the last ten years, and an additional seven countries have witnessed growth rates of 7.4 percent over the same period. Taken together, these represent half the countries in the region and account for 65 percent of the continent's population.[23]

These hopeful growth rates have been accompanied by institutional and policy reforms. Though perennially tagged a high-cost, high-risk place to do business, Sub-Saharan Africa is becoming hospitable to foreign investors. According to the World Bank report *Doing Business 2007*, Africa places among the top three regions committed to private sector reform—a watershed achievement by any measure. Previously ranked last, the region is now making remarkable changes: Two-thirds of all Sub-Saharan countries made positive reforms last year. Indeed, of 175 economies surveyed, Ghana and Tanzania ranked ninth and tenth in terms of breadth and depth of reform.

A new African business environment is beginning to take shape—one with simpler business regulations, stronger property rights, more sustainable tax burdens, more access to credit, and lower transaction costs. It is an environment ready for new enterprises, new jobs, and continued growth. As Mo Ibrahim notes, "Africa is open for business. Investors seeking high returns will get the highest returns in the world in Africa right now!"

Of course, this optimism is tempered by uncertainty over the sustainability and breadth of Africa's strong growth performance. Because high commodity prices—which traditionally have followed boom-and-bust cycles—are playing a disproportionate role in African growth, there is concern that the gains could prove short-lived or that growth is overly concentrated among resource-rich economies and their immediate neighbors.

To sustain and broaden growth and improve competitiveness, African economies must continue to implement far-reaching reforms, diversify production and exports, and strengthen financial markets. As one of the least internally integrated regions of the world, Africa faces a critical need to deepen regional and subregional trade and invest in cross-border infrastructure. Provided that global economic trends remain favorable while reformers invest in their continent's growing population and build its institutional capacity and infrastructure, Africa should be able to maintain its current levels of growth and investment for many years.

More Than the Sum of Its Parts

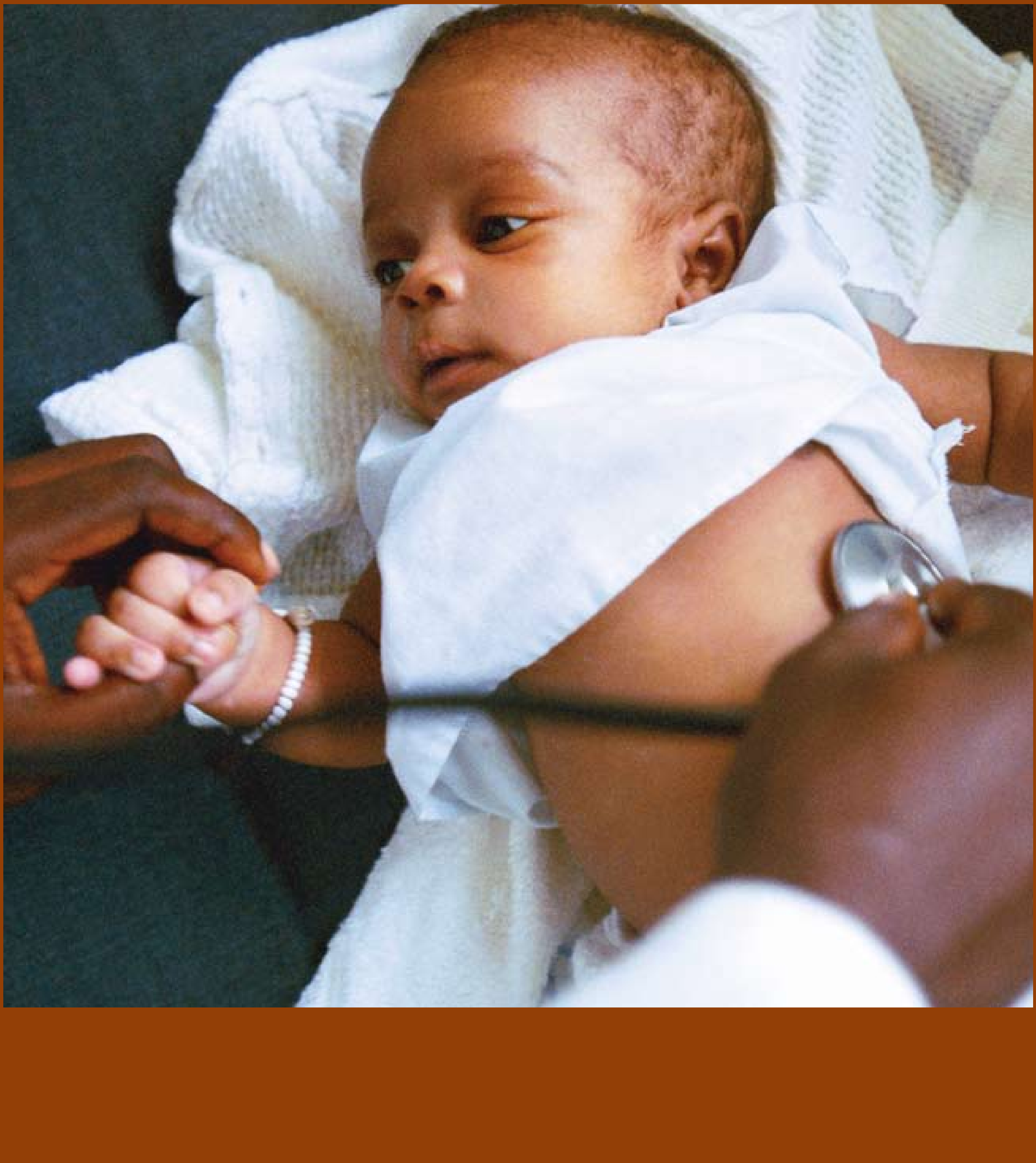


Photo courtesy of Ami Vitale / World Bank

"Official donors are not all alike and shouldn't be lumped together. Having said that, many of us are realigning our priorities to mirror those of recipient countries. DFID is now driven by country choices. We need to be interested in an issue if the countries we fund are concerned."

Suma Chakrabarti
Permanent Secretary, UK Ministry of Justice;
Former Permanent Secretary, DFID

Risk taking, empowering change agents, innovation, messaging, and public mobilization could help transform the sometimes stodgy development field. Yet there are no guarantees that the whole will amount to more than the sum of its parts. Although impromptu coalitions may be the ideal mechanism for catalyzing action in a critically neglected area, unless they are institutionalized, they may fall short in delivering sustained value. Similarly, pioneering approaches will only be taken to scale and sustained if their impact can be evaluated using commonly accepted metrics, their results are widely disseminated, and they are successfully handed off to official entities. And the enthusiasm philanthropists bring to the quest for transformational breakthroughs may not always translate into the less glamorous, daily labor of building functioning, self-sustaining societies from the bottom up.

If we accept that more hands on the development deck is a powerful and positive thing, then where might those hands best apply their strength to improve the lives and prospects of the poor? Beyond improving the life chances of impoverished people, how can donors and development actors catalyze systemic social change? And what can be done to improve aid's impact and effectiveness, with a greater emphasis on meaningful input from—and outcomes for—its intended beneficiaries?

Complementing Rather Than Duplicating Aid Efforts?

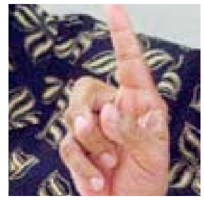
Many of the newcomers to the development stage are less constrained than governments by rules and regulations, or even than their private sector predecessors by the oversight of corporate or foundation boards. The absence of such limits should free them to pioneer activities at the riskier end of the spectrum, where official agencies are often unable to operate. The proliferation and diversity of these new actors is also leading to new partnerships and coalitions to take on specific challenges such as HIV/AIDS.

Yet this burgeoning cast of characters also carries risks of duplicated effort and inefficiency. According to the Brookings expert Joseph O'Keefe, on the official side alone, the average number of donors per recipient country grew from twelve in the 1960s to more than thirty in the period 2001–5, which suggests that multiple actors are trying to address the same challenges.

The greater number of possible funders and development partners also puts greater burdens on strapped recipients—in face-to-face meetings, idiosyncratic reporting and assessment requirements, and differences in donor-driven priorities. A recent survey by the Organization for Economic Cooperation and Development (OECD) found that traditional donors reportedly fielded 10,453 missions in thirty-four countries in 2005—an average of more than 300 per country, or 1 every 1.2 days. In addition, because of the structural disconnect between supply and demand, even though more external actors are trying to make a difference, the areas they are focusing on may not reflect recipients' priorities—which can lead to mutual frustration and reduce the effectiveness of aid.

To address these problems, the last decade has seen a rising emphasis on coordination among official donors in support of "country ownership." Some successful instances have built on coordination processes led by the recipients themselves—as in Uganda and Tanzania—while others have relied on coordination mechanisms agreed upon by official donors, such as the multilaterals' Poverty Reduction Strategy Papers.

> "The world needs more enlightened philanthropists who will cut bureaucracy, take large risks, and trust those working on the ground. But you just can't treat philanthropy like any other business. At the end of the day, it's still about *giving*—giving to people who just don't have anything—and not just about the business of giving."
>
> **Bunker Roy**
> *Founder,*
> *Barefoot College*



In some cases, multilaterals like the Global Fund are integrating funders into coordination processes. These donors include several large new players like the Gates Foundation, (PRODUCT) RED and its partners, and UNITAID. Continuing, strengthening, and deepening these efforts will be a key priority for the future, to ensure that the contributions of significant private players and new bilaterals are harmonized with the broader community's efforts, and to align donors' good intentions with beneficiaries' greatest needs.

Ultimately, such focused coordination will have to reach all the way to efforts on the ground. A recent mapping of development assistance in Ghana and Mali by Save the Children with CARE, Millennium Promise, and McKinsey & Company found hundreds of players on the field. It is high time to revisit the lessons from experience—for example, the effort to support the Bangladesh Rural Advancement Committee in the 1970s—and create systems that will enable the whole throng of development players to routinely coordinate their efforts sectorally or geographically. Other promising approaches to improving coherence and efficiency may emerge in the virtual arena, for example, through Raj Kumar's Development Executive Group (www.developmentex.com), a searchable, online clearinghouse for multiple aspects of development work—from hiring project managers to procuring engineers.

Achieving the greatest impact from the efforts of both new and old development players, however, will require going beyond coordination to achieving strategic complementarity. Though often sharing the same broad goals, private philanthropists, official donors, and corporations approach the development endeavor with different skill sets, objectives, and approaches for measuring success. They too seldom make strategic choices about how to align their efforts with other new and old actors and thus too frequently fund overlapping projects.

Private philanthropists bring considerable strengths to the table. They are often nimble, lightly burdened by oversight and strictures, and able to take risks. But they rely heavily on intermediary organizations, often have a limited presence in the field or in-house research capacity, and generally must use their smaller funding for catalytic purposes rather than to make sustained large-scale investments. Corporations often can leverage an extensive, long-term staff presence in a country along with considerable in-house skills and resources. However, their deployment is often constrained by a primary mission that is not related to development. In contrast, both newer and established official donors tend to have extensive resources and a strong field presence along with the capacity to push bilaterally and multilaterally for governance changes but are highly constrained by changing domestic political agendas.

Too often, any or all of these players might be funding the same sector or even the same project through the same NGO in a particular country without any prior consultation or coordination. Several of the large traditional official donors, in particular, have been slow to appreciate the sheer size of assistance from the private and philanthropic sectors and even slower to pursue synergies. Some of the new megaphilanthropies have been pressed to disburse funding rapidly without having the luxury of fully studying the field and identifying complementary efforts. As a result, the impact of these efforts has been less than the sum of their parts. In the words of FSG Social Impact Advisors' Mark Kramer, "The greatest impact will be achieved when each sector directs

"Good governance is the first precondition for investors deciding to enter a market. Government is not just one of a number of factors; it's the foundation of the house."

John L. Thornton
Chair,
Brookings


Photo by Ralph Alswang

its funding to projects that it can undertake more efficiently or effectively than the other sectors, but which simultaneously help support the developmental needs of those other sectors. This shift in thinking is precisely what is needed if each of the sectors is to accomplish their agendas more effectively."[24]

Despite the same broad goals—such as reducing malaria and increasing the number of girls completing primary school—new and old actors have different notions of how to achieve and assess success. Strategic complementarity will be greatly aided not only by developing a division of labor among the various players up front but also by sharing lessons informed by common metrics of assessment. The resources for development—financial, human, and political—are too scarce to be wasted repeating the same old mistakes underwritten by different types of funders.

Ultimately, the goal for donors and development service providers must be to find ways to coordinate their efforts that go beyond simply dividing up the terrain—"You take education, I'll take sanitation." The more that development strategies can be driven by beneficiaries' priorities and plans, and the more the various aid providers are strategically positioned to deliver the best outcomes for the poor, the more likely it is that the development community's efforts will breed widespread success.

Strengthening Governance: Selectivity and Accountability

If there is one universal truth in development, it is that governance and institutions matter fundamentally for the quality and durability of outcomes. Leaders from donor and recipient countries alike emphatically underscore the prerequisite of good governance for growth—to provide not only hard infrastructure like power, roads, and sanitation but also the soft infrastructure of a transparent and predictable regulatory system, voice and accountability, an independent judiciary, and the rule of law.

Traditional donors practice *selectivity* bilaterally and through multilateral channels to create incentives for recipient governments to improve policies, institutions, and overall governance (admittedly, with mixed success). World Bank and International Monetary Fund loans have long been conditioned on assessments of recipient policy environments, and traditional donors have worked through organizations such as the OECD Development Assistance Committee (DAC) to agree on common standards, such as environmental impact.

In recent years, this trend has accelerated. The new U.S. Millennium Challenge Corporation (MCC) conditions country eligibility on sixteen governance and policy indicators, ranging from voice and accountability to the number of days it takes to start a business. Countries that score well on these indicators can determine their own priorities for assistance—and the resources come in the form of grants, rather than loans to be repaid. MCC chief executive John Danilovich describes the system as granting a "seal of approval" to developing countries, which then can leverage further investment and trade from the private sector. Similarly, the European Union and the World Bank have each developed their own sets of quantifiable criteria for making aid allocation decisions.

Yet, even as established official donors work to fine-tune conditionality and selectivity, the entire system is being challenged by the emergence of new bilateral donors. The more sources of assistance there are from which to choose, and the less coordinated they are, the


Chinese contractors drilling for oil in the Niger Delta.

more tempting it is for recipients to "donor shop" to avoid the strictures of conditionality and selectivity associated with mechanisms such as the MCC and the World Bank's performance-based allocation system.

China's willingness to provide unconditional aid to various African nations is provoking particular concern in Western capitals. Officials are troubled by China's willingness to deal with unsavory regimes like those of Sudan and Angola, reducing such countries' incentive to change. Many also fear that China's voracious appetite for natural resources will result in exploitative aid-for-trade deals with developing African nations—an issue on which many Western governments have their own unfortunate histories. In addition, some experts worry that access to loans from China could undermine low-income countries' hard-won gains on debt relief. It must be noted, however, that Western governments have been slow off the mark to welcome China into their own aid deliberations.

Moreover, even Western observers concede that China has shown a willingness to spend in sectors that traditional donors have recently neglected, including major infrastructure projects that are essential to durable growth. And African partners are quick to point out the benefits of China's interest in investment and trade. Looking to the future, an urgent challenge for Western, Chinese, and African actors alike is to fortify channels of communication, coordination, and collaboration toward development goals—so that the impact of Chinese investment in Africa is to catapult progress, not delay or undermine reform. More broadly, given the rising influence of other nations such as India and Brazil, it may be time for a fundamental reappraisal of who sits at the official donor table.

A range of approaches could encourage closer cooperation among old and new donors, from expanding the

The Chinese Dragon and the African Lion

In the past twenty years, China has experienced staggering growth. Its annual gross domestic product growth rates have been in the double digits for the past five years and have not dipped below 7 percent since 1991. This strong economic performance has translated into remarkable achievements in poverty reduction. Between 1990 and 2000, 170 million Chinese were lifted out of poverty. Indeed, in the past twenty years, China has accounted for 75 percent of poverty reduction worldwide.

On the basis of China's own success alone, it would be reasonable to describe the country as a beacon of hope in the developing world. Yet its impact extends beyond mere example. The demands of its burgeoning economy for resources and markets are redrawing the economic map—perhaps nowhere so consequentially as in Africa. Since 2000, China-Africa trade has quintupled, rising to $55.5 billion in 2006, and fully 30 percent of China's oil comes from Africa. Chinese demand for oil and mineral resources has pushed commodity prices up, driving African growth, while cheap Chinese consumer goods are in growing evidence across much of Africa.

In parallel with its growing clout in trade, China is building a hefty bilateral development assistance program in Africa. With major announcements at the 2005 Millennium Review Summit and the 2006 Forum on China and Africa Cooperation, Chinese officials have committed to provide $10 billion in preferential loans and preferential export credits, with $5 billion going to Africa in the next three years; to double aid to Africa from 2006 levels by 2009; and to establish a $5 billion China-Africa Development Fund to encourage Chinese companies' investment in African infrastructure projects.

China's insistence that aid should be unconditional is a rebuff to the conditionality practiced by the traditional club of wealthy official donors. To some, it seems that China may see development assistance primarily as a way to further its national interests or, as officials put it, pursue "harmonious development." For example, China's loans are almost completely tied to national contractors and consultants. And China tends to favor resource-rich countries, even those that, like Sudan, are in the throes of humanitarian turmoil. These inclinations are causing consternation among the traditional donors, which have developed a common set of practices and principles to guide aid allocation, to which China does not yet subscribe.

In the years ahead, it will be critical for the traditional club of bilateral donors to involve China and other new official donors, such as Russia, in deliberations and agreements on aid practices to ensure that the new donors do not repeat past mistakes—such as contributing to unsustainable debt levels and environmental damage—or undermine current joint efforts, for instance on improving governance. However, these efforts will succeed only if the traditional donors give some credit to China for its efforts and are humble about their own past mistakes in this arena as colonial or Cold War powers.

"We cannot forget about governments as we discuss poverty alleviation strategies. They must be brought into the discussion as ill-informed policies undermine development objectives and curb pro-poor growth. For example, Africa has 200 million mobile phone users who are now more connected to the global community than ever before; yet some African governments have imposed significant import duties on phone handsets! This is but one example of how government policies perpetuate the digital divide."

Mo Ibrahim
Chairman, Mo Ibrahim Foundation;
Founder, Celtel International

DAC to fostering professional contacts and exchanges among development experts around the world. But one thing is clear: With the magnitude of funding from non-traditional sources, both new and old donors will need to reach some kind of accommodation or risk undermining their own stated goals.

Although individual philanthropic resources are too small to enforce selectivity, private philanthropists are finding ways to play a catalytic role in the good governance equation. George Soros has targeted philanthropic efforts to countries experiencing democratic transitions because they are especially receptive to reform yet are often ill equipped to effectively absorb official aid. Private philanthropy, which can be more flexible and responsive than government funding, can provide the experts and technical assistance to help a new government move forward while training local civil servants to carry on after they leave. To that end, Soros's Open Society Institute (OSI), in partnership with the United Nations Development Program (UNDP), has pioneered a fellowship program for diaspora communities to take high-level jobs in Georgia, Serbia, and Montenegro to build the capacity of new democracies to make the most of their transition period. These relatively low-cost investments can pay multiple returns, as countries put in place the sound policies that attract official aid and private investment down the line.

Beyond timely support for new democracies, philanthropies can bolster governance by helping build institutional, administrative, and research capacity in developing country public sectors. As Nelson writes, sometimes the real problem is not bad governance but weak governance: "Even when governments want to provide their citizens with transparent and readily accessible information and with reliable and efficient services, they are all too often constrained by lack of human capital, lack of modern technology, and lack of administrative capability."[25] Private and official donors alike can help address this problem by supporting public policy and research institutes, universities, and evaluation programs in developing countries themselves. Some encouraging models are the Global Development Network, a consortium of public and private research and policy institutes that aims to share and apply locally generated research to promote development; and the Mohammed Bin Rashid Al Maktoum Foundation, which plans to invest in universities, research institutes, and youth development throughout the Middle East.

Ultimately, outside donors' most important contribution to good governance may be to strengthen developing countries' internal accountability capabilities. Initiatives such as OSI's Revenue Watch and the William and Flora Hewlett Foundation–Brookings Transparency and Accountability Project aim to equip independent civil society watchdog organizations and think tanks to monitor and analyze public spending and revenues, arming the media and citizen groups with data and analysis to demand better government performance themselves.

Another bold endeavor, the Mo Ibrahim Prize for Achievement in African Leadership, each year rewards a former African executive head of state or government who has demonstrated excellence in leadership, based on a ranking of governance performance as evaluated by an independent, high-level panel. As Ibrahim has explained, "The heart of the project is the index, not the prize"—meaning that the primary goal of the endeavor is to establish metrics for good governance that citizens can use to evaluate their own leaders. Though leadership deficits are hardly confined to African nations, the cost of bad

Building Capacity for a Brighter Future

Photo courtesy of Thomas Sennett / World Bank

Capacity building is critical for successful development—not only creating capable and durable institutions in a particular country but also educating, training, and supporting the people who will lead them. This builds on some of the proudest moments in the history of philanthropy. During the last half century, the Ford and Rockefeller foundations made large-scale investments throughout the developing world, supporting the creation of institutions like teacher colleges, think tanks, and institutes of development studies. For example, the Rockefeller Foundation built medical schools in China and Latin America; the Ford Foundation was invited to India by Prime Minister Jawaharlal Nehru in 1952 to help the new Indian government establish university faculties, government departments, and training centers; and the Rockefeller and Ford foundations together funded the creation of most of the leading social science and public policy think tanks throughout the developing world.[26] In the words of the former Ford Foundation officer and current president of Oxfam America, Raymond Offenheiser, "In the 1950s and 1960s, American foundations placed a strong emphasis on working with governments to build institutions and increase capacity. For example, the Ford Foundation's dollars in India were spent on capacity building, from establishing community development programs that financed village health and sanitation programs, to strengthening agricultural institutes that improved soil and water management, to endowing think tanks and university programs in the social sciences. Ford thought on a large scale and invested in promising ideas to strengthen strategic institutions. If you travel to the places where they had a presence, you can still see their indelible footprint some fifty years later."

Today, many low-income countries around the world are hungering for similar long-term, strategic investments in capacity building—for example, overhauling higher education systems, ramping up investments in civil service training, promoting effective teacher training, deepening local capacity for policy analysis and recommendations, and developing new curricula. Traditionally, navigating a country's social networks and promising local partners has required an extensive presence on the ground. Establishing and revitalizing those kinds of connections throughout the philanthropic community—perhaps by funding intermediary organizations or using the power of technological platforms to bridge gaps of time and distance—could help marry the current wellspring of philanthropic generosity with capable, effective developing country partners, implementers, and innovators, priming the pump for sustainable social change.

"The development landscape has transformed from an oligopoly to a cacophonous market. Yet this 'market for aid' fails to impose the same discipline on donors as on suppliers in a true market. While in business the customer is always right, in development aid the recipients lack the market power to influence the supply of aid. Traditional and new donors alike must ensure that the demand side—aid recipients—has a voice. We must change the donor-recipient relationship to a model in which we win together and fail together."

Brizio N. Biondi-Morra
President,
AVINA Foundation

"Foundations aren't constrained by election cycles and legislatures or shareholders' short-term investment concerns, giving them greater flexibility to take risks. Nevertheless, foundations should still be held accountable for their impact on their intended beneficiaries."

Smita Singh
Special Advisor for Global Affairs, William and Flora Hewlett Foundation

leadership in many African countries is higher because of weak institutions. Governance indices help to empower African citizens to hold their leaders accountable and demand lasting institutional change to ensure that growth continues well after any particular leader has left office.

The Commission on the Legal Empowerment of the Poor, sponsored by the UNDP, aims to identify and advocate for reforms that ensure the legal inclusion and empowerment of the poor, including property rights, legal protection of their assets, access to justice, and legal mechanisms to facilitate informal businesses. In the spring of 2008, this high-level commission, co-chaired by Madeleine Albright and Hernando de Soto, will release its final report. Finding ways to support the commission's recommendations should be a focus for development advocates and funders in the months ahead.

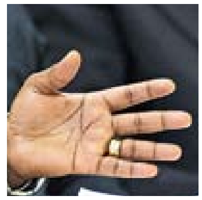
Service provider organizations are also taking a harder look at empowering civil society in the countries where they operate. According to Charles MacCormack of Save the Children, 95 percent of his organization's work is done through service delivery—yet more could be done to work with developing country partners on advocacy in their own countries. In MacCormack's words, "Looking forward, we need to support and fund national organizations for their in-country advocacy work. We need to move some of our philanthropic dollars to social mobilization and constituency building."

Enhancing Accountability and Evaluation for Superior Impact

More broadly, the proliferation of new actors and the dazzling growth in the volume of resources is raising new questions of accountability and democratic participation or "voice." Simon Zadek, the chief executive officer of AccountAbility, argues that accountability is the "DNA of civilized societies, and so also of meaningful development."[27] But most development accountability mechanisms were established to manage the old order dominated by governments and official donors. The question today is which new accountability mechanisms should be established, by whom and for whom. Questions of accountability are too often oriented toward the provider of funds rather than the communities the development interventions seek to serve. Who should judge success—donors or recipients? And most important, what should be assessed?

The power—some would say imperialism—of the traditional market mechanism is the reduction of billions of complex transactions into a common metric along a relatively small handful of dimensions—most notably profits, costs, and prices. Even nonmarket side effects (so-called externalities) can be addressed once monetized and integrated into the price system. No such common agreement or parsimony determines the right "bottom line" when fighting poverty with a diverse array of actors. Devising more accurate, accessible means to measure aid's impact and effectiveness—particularly from the perspective of beneficiaries—is a crucial challenge if the development market is to reach its fullest potential.

Yet, measuring the impact of particular development interventions is inherently difficult. The contributing factors are many and varied, and players coming from the corporate, nongovernmental, philanthropic, and public sectors bring with them different practices and approaches to assessment. Nongovernmental organizations are handicapped in performing long-term impact assessments because their projects are only funded for their



"Who should judge success? Domestic and international civil society must be a part of the donor-recipient equation if genuine accountability is to be established. In order to measure success by any metrics, donors and beneficiaries also need to align their objectives so that both sides define success the same way."

Ngozi Okonjo-Iweala
Managing Director, World Bank;
Former Minister of Finance, Nigeria;
Former Distinguished Visiting Fellow, Brookings

duration. For many startup social enterprises, the relevant data are often not collected, and methodologies for analysis are often lacking even when they are. Even the most established official donors have been slow to undertake rigorous, systematic impact assessments (e.g., randomized trials, control groups), even when those techniques are routinely applied to their domestic programs.

As Smita Singh of the William and Flora Hewlett Foundation points out, it is tempting to focus on inputs instead of outcomes because outcomes are inherently more difficult to measure. Counting the number of boys and girls enrolled in school is easier than determining what they have learned; tracking the number of antimalarial bed nets distributed is easier than tracking improvements in public health attributable to the bed nets. And measurement is particularly difficult when the goal of an intervention may be to prevent something from happening. How, for example, should donors evaluate an anticorruption effort—in monies that did not disappear?

In addition, the success or failure of a specific intervention may give a false impression of overall progress toward a goal. Some experts are concerned, for example, that the massive infusion of resources to tackle HIV/AIDS is leading low-income countries to focus their strapped public health systems disproportionately on this one challenge at the expense of other more prevalent public health problems.

For assessment to be meaningful, the appropriate benchmarks have to be set from the start—a task that is harder than it sounds. Olara A. Otunnu, president of the LBL Foundation for Children, points out that though the Millennium Development Goals were established with the best of intentions, the education goal is backfiring. In many countries, even as the stated goal of universal primary enrollment is being met, it is being achieved without additional investments in school facilities, teacher hiring and training, or supplies, with the result that what little adequate primary education used to exist for poor children is being eroded.

Similarly, the more ambitious an endeavor, the more difficult it is to pinpoint causality. As both old and new donors and service providers, from rich and developing countries alike, join forces in promoting broad goals, how does each organization hold itself accountable for collective results?

There is also a risk that the push toward quantifiable metrics and results will lead donors and philanthropists to demand meaningful, measurable change in ever-shorter time horizons. As Susan Berresford, the former president of the Ford Foundation, has warned, "There is a danger that some venture philanthropists will support only what can be measured or leave in frustration when results don't come quickly. Some social problems, almost by definition, are messy and so is the search for their solutions, requiring experimentation, patience, and often a leap of faith."[28]

These are thorny challenges. Yet it is clear that improving accountability for impact is one of the most pressing opportunities and obligations for the twenty-first-century development community—including by establishing a greater willingness to reward programs that work and be honest about those that do not. Indeed, the *New York Times* columnist Nicholas Kristof has suggested the need for a "Journal of Development Mistakes"—a catalogue of pro-poor endeavors that have failed to work as planned—which would enable those engaged in such work to learn not only from one another's home runs but also from strikeouts. Several foundations are already taking stock of their failures and disseminating their findings so that

Replication versus Going to Scale

"Going to scale" is often seen as the holy grail in the development field, much as gaining market share or going global might be for a successful business. Canonical examples include the development and deployment of a vaccine ultimately leading to the eradication of a scourge such as smallpox or polio—or the dissemination of new seed varieties leading to markedly improved nutritional outcomes throughout entire regions. Recognizing the critical importance of scaling up, several recent efforts such as the 2004 Shanghai Conference on Scaling Up Poverty Reduction and the Wolfensohn Center for Development have begun to look for systematic evidence on what works and what does not. But the new generation of social entrepreneurs is quick to point out that for some development efforts—for instance, where the engagement of local communities is more important than new technologies—the desire is for replicability rather than scalability.

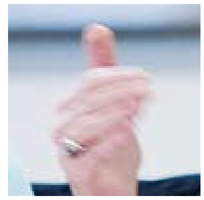
Nonetheless, despite the strong stated emphasis on replication and scale, both funders and implementers worry that these goals are not adequately supported in practice. Funders note the paucity of systematic efforts to benchmark and rigorously assess interventions with a view to providing hard evidence on the potential impact of scaling up or replication—with the result that "pilots" too frequently evolve into isolated small-scale interventions. For their part, the entrepreneurs leading these efforts complain that a general bias toward funding "new" ideas and program delivery makes it very difficult to secure funding for systematic evaluations and scaling or replication—with occasional exceptions, such as microfinance.

Hence a call for a "replication fund"—a standing fund that each year might award on a competitive basis a select set of organizations sufficient funding to expand to the next level, whether through replication or achieving economies of scale. The fund could create incentives for establishing rigorous impact evaluations of pilots by making these a central part of the criteria for eligibility.

Photo courtesy of the Bill & Melinda Gates Foundation

"The official sector has created unified standards, frameworks, and principles through the Paris Declaration to promote donor accountability for improved aid effectiveness. By 2020, the time will be well past for a similar declaration guiding the actions of new philanthropists in the developing world."

Mary Robinson
Executive Director,
Realizing Rights: The Ethical Globalization Initiative;
7th President of Ireland



others can avoid repeating their mistakes. For example, the William and Flora Hewlett Foundation recently published an eighty-one-page analysis of its Neighborhood Improvement Initiative, a program to reduce poverty in San Francisco, which detailed how the foundation spent more than $20 million over a decade but failed to "fulfill its participants' hopes and expectations for broad, deep and sustainable community change."

On the flip side, in the push for bigger, bolder ideas and the quest for the "new new thing," both new and old development actors must take care not to neglect demonstrated solutions that could be replicated or scaled—whether indigenous technologies, service delivery models, or effective social enterprises. Indeed, some practitioners note the need for a "replication fund" precisely to ensure that proven approaches receive the necessary funding to expand, and they worry about a perceived bias in favor of funding a multitude of "pilots" that never get taken to scale.

It is critical not only to be clear on establishing accountability for what, but also by and to whom. AccountAbility's Zadek and the Brookings and Harvard expert Nelson suggest that traditional and new development actors should work together to achieve "mutual accountability," building mechanisms that share responsibility and empower aid recipients to be greater stakeholders in development efforts. Collective or mutual accountability starts by forging agreement among diverse actors on the goal, specifying the different contributions that each participant in a cross-sectoral partnership or network will make, recognizing their interdependence, and holding each partner responsible to the others laterally—in contrast to the conventional hierarchical approach.

Official donors are missing a critical opportunity to contribute to these efforts. Whereas donor governments have traditionally demanded accountability to their own taxpayers and parliaments, they have largely neglected empowering intended beneficiaries to hold service providers and donors accountable. Development programs do not work unless beneficiaries are engaged. Official donors should challenge themselves to build accountability systems and feedback mechanisms into their giving, creating in-country capacity that will outlive the assistance flows. One idea would be to assess innovative, field-based governance strategies such as polling and local governance report cards to see if they could play a useful role in improving impact. After all, if the United States and other bilateral donors are serious about supporting strong grassroots democratic institutions in developing countries, where better to start than by engaging the communities that their aid dollars are intended to reach in evaluating and demanding performance?

In 2005, more than 100 donors and developing countries agreed on the Paris Declaration for Aid Effectiveness, pledging a series of concrete reforms in the way aid is delivered and managed. A fundamental precept of the declaration was the need to move from "donorship to ownership"—including by strengthening developing countries' parliamentary oversight of development policies and budgets, enhancing the role of civil society, and requiring donors to rely as much as possible on country systems and procedures. The obvious next step is to craft a similar set of principles that would also involve private donors.

"The more ambitious we become as we set targets, the more unclear accountability becomes. As Save the Children partners with organizations like UNICEF and World Vision to tackle the Millennium Development Goals, its quantitative accountability becomes indistinguishable from those of its partners. We must get to the heart of how each organization holds itself individually accountable when results are collectively created."

Charles MacCormack
President and Chief Executive Officer,
Save the Children

Going from New to Newly Effective

Many of the new development players are entering the field unburdened by the weight of conventional wisdom and are blessed with confidence in their own ability to achieve outsized results. By taking development outside the realm of the cognoscenti and bringing practices and approaches from other sectors, they are infusing the community with a healthy dose of out-of-the-box thinking and innovation.

These new players' business, financial, and media roots make them receptive to sector blurring, with financiers investing in social entrepreneurs and philanthropists looking for ways to seed indigenous business enterprises. Those who made their own mark through innovation are seeking ways to leverage science and technology to improve the lives of the poor, which will require changing incentives and participants throughout the system for knowledge creation and adaptation. Meanwhile, a growing group of philanthropists is investing in advocacy and agenda setting for social transformation rather than charity. A new generation is being drawn into the development tent, as young people heed the call of celebrity and high-profile advocates to enlist in antipoverty campaigns and engage in global service. And this proliferation and diversity of the new actors alongside the old is also leading to new partnerships and coalitions—many on an ad hoc basis—to take on specific and pressing challenges such as HIV/AIDS.

The ultimate test is whether this new marketplace of development players delivers superior outcomes. The new players differ mightily from the old ones in their specific objectives, capabilities, and metrics for evaluating success. Nonetheless, they confront the same tough challenges faced by all development players: accountability, effective deployment of resources, agenda setting, and achieving scale and sustainability. If these diverse players can learn to collaborate effectively in partnerships and networks that cross the traditional boundaries between the public, private, and nongovernmental sectors, their efforts could amount to more than the sum of the parts. But to do so will require strategically exploiting complementarities between capabilities, adopting common methods for assessing impact and disseminating lessons, supporting a shared governance agenda, and creating effective new models of mutual accountability that put poor people, communities, and nations in the driver's seat.

But if there is much to learn to ensure that this newly crowded field delivers lasting benefits to the poor, there is even more to celebrate. At the midpoint between the launch and the target dates for the world's Millennium Development Goals, the energy, imagination, and determination of the growing cast of development players gives hope that conquering extreme poverty need not be an impossible dream. As both traditional and new actors hone their ability to collaborate and coordinate on behalf of common goals, and as donors and recipients continue their journey from a relationship of aid to one of partnership, persistent problems may be transformed into fresh opportunities—and good intentions may lead to great advances for humanity as a whole.

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Notes

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