

ROUNDTABLE ON CURRENT THEMES AND TRENDS IN INTERNATIONAL DEVELOPMENT

Co-sponsors: MacArthur Foundation and Schwartz Forum-SAIS

Beginning in March 2012, MacArthur, in collaboration with the International Development Program and Bernard Schwartz Forum on Constructive Capitalism of Johns Hopkins-SAIS in Washington D.C., hosted three roundtables on themes and trends in international development. Although MacArthur does not have a stand-alone development program, much of what the Foundation does abroad is impacted by development policies and challenges, whether in our fields of Conservation and Sustainable Development, Population and Reproductive Health, or our new area of work, Girls' Secondary Education in the developing world. Our objective in these roundtables was not only to discuss the latest ideas about development, but also to capture debates on appropriate development strategies. This is particularly important given the planning underway in the UN to craft post-MDG goals and against the backdrop of continued pressures on aid budgets globally.

At the first seminar, speakers addressed “top down” and “bottom up” approaches, and their effectiveness in addressing poverty. Michael Elliot, President and CEO, ONE (former Editor of Time International), spoke about the historical context for aid and development policies. The second seminar included a presentation by Frank Fukuyama of the Freeman Spogli Institute for International Studies (FSI) at Stanford University and formerly the Bernard Schwartz Chair of Political Economy and Director of the International Development Program at JHU/SAIS, on the politics of economic growth. Economists discussed research that helps us understand the causes of poverty as well as what works in addressing it. We heard about the role of academic research in development policymaking and alternative development strategies. In the final seminar, we considered the challenge that global commons (environmental resources beyond the purview of individual states) pose to state-based development policies through a talk by Nancy Birdsall, President, Center for Global Development; the effectiveness of aid and development today; and the rise of non-Western donors.

Below are the agendas for the three roundtables along with the backgrounds of the speakers. This section is followed by a list of selected readings and a précis of what we have learned. We have decided to continue these roundtables, most likely with individual sessions held in our offices in Chicago. To that end we have also posted the topic, background, suggested readings and take-aways from a seminar led by Tom Carothers, Vice President for Studies at the Carnegie Endowment for International Peace, on development and governance.

Our hope is not only that these – and future seminars - will lead us to better grant-making but that through our relationships with other major foundations we'll be able to contribute to debates, discussions, and philanthropic programs related to development in the years to come.

SECTION I: Schedule, Topics, and Biographic Information on Speakers

SEMINAR I: CHICAGO, MARCH 28-29, 2012

Overview: The introductory gathering focused on key factors to consider in understanding the success or failure of development outcomes – including the importance of institutions, policies and governance. Institutional quality and its effects on development outcomes were explored from both global and field-based perspectives. The related issue of the sustainability of growth was examined.

Specific Topics/Presenters

Keynote: Overview of current themes and trends in International Development

Michael Elliot, President and CEO, ONE (former Editor of Time International)

Why and how do institutions, policies and governance matter? Measuring institutional quality and its effects on development.

Aart Kraay, Lead Economist, Development Research Group, World Bank

Why and how do institutions, policies and governance matter? Measuring institutional quality and its effects on development: Insights from the field.

Chetna Sinha, Founder, Mann Deshi Mahila Bank, India

Do interventions really make a difference or is the sustainability of Economic Growth an illusion?

Leo Feler, Assistant Professor of International Economics, School of Advanced International Studies, Johns Hopkins University

Participant Bios

Cinnamon Dornsife (co-coordinator of the development seminar series) is currently serving as a Professor and Practitioner in Residence, International Development Program (IDEV) at the Paul H. Nitze School of Advanced International Studies (SAIS) of Johns Hopkins University where she has been on the faculty since 2003. She served as IDEV Acting Director and Co-Director, 2009-2012. She has been a senior executive, negotiator and advocate with nearly thirty years experience in international banking, economic development and foreign policy. She currently serves on the Board of Directors for Abt Associates and the Advisory Council for the Asian Development Bank Institute. She also serves on the Boards of Advisors for Devex, the US-Indonesia Society, and the UN Association of the National Capital Area. Ms. Dornsife consults in the fields of development policy, aid effectiveness, strategic philanthropy, international financial policy and sustainable economic development. At SAIS, she teaches courses on international development, the international financial institutions, social entrepreneurship and international development NGO management.

In 2000 and 2001, Ms. Dornsife was the US Executive Director and Ambassador to the Asian Development Bank (ADB). Ms. Dornsife served as the U.S. Alternate Executive Director from 1994 until 1999.

Ms. Dornsife's prior experience also includes thirteen years with The Asia Foundation, including five years as Washington Representative. Other positions with the Asia Foundation included Southeast Asia Program Director, and Assistant Representative in Indonesia. Ms. Dornsife's career in international development also included work with the World Bank, the US Department of Agriculture, the US-Asia Environmental Partnership and the Pathfinder Fund.

Ms. Dornsife received a Masters Degree in International Relations from the Johns Hopkins School of Advanced International Studies (SAIS), a Bachelors Degree in Chemistry and Mathematics from Emory University.

Michael Elliott is the President and Chief Executive Officer of ONE. Prior to joining ONE, Michael served as editor of TIME International, Deputy Managing Editor of TIME Magazine, and was also a columnist on the global economy for Fortune magazine. Elliott was named editor of TIME International in April 2005 after spending a year as editor of TIME Asia. He joined TIME in May 2001 as an editor-at-large after a year spent as editor-in-chief of eCountries, an Internet-based news and analysis service on global affairs. From 1995-2000 he was editor of Newsweek International, and from 1984-93 he was on the staff of The Economist, where he was political editor and Washington bureau chief and the founding author of both the "Bagehot" and "Lexington" columns. Elliott was born and raised in the suburbs of Liverpool, England, and took two degrees at Oxford University. Prior to his career in journalism, he was a member of the Central Policy Review Staff in Britain's Cabinet Office, and before that spent eight years teaching in universities in the United States and United Kingdom, ending his academic career with a tenured position at the London School of Economics.

Aart Kraay is a Lead Economist in the Development Research Group at the World Bank. He joined the World Bank in 1995 after earning a Ph.D. in economics from Harvard University (1995), and a B.Sc. in economics from the University of Toronto (1990). His research interests include international capital movements, growth and inequality, governance, and the Chinese economy. His research on these topics has been published in scholarly journals such as the Quarterly Journal of Economics, the Review of Economics and Statistics, the Economic Journal, the Journal of Monetary Economics, the Journal of International Economics, and the Journal of the European Economic Association. He is an associate editor of the Journal of Development Economics, and is an adjunct professor at the School of Advanced International Studies at Johns Hopkins University. He has also held visiting positions at the International Monetary Fund and the Sloan School of Management at MIT.

Chetna Sinha is founder of the Mann Deshi Mahila Bank. An economist, farmer, and activist, Chetna Sinha works for social change in some of the poorest and most drought-stricken areas of rural India. She is the founder and the current president of the Mann Deshi Mahila Sahakari Ltd. (the Bank), a micro-enterprise development bank. Mann Deshi's clients are from low-income group women with incomes averaging INR 40 (USD 1) per day. The Bank currently has six branches, over 140,000 clients, and conducts 2,400 transactions on a daily basis.

Through the Bank and NGO, Chetna has promoted a holistic approach to help her clients – one that combines economic activity with the educational tools and health care necessary to lead a

productive life. Since 2006, Chetna has partnered with global organizations such as HSBC, British Asia Trust, Deutsche Bank, Bonita Trust, and Global Giving to develop corporate community partnership programs, which allow the corporate sector in the U.S. and Europe to get a unique view of the impact that micro-finance initiatives have on the local rural population. Chetna works with marginalized communities and since 1996; she has been organizing women in rural areas of Maharashtra in the fight for the land and housing property rights. Mann Deshi has also launched a community radio station, which provides a platform for information sharing and creative self-expression among the community members of Mhaswad. Moreover, Mann Deshi provides an extra-ordinary self-development opportunity to rural girls and boys through Mann Deshi Champion Sports Program. She has established a first kind of “Mann Deshi Chamber of Commerce” and “Finance Company” for rural women.

Chetna has been honored with the 2005 Jankidevi Bajaj Puraskar award for rural entrepreneurship. She has also been awarded lifetime membership with Ashoka Innovators for the Public, and was selected for the first class of Yale University’s World Fellows program in 2002-3.

Leo Feler is Assistant Professor of International Economics at Johns Hopkins – SAIS. His principal areas of expertise by subject are Economic Development, Urban Economics, Privatization and Private Sector Development, and by geography, Brazil and the U.S. He received his Ph.D. in Economics from Brown University with a focus on urban economics, economic development, and banking. Feler’s current research focuses on the effects of privatizing state-owned banks on local economic development; the effects of trade shocks on local employment, tax revenues, and the provision of public goods; how government ownership or regulation of banks can mitigate recessions during global financial crises; the effects of location-based policies in the U.S.; and how large and congested cities in developing countries respond to in-migration pressures.

SEMINAR II: WASHINGTON, D.C., APRIL 3-4, 2012

Overview: The objective of the second roundtable was to explore the role of political economy analysis in development work, and to identify its uses and its limitations. Of particular interest was how to reconcile the political economy approach, which is based on a macro analysis, with the increased use of randomized control trials to measure development impacts, which is based on a micro analysis.

Specific Topics/Presenters

Keynote: The Politics of Economic Growth: The Role of Political Economy in Development Thinking

Francis Fukuyama Senior Fellow, Freeman Spogli Institute for International Studies, Stanford University

Discussant: Nancy Birdsall President, Center for Global Development

Why Nations Fail: the Origins of Power, Prosperity, and Poverty

Daron Acemoglu Professor of Economics, MIT

Discussant: Francis Fukuyama

The Political Economy of Education

Michael Kremer Professor of Economics, Harvard University

Discussant: Daron Acemoglu

Alternative Development Strategies: Dealing with Political Economy Constraints in Practice

Brian Levy Professor of Development, SAIS

Discussant: Michael Kremer Professor of Economics, Harvard University

Political Economy, Randomized Control Trials, and Other New Approaches to Development Thinking

Nancy Birdsall President, Center for Global Development

Discussant: Brian Levy Professor of International Development, SAIS

Participant Bios

Francis Fukuyama is the Olivier Nomellini Senior Fellow at the Freeman Spogli Institute for International Studies (FSI) at Stanford University. He was previously the Bernard L. Schwartz Professor of International Political Economy and director of the International Development at the Paul H. Nitze School of Advanced International Studies (SAIS) of Johns Hopkins University. Dr. Fukuyama has written widely on the issues of democratization and international political economy. His book, *The End of History and the Last Man*, was published by Free Press in 1992 and has appeared in over twenty foreign editions. His most recent book is *The Origins of Political Order: From Prehuman Times to the French Revolution*. He is a member of the Board of Trustees of the Rand Corporation, member of the Board of Governors of the Pardee Rand Graduate School, and member of the advisory boards for the *Journal of Democracy*, the Inter-American Dialogue, and The New America Foundation. He received his Ph.D. from Harvard in Political Science.

Nancy Birdsall is the Center for Global Development's founding president. From 1993 to 1998, she was executive vice president of the Inter-American Development Bank, the largest of the regional development banks, where she oversaw a \$30 billion public and private loan portfolio. Before that she worked 14 years in research, policy, and management positions at the World Bank, including as director of the Policy Research Department.

She is the author, co-author, or editor of more than a dozen books and over 100 articles in scholarly journals and monographs. Shorter pieces of her writing have appeared in dozens of U.S. and Latin American newspapers and periodicals. Birdsall received her Ph.D. from Yale University and her M.A. from Johns Hopkins School of Advanced International Studies. Prior to launching the Center, she served for three years as Senior Associate and Director of the Economic Reform Project at the Carnegie Endowment for International Peace where her work focused on globalization, inequality and the reform of the international financial institutions. Education: Ph.D., Yale University, 1979; M.A., Johns Hopkins School of Advanced International Studies, 1969; B.A., Newton College of the Sacred Heart, 1967.

Daron Acemoglu is Elizabeth and James Killian Professor of Economics in the Department of Economics at the Massachusetts Institute of Technology and a member of the Economic Growth program of the Canadian Institute of Advanced Research. His work has been published in leading scholarly journals, including the *American Economic Review*, *Econometrica*, *Journal of Political Economy*, *Quarterly Journal Economics*, *Review of Economic Studies*, and *Mathematics of Operations Research*. His most recent book, co-authored with James Robinson, is *Why Nations Fail: The Origins of Power, Prosperity and Poverty*. His research covers a wide range of areas within economics, including political economy, economic development and growth, human capital theory, growth theory, innovation, search theory, network economics and learning. He received the John Bates Clark Medal in 2005, given every two years to the best economist in the United States under the age of 40. Dr. Acemoglu received his Ph.D. in economics at the London School of Economics.

Michael Kremer is the Gates Professor of Developing Societies in the Department of Economics at Harvard University and Senior Fellow at the Brookings Institution. He is a Fellow of the American Academy of Arts and Sciences, a recipient of a MacArthur Fellowship and a Presidential Faculty Fellowship, and was named a Young Global Leader by the World Economic Forum. Kremer's recent research examines education, health, water, and agriculture in developing countries. In 2006, *Scientific American* named him one of the 50 researchers of the year. He helped develop the advance market commitment (AMC) for vaccines to stimulate private investment in vaccine research and the distribution of vaccines for diseases in the developing world. He is a co-founder of Deworm the World, which promotes school-based deworming in the developing world, and is president of its board. In the fall of 2010 he became the founding Scientific Director of Development Innovation Ventures at USAID. Dr. Kremer received his PhD in Economics from Harvard University.

Brian Levy is a Senior Adjunct Professor at the School of Advanced International Studies, Johns Hopkins University, USA, and an Adjunct Professor at the School of Economics, University of Cape Town. He worked at the World Bank from 1989-2012, most recently as Adviser, Governance in the World Bank's Poverty Reduction and Economic Management Vice Presidency. He has authored, co-authored and co-edited numerous books and articles on the interactions between public institutions, the private sector and development in Africa, East Asia, and elsewhere, including *Governance Reform: Bridging Monitoring and Action* (World Bank, 2007), *Building State Capacity in Africa* (World Bank Institute, 2004), and *Regulations, Institutions and Commitment* (New York: Cambridge University Press, 1996). He worked in the World Bank's Africa Vice Presidency from 1991 to 2003 on the challenges of strengthening the institutional underpinnings of African development, including four years as leader of for the Africa Public Sector Reform and Capacity Building Unit. Between 2007 and 2010 he was head of the secretariat responsible for the design and implementation of the World Bank Group's governance and anti-corruption strategy. He was a member of the core team which produced the World Bank's 1997 World Development Report, *The State in a Changing World*. Prior to joining the Bank he was assistant professor in development economics at Williams College in Williamstown, Massachusetts. He graduated from UCT in economics (honours) in 1976, and completed his Ph.D in economics at Harvard University in 1983.

SEMINAR III: CHICAGO, MAY 31–JUNE 1, 2012

Overview: The last in the series of workshops summarized some of the key challenges facing the international development community at the policy level, and how this impacts operations around the world. Topics included the challenge of the global commons; challenges in poorly governed, low-income countries; lessons learned to date (such as key accomplishments in the ongoing work to improve aid and development effectiveness); and development strategies. The policies and approaches taken by “new” donors China, India and Brazil and their global implications also were explored.

Specific Topics/Presenters

Keynote: Challenges of the Global Commons

Nancy Birdsall, President, Center for Global Development

Great Expectations: Rich Donors and Poor Country Governments

Melissa Thomas, Associate Professor of International Development, School of Advanced International Studies, Johns Hopkins University

Aid Effectiveness Today: Lessons from Busan

Homi Kharas, Senior Fellow and Deputy Director, Global Economy and Development, Development Assistance and Governance Initiative Brookings Institution

Development Strategies: What are the Proposals for Reform e.g. integrating governance and growth, as well as some key constraints?

Brian Levy, Senior Adjunct Professor, International Development Program, School of Advanced International Studies, Johns Hopkins University and Head of Governance and Anti-Corruption Secretariat, World Bank Group

Are China, India and Brazil New Donors? History, Trends, Implications

Cinnamon Dornsife, Acting Co-Director, International Development Program, School of Advanced International Studies, Johns Hopkins University

Participant Bios (see seminar II participant list for bios on Birdsall and Levy)

Homi Kharas is a Senior Fellow and Deputy Director in the Global Economy and Development program at the Brookings Institution in Washington D.C. In that capacity he studies policies and trends influencing developing countries, including aid to poor countries, the emergence of the middle class, and global governance and the G20. His most recent co-authored books are *After the Spring: Economic Transitions in the Arab World* (Oxford University Press, 2012) and *Catalyzing Development: A New Vision for Aid* (Brookings Press, 2011). He has published articles, book chapters and opinion pieces on global development policy, global trends, the global food crisis, international organizations, the G20, the DAC and private philanthropy. He is currently working on scaling up development results.

He has recently served as a Non-Resident Fellow of the OECD Development Center (2009); a member of the National Economic Advisory Council to the Malaysian Prime Minister (2009-10); the post-Busan Advisory Group to the DAC co-chairs (2011); and the International Panel Review Committee on Malaysia's economic and governance transformation programs (2012). He was a member of the Working Group for the Commission on Growth and Development, chaired by Professor A. Michael Spence (2007-10).

Prior to joining Brookings, Dr. Kharas spent twenty-six years at the World Bank, serving for seven years as Chief Economist for the World Bank's East Asia and Pacific region and Director for Poverty Reduction and Economic Management, Finance and Private Sector Development. In 1990-91, Dr. Kharas was a Senior Partner with Jeff Sachs and Associates, advising governments in Eastern Europe and the Soviet Union on transition. He holds a Ph. D. in economics from Harvard University.

Melissa Thomas is Associate Professor of International Development at Johns Hopkins – SAIS. She is an expert on issues of governance, corruption, rule of law and aid effectiveness. Dr. Thomas has worked with the World Bank, USAID, DFID, the U.S. Department of Defense, and counterpart governments providing policy and technical advice, conducting negotiations, monitoring the implementation of conditions, designing and managing technical assistance projects, and conducting qualitative and quantitative studies. Her current research focus is the operation of neo-patrimonial states and U.S. policy towards those states. Thomas holds a B.A. in computer and information science from the University of California, Santa Cruz; a J.D. from the University of California, Berkeley; and a Ph.D. in political economy and government from Harvard University.

SECTION II: Selected Readings

Daron Acemoglu and James Robinson. *Why Nations Fail: The Origins Power, Prosperity, and Poverty*, Crown Publishing Group. 2012. Ch 15 pp 428-461.

Brian Levy, "Democracy Support and Development Aid: The Case for Principled Agnosticism", *Journal of Democracy*, Volume 21, Number 4, October 2010, pp. 27-34.

Jessica Cohen and William Easterly (editors) *What Works in Development? Thinking Big and Thinking Small*, Brookings Press 2009

- Chapter 1: Jessica Cohen and William Easterly, "Introduction: Thinking Big versus Thinking Small"
- Chapter 7: Abhijit V. Banerjee, "Big Answers for Big Questions: The Presumption of Growth Policy"

Shahid Yusuf et.al, "Freeing the World of Poverty", Chapter 2 in *Development Economics Through the Decades: A Critical Look at 30 Years of the World Development Report*, World Bank, 2009, pp 19-49.

Justin Yifu Lin, *New Structural Economics: A Framework for Rethinking Development and Policy*", World Bank, 2012, Introduction and Chapter 1.

Melissa Thomas, “Rich Donors, Poor Countries”, *Policy Review* 175, 2012.
<http://www.hoover.org/publications/policy-review/article/129006>

Catalyzing Development: A New Vision for Aid, Brookings Institution, 2011.

- Chapter 1: Homi Kharas, Koji Makino and Woojin Jung “Overview: An Agenda for the Busan High Level Forum on Aid Effectiveness”
- Chapter 2: Kang-ho Park, “New Development Partners and a Global Development Partnership.”
- Chapter 9: Justin Lin, “Scaling Up with Aid: The Institutional Dimension.”
- Chapter 10: Homi Kharas, “Transparency: Changing the Accountability, Engagement and Effectiveness of Aid”

Brian Levy and Francis Fukuyama “Development Strategies: Bridging Governance and Growth”, *World Bank Policy Research Working Paper Number 5196*, January 2010.

Julie Walz and Vijaya Ramachandran, “Brave New World: A Literature review of Emerging Donors and the Changing Nature of Foreign Assistance”, *Center for Global Development Working Paper 273*, November 2010.

Global Health Strategy Initiative, “Shifting Paradigm: How the BRICS Are Reshaping Global Health and Development” 2012, www.qsinitiatives.org

SECTION III: Key Points From Seminars

Aid and Development: The Changing Landscape

There are no “silver bullets” in the fight to reduce poverty or achieve development success.

Given the global frustration over development (Why aren’t recipients doing better? Why aren’t donors listening better?). One of the discussants posed four questions about global development: Who is in the conversation? What’s the conversation about? How do we have the conversation? How do we finish the conversation?

Who is in the conversation means acknowledging the multiplicity of actors engaged in the development debate. That debate now includes emerging donor nations, new institutions, and new actors that are not tied to governments. The conversation also includes dialogues with civil society, whether focusing at the national, regional, or global level. ***What’s the conversation about*** focuses on what gets placed on the global development agenda. This takes on particular importance given planning already underway to craft a post 2015, post Millennium Development Goals agenda. ***How do we have the conversation*** means a commitment not only to inclusiveness but also to transparency; not simply of decision making but of basic data and other forms of information used to make decisions regarding what works and doesn’t. It also requires listening to the poorest- whom development efforts seek to reach – to improve the quality of their lives.

One discussant stressed the risks faced by the poor and how those risks can be mitigated through savings, banking, conditional cash transfers, kinship networks. Another discussant with years of experience working with the rural poor in India described her experience as showing that the poor are not “reluctant entrepreneurs” and can contribute to this conversation. *How we finish the conversation* means agreeing on both goals and benchmarks. These can and should include other measures of successful development outcomes beyond the summation of progress in an MDG process.

A big misconception is the equation of aid with development. Aid can help advance development but it is not a substitute for sound economic policies, strong institutions, and effective governance structures and practices. Because of ‘aid fatigue’, dashed expectations, the inappropriateness of having developing countries ascribe to donor country blueprints, and the move to give greater voice to development partners in the global south, as well as budgetary constraints among donors, there has been a shift in emphasis from aid effectiveness, to development effectiveness, focused on development outcomes.

Another speaker pointed out that a current flaw in aid programs is that they have had to strengthen accountability from recipient countries to donors rather than to their own citizens. A powerful means of shifting accountability and reinforcing desired development outcomes is “cash on delivery” aid, linking payments to a single specific outcome, such as reducing infant mortality. The funder pays for outcomes and results, and citizens are fully informed of these successful outcomes.

Development practices have gone through several major shifts since the 1960s – technical support (technology plus expertise), capacity building, governance, getting the right people and institutions to produce effective governance – many have called it “good governance”. Over the last thirty years there have been distinct concepts as well: Globalization, the Washington Consensus, and Democratization to name three. Each, however, promised more than it could deliver.

- Globalization was not a matter of all boats rising at different levels. It produced real winners and losers. Despite nearly two decades of pronouncements on globalization, we still need to do a better job of articulating whether we are describing a phenomenon, a proscribed set of policies, or little more than the illusion of a panacea.
- The Washington consensus of neo-liberal advice on trade and development with a core message of “freeing up the market” from intrusive government was not universally accepted, and, moreover, found itself under assault in the aftermath of the Asian Financial Crisis 1997-1999 and again with the onset of the Great Recession of 2008.
- The notion of democracy promotion as an essential pre-condition for development has been challenged first by the Asian “tigers” then by China. One of the key questions is to what extent – *not whether* – non-democratic governments can allow a modicum of accountability as a cushion against public criticism when economic development slows or where progress is so uneven that it engenders resentment and hostility among the disadvantaged.

After half a century, the debate still continues as to what variable(s) can really spur development: Governance? Education? Health? This debate was captured in the underpinnings of the Millennium Development Goals that were endorsed by the UN in 2000.

The aid-development debates also continue between “Supply” and “Demand” sides,

- Supply sides are those who believe that development aid works and we should "supply" more such aid to poor countries; that the end of poverty could be in our reach, but what is required is a combination of more focused strategic goals -- as symbolized by the MDGs -- and more targeted aid. Supply sides are readying the ground for a post-MDG 2015 world, one which presumably will be captured by the new set of goals, possible with an emphasis on “sustainability” in contrast to the development goals set out in the MDGs.
- Demand sides are those who argue that aid is really not working and that we should focus on making incremental improvements in people's lives and not aim for grand schemes; and that the poor know best what they need--so we should focus on their "demand." An example of the demand side could be providing cash on delivery aid. Even under adverse circumstances such as pervasive corruption it is still possible in some cases for good programs to be implemented despite bad policy environments. Discussants underscored that it is important for donors to get into a “listening mode” in working with recipients in defining the problems rather than rushing in with solutions, and to have realistic expectations, striving to do no harm.

The Importance of Governance

Governance matters – and matters a lot. More than one decade of experience has lead experts to identify core elements of governance including: voice and accountability, political stability, transparency, government effectiveness, regulatory quality, and rule of law. This is not a menu but a checklist. For example, rule of law in a system that has little accountability is ineffective in combating corruption. There are not governance preconditions to getting the process started and development moves forward from weaker to stronger. Over the very long run, each of these dimensions can become stronger.

One participant asked how much governance poor countries can afford. The failure of both aid donors and recipients to adjust government obligations to their available resources creates unfunded mandates for poor country governments.

Advancing governance is not the political science version of a turnkey industry, e.g., a set of principles or guidelines, or policies to be imported en masse into a developing country, which would then result in successful development.

You can't get your economics right if you don't understand the politics. Countries go through political development stages where patrimonial practices dominate at the outset, not meritocracy. What follows next is the struggle among elites for political power, followed by the struggle of other elements – a growing business community, an expanding middle class, and a restive and

increasingly organized civil society, all of who begin to chip away at power structures. Reform is possible, and is often preceded by political struggle, with empowered coalitions not dependent on old patronage networks pressing for change. In the best of experiences, this reform takes root; in others, the entrenched and corrupt elite are replaced by new elites who exhibit the same pattern of behavior.

Civil Society: What Role?

Civil Society matters, either as partners with government or watchdogs over government. The strategies for development with the best chances of success are those in which a social contract for development emerges between civil society and government. Still, it is wrong to assume that corrupt governments preclude progress in development. The greater the corruption, the greater the cost to and barriers against progress, but progress is still possible. Even when governments are good at the policy level – passing laws, establishing institutions, enacting policies, funding programs – performance often does not measure up at the delivery level. The key variable is not uniformity of purpose between government and civil society but greater transparency on the part of governments and greater avenues for input by civil society.

There has been considerable excitement about the lessons of RCTs (Randomized Control Trials) and equal interest in how this can be reconciled with the macro level approach. One speaker looked in depth at investments in the education sector and what has the deepest impact on results. He looked at strategies to increase access and educational achievements. He noted that improving quality did not have as much impact as cash. Empowering local communities works well – including getting parents involved - providing them with information such as the usefulness of education to employment prospects for their children.

Looking at the State and Beyond the Nation-State

It's the institutions! One participant summarized his research on the success and failure of nations, noting that nations fail when they have “extractive economic institutions,” supported by “extractive political institutions” that impede and even block economic growth. Nations succeed, he reasoned, when there is inclusiveness and a force in power sharing, and other key factors including technological advances. Sustainable economic growth requires innovation.

We should not limit our study of what works in development to nations alone, but should also look at how well or poorly institutions are tending to the “global commons.” There is no global “social contract”. In the absence of global governance we need to work with promising institutions, organizations, approaches – and leaders. Areas ripe for addressing the global commons are: food security, reducing deforestation, stemming the loss of biodiversity and producing clean energy. One should not underestimate the importance of these four to global development and in many areas of the globe (e.g., East and Central Africa) these can be as critical to the success or failure of development as are individual, national development strategies. The demand for effective global governance will continue to grow against a backdrop of global population increase, the race for natural resources, and climate change which together put a special premium on close links between conservation and sustainable development.

The Emerging Donors

One of the key debates over the transformation of the international system revolves around the impact of what one author has labeled the “The Rise of the Rest.” This debate has tended to stay focused on political, military, economic, and security areas but not enough attention has been devoted to the role of aid and development coming from some of the non-traditional donors – including China, India, and Brazil. Yet one of the new changes in the international development field has been the increasing role of these “emerging donors.” None are new donors, though amounts of aid have increased dramatically in recent years. Annual aid flows from the non-traditional donors vary greatly and are estimated at between \$11 billion and \$41.7 billion a year, or 8 and 31 per cent of gross global aid. Definitions matter and this is part of the reason that numbers vary so significantly. The non-traditional donor’s approach is generally based on mutual benefits (as “partners” not donors), a lack of strings (no policy conditionality), and tend to be concentrated in infrastructure and for specific projects. How to reconcile where the West is in its development thinking – and in particular on the stress on governance and the role of civil society (what the World Bank has called, “democratizing development”) with the agenda of the emerging donors- will be one of the key challenges in setting the global development agenda for decades to come.

Section IV: Roundtables on Development Issues

Development: Is Governance the Answer? Presentation by Thomas Carothers, Carnegie Endowment for International Peace
July 26, 2012, Chicago

[Thomas Carothers](#), Vice President for Studies at the Carnegie Endowment for International Peace. Carothers is the founder and director of Carnegie’s Democracy and Rule of Law Program, which analyzes the state of democracy in the world and the efforts by the United States and other countries to promote democracy. He is a leading authority on democracy promotion, democratization worldwide, and U.S. foreign policy, and has extensive experience in matters dealing with development.

Precis:

Carothers charted the historical evolution of development theory: from the theory that where there were capital and technology -- e.g. “seeds and vaccines,” development would occur (1960s), to the emergence of a new phase focused on market reforms and liberal economic policy (1980s) captured by the rise of the “Washington Consensus”, to the great popularity of governance theories (1990s). Initially, the governance approach to development took the form of technocratic governance assistance, aimed at establishing states that had the means to implement transparent and accountable government and improve state finances. After a decade, this model had failed to achieve the results that the development community desired, in large part because the model assumed that those in power wanted development and would willingly sacrifice their own economic interests for its benefit. The realization came to many donors that governments were not necessarily the drivers of change but protectors of the status quo insofar as their financial interests were concerned. As Carothers put it, “Governance is not a ‘sector’ but an

approach by those in government to rule.”

In response, the development community entered a second phase of governance in the early 2000s: a more political approach emphasizing both political goals and methods, including the embrace of *political*-economic analysis focused on the demand for *good* governance defined in more politically normative ways. The recipe for development could be found if the right tools of governance (e.g., transparent budget preparations, accountability, etc.) were wedded to good governance policies adopted by anti-corruption champions backed by tools to keep governments honest. This shift can be seen through the new approaches by aid and development agencies: the demand for Good Governance by the World Bank; the “Drivers for Change” by the UK’s DFID; and the governance assessments by USAID. Moreover, these approaches also imply a more strategic look at what other actors – including civil society – can bring to the table in effecting change in their countries.

According to Carothers, implementing this shift to more political conceptions of the substance and methods of good governance will continue to be challenging. Getting the right champions means that donors may end up picking sides; it also means embrace of newer actors – captured by the rise of vocal, in some cases, quite effective, civil society organizations, many of whom blur the distinction between reform and regime change. Those entrenched in power are highly resistant to cede such power – and the loss of economic largesse it implies. Moreover, not only does this new model face the political challenge as governments push back against international involvement, but an ideological one as Western models of development are increasingly coming under question post 2008.

A final complication is that Western governments with their budgets besieged, place an even greater premium on aid that “delivers”: low overhead costs, “lean and mean” projects, quick results, and defined and measurable results—which appear antithetical to long-term, patient support for good governance.

Selected Readings

[Thomas Carothers](#), “The Elusive Synthesis: Exploring the Changing Relationship Between Democracy Support and Development Aid,” *Journal of Democracy*, October 2010

[Thomas Carothers](#), [Diane de Gramont](#), “Aiding Governance in Developing Countries: Progress Amid Uncertainties” *Carnegie Paper*, November 2011, Washington, D.C.