



# **Any “Global” Strategy Against Poverty Will Be Misguided and Incomplete**

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The Center for Global Development is an independent think tank that works to reduce global poverty and inequality through rigorous research and active engagement with the policy community.

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<sup>1</sup> The Round Table was organized by Economists for Peace and Security (EPS). James K. Galbraith, chair of EPS, presided. Participants included: Birdsall, Richard Jolly (University of Sussex), Amartya Sen (Harvard University), and Joseph E. Stiglitz (Columbia University).

Thank you very much Jamie for that kind introduction. I feel privileged to be taking my place with three of our field's most distinguished contributors.

If by a grand strategy in the session title is meant a global strategy, then there is indeed a kind of strategy. I am going to talk about why I think the existing strategy, for all its merits, is misguided and incomplete. So let me start with what I mean by saying there is a strategy and then go on to why that strategy is first misguided, and then incomplete.

The global strategy is captured now in the Millennium Development Goals. It occurred to me when Richard Jolly mentioned the MDGs that not everyone in this room knows what they are. How many of you – could you raise your hands – feel you have some idea of what the Millennium Development Goals are? (30 to 50 percent of people raised their hands).

Well, the Millennium Development Goals are a set of objectives that say that by the year 2015, good things should happen in the developing world. Poverty should be reduced by half. Infant mortality should be reduced by two-thirds. All children should finish primary school. Associated with these goals is a perspective on attaining them: the Monterrey Consensus. This Monterrey Consensus was agreed among the nations of the world at a United Nations conference (in Monterrey, Mexico) and it says that the key to progress in reaching the goals is a compact between rich and poor countries, in which the rich countries are committed to more aid and better access to their markets for developing country exports, and the poor countries to better internal governance. Better internal governance implies adherence to the rule of law, a free press, anti-corruption efforts and a recognition of the central role of private sector-led growth in development.

Certainly the Millennium Development Goals combined with the Monterrey compact reflect much more of a global strategy than existed a decade ago. A strategy, however, has to have two parts: objectives and a plan of implementation, of how specifically to proceed. The problem is that a plan of implementation that is “global” makes little sense. Whether we like it or not, the fate of the poor in the developing world is fundamentally in the hands of their own countries, their own societies, and of course, their own governments. Implementation has to occur at the country level (and possibly at the regional level, say sub-Saharan Africa), and ideas about implementation have to be country-based.

The idea of a global strategy unfortunately tempts us to set out global plans. The latest global plan is the big push for more aid, the donor part of the Monterrey Compact. A global strategy tempts us to set out global recipes to be applied everywhere, with ingredients and amounts standardized across countries. Perhaps it's unfair, but the Comprehensive Development Framework of the World Bank (which Joe Stiglitz just mentioned), and the Bank-led country PRSP (Poverty Reduction Strategy Papers), and even the idea that it is democracy that matters most, can all be thought up as efforts to think globally about the right recipe for country-level development. In simple terms, any global strategy will ultimately be misguided, because it's inherently contradictory to have a strategy at the global level when what you need is action and implementation at the country level.

Why do I think that the MDGs and the Monterrey compact are incomplete as a grand or global strategy? First, political rights are ignored. We are here today honoring Amartya Sen. Yet the current global "strategy", the MDGs, does not attend to Sen's fundamental point in Development as Freedom that freedom is the key to development. The MDGs do not attend to the political rights that are central to Sen's idea of individual capabilities, nor to his emphasis on public discourse as central to democracy. Of course political rights and the related idea of governments being accountable to their citizens are implicit in the commitment of developing country governments to better governance in the Monterrey compact. But in the context of the MDGs/Monterrey, better governance is seen as an instrument for attaining the MDGs, not as Sen insists and rightly so, as an fundamental objective of development that ought to be itself included as one of the Goals.

Second, the current global strategy is incomplete because in the end even at the global level the challenge is not only about aid, and not even only about better access of poor countries to rich country markets. You cannot have a strategy to end poverty that is separate from issues of peace, security, human rights and very fundamentally the local and national institutions that safeguard justice and attend to fairness. Yet none of these is included in any explicit way in the current "global" approach to implementation (as set out for example in the recent United Nations Millennium Project report led by Jeff Sachs).

What are the implications for a place like the Center for Global Development, where we concentrate on asking how the rich world can be more development friendly and do better by

poor countries and poor people – given that for the most part the work of development has to be local?

What that means above all is that the rich world should do no harm. If you take the example of global warming, the U.S. is currently doing tremendous harm. There's no question that poor people in the developing world will suffer huge welfare losses if we in the United States don't address this problem quickly and aggressively. Do no harm also means addressing the complicity and corruption of OECD companies and banks, especially in the developing countries of the world that are cursed – yes cursed not blessed, as Joe Stiglitz just mentioned – by oil and other natural resources. In countries like Nigeria, Azerbaijan, and Chad, it would mean much more emphasis on implementation of steps in which the rich world has the capacity and the leverage to make a difference, such as the Extractive Industries' Transparency Initiative. It would mean thinking through and acting upon the fact that our current international migration regime undermines the best single route for poor people to escape poverty, which is to move from a poor country to a rich country; and that our current intellectual property rights regime almost surely is getting wrong the need to balance incentives for innovation with access to new technologies in the developing world.

Fundamentally, all of these issues of doing no harm amount to the need for the rich world to take more leadership in dealing with what we economists call coordination failures at the global level. Not only doing no harm, but actually investing in global public goods: finding vaccines for diseases that are prevalent in poorest countries, investing in a Green Revolution for Sub-Saharan Africa, imposing costs on polluters of the global atmosphere and so on.

Let me end by a few statements that are more positive about what the rich world can do to foster development in the poor world. These may not amount to a strategy, but they strike me as important in how we ought to approach the challenge of global poverty.

The first is yes, there should be more aid resources, with emphasis not on big plans but on plentiful support for many bold, well-funded experiments. That does not at all imply more aid as currently delivered. Richard Jolly is right that the business of aid is a mess: Richard mentioned Mozambique; let me tell you another anecdote. Some of you might know that several years ago the government of Tanzania declared a four-month vacation from any donor business. That's because at that time the government of Tanzania was preparing as many as 1,500 separate

reports a year to its dozens and dozens of donors: the bilateral donors, the various UN agencies, the large NGOs, the World Bank, African Development Bank, and so on. The Tanzanians had too little time to manage their own economy and try their own initiatives.

What more aid does imply is more adequate funding for hundreds of experiments, with a conscious international effort to finance evaluation of these experiments, and with recognition that some things will work and some things won't work. The rich world ought to fully finance the global public good of systematic impact evaluation – of what works in development.

The second idea is that the rich world needs a new attitude towards development issues: an attitude of humility. When it comes to ensuring inclusive and sustainable growth in any particular setting, we simply don't know the answers.

The third is that the rich world can and should, in the interest of ending global poverty, assume greater responsibility for addressing problems that even a perfectly competitive global economy cannot. In western economies, there's a domestic social contract that ensures effort at societal level to correct for unequal starting points among individuals and ensure equal opportunity for all. It may not always work, but it is recognized as a legitimate public objective. As economists know well, in western economies the tools for implementing a domestic social contract are taxes, subsidies and regulatory arrangements. These are used to address the problem of unequal endowments that markets do not address – such as equal access to education – and to address the market failures that lead to pollution, bank runs, and so on.

At the global level, we are well short of anything that could be called a global social contract. That seems to me the grand – if we are to use the word grand today – challenge of the 21<sup>st</sup> century. It is one where the rich countries have a special obligation – because they have the political power as well as the wealth that together give them the burden of leadership. And I would argue that it is in particular a special obligation of today's richest and most powerful country, the United States.

Thank you very much.