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## Review of "The World Bank, A Case for Aid: Building a Consensus for Development Assistance," by James D. Wolfensohn & Nicolas Stern

### **Abstract**

[Excerpt] "The World Bank's new book, *A Case for Aid: Building a Consensus for Development Assistance*, indicates how dramatic and lasting the progress against global poverty has been in the past 50 years. It also shows how dramatically the Bank's own understanding has risen, even in the past decade, of how to make its efforts more effective in relieving poverty and achieving other development goals. These two themes form the basis for the World Bank's visionary thesis: that eradicating much of the poverty, ill health, and illiteracy around the world is within reach.

The occasion for pronouncing this message in *A Case for Aid* was the International Conference on Financing for Development, held in Monterrey, Mexico in March 2002. The United Nations hosted this conference to chart the future of foreign aid. The conference was notable in part because of the dramatic, and surprising to some, announcement by America's President Bush of a bold new commitment by the United States to foreign aid for the developing world.

*A Case for Aid* memorializes this conference, and provides analysis and commentary of its issues. It includes four parts. First is a keynote speech, "A Partnership for Development and Peace," from World Bank president James D. Wolfensohn. Second is an essay, "Making the Case for Aid," written by World Bank chief economist Nicolas Stern after the conference. Third, forming the book's bulk, is "The Role and Effectiveness of Development Assistance," by a panel of World Bank authors. Finally, the book includes the official U.N. document "The Monterrey Consensus."

### **Keywords**

poverty, developing world, foreign aid

James D. Wolfensohn & Nicolas Stern, *The World Bank, A Case for Aid: Building a Consensus for Development Assistance* (The World Bank 2002). ISBN 0821351621 [227 pp. \$18.95. Paperback, 1818 H Street, N.W. Washington, D.C. 20433].

The World Bank's new book, *A Case for Aid: Building a Consensus for Development Assistance*, indicates how dramatic and lasting the progress against global poverty has been in the past 50 years. It also shows how dramatically the Bank's own understanding has risen, even in the past decade, of how to make its efforts more effective in relieving poverty and achieving other development goals. These two themes form the basis for the World Bank's visionary thesis: that eradicating much of the poverty, ill health, and illiteracy around the world is within reach.

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The World Bank is full of optimism. Then again, it shows good reason for this outlook. It outlines the substantial advances that have been made over the past few decades in poverty reduction and advances in health and education in the developing world, identifying the World Bank's role in these advances as one component of a complex, cooperative effort. For instance, the Bank indicates that:

- Over the past 40 years, life expectancy at birth in developing countries has increased by 20 years—about as much as was achieved in all of human history prior to the middle of the 20th century.
- Over the past 30 years, illiteracy in the developing world has been cut nearly in half, from 47 percent to 25 percent in adults.

- Over the past 20 years, the absolute number of people living on less than \$1 a day, after rising steadily for the last 200 years, has for the first time begun to fall, even as the world's population has grown by 1.6 billion people.<sup>1</sup>

The book's main message is that foreign development aid is reaching a level of sophistication that translates into dramatic improvements in the human condition like never before. This aid is lifting people out of poverty, improving their health and education, and contributing to the stability and security of the entire world. As the book says, "[a]id is not simply a transfer payment for the consumption of poor people, but an investment in improved policies and institutions. The best aid finances the costs of change, rather than the costs of not changing."<sup>2</sup>

The Bank's vision is grand and inspiring. This is far more than a financial treatise; it is instead a bold blueprint for raising the human condition throughout the globe. With such reach, it touches on much of the agenda for foreign affairs, and makes for compelling reading for anyone concerned with international relations. As the Bank aspires, "we must make globalization stand for common humanity, not for commercial brands or competitive advantage."<sup>3</sup> The Bank shows how it seeks to make this goal a reality, indicating for instance that it is the largest non-government funding source for health and education programs worldwide.

In another example, Clause 28 of the Monterrey Consensus includes matters of intellectual property among a list of special concerns in international trade.<sup>4</sup> Specifically, it indicates concern for "the lack of recognition of intellectual property rights for the protection of traditional knowledge and folklore" and "the implementation and interpretation of the Agreement on Trade-Related Aspects of Intellectual Property Rights in a manner supportive of public health."<sup>5</sup> Such perennial debates as global standards for intellectual property and availability of medicines can better be understood within the greater context of development described in *A Case for Aid*. The book brings to light the concerns of stakeholders in these and many other issues, along with perspectives on their solution.

The book's effective presentation of facts is especially relevant to dispel inaccuracies and emotional reactions that abound in the media and popular commentary. *A Case for Aid* shows that the most profound effects of globalization are to lift the world's poor out of poverty and offer them higher income, better health, better education, and hope for a brighter fu-

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1. James D. Wolfensohn & Nicolas Stern, *The World Bank, A Case for Aid* 6 (World Bank 2002).

2. *Id.* at 101.

3. *Id.* at 13.

4. *Id.* at 200.

5. *Id.* at 200.

ture. There is much legitimate debate on the effects on native cultures, the environment, job stability, and the psychological effects of rapid social change, but these debates would benefit from a reminder of the positive realities of globalization. To obscure those achievements would do a disservice to the millions of people who live better lives today because of development aid and global integration, and to the World Bank and other aid organizations that contribute to these achievements.

The Bank is certainly not without its critics. The unrelenting optimism of this book may invite the question of whether the Bank has become able accurately to gauge its prospects for success in future programs, where it admits it was unrealistically optimistic in some programs in the past. For instance, the Bank indicates that “[w]ith the end of the Cold War, donors became less interested in using aid to achieve geopolitical goals and more interested in using aid for poverty reduction.”<sup>6</sup> However, a look at any recent United States budget, including the one passed in February 2003, shows this statement to be overly facile. With the lion’s share of foreign aid going to states such as Israel, Egypt, and Jordan, it’s hard to swallow a claim that aid allocation is now done according to need alone rather than geopolitics. *A Case for Aid* also highlights major obstacles that have countered the gains of development, such as the HIV/AIDS crisis and other epidemics that are rolling back progress in nations with otherwise promising improvement, especially in Sub-Saharan Africa. This point of failure is in line with outside critics such as Jeffrey Sachs of Columbia University’s Earth Institute.<sup>7</sup>

However, the Bank argues persuasively that its methods are growing increasingly effective, and that current shortcomings in aid development are due to underfunding more than any other factor. The United States in particular is persistently by far the stingiest supporter of international development aid among the rich nations, contributing about 0.12% of its GNP for that purpose. This is in stark contrast with more generous donor nations such as Denmark, Norway, the Netherlands, Luxembourg, and Sweden, whose foreign development aid is between 0.74% and 0.96% of GNP.<sup>8</sup> It also contrasts with the U.N. standard of 0.7%, a standard the U.S. has agreed to implement, in previous U.N. agreements as well as in Clause 42 of the Monterrey Consensus.<sup>9</sup>

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6. *Id.* at 93.

7. Jeffrey Sachs, “Weapons of Mass Salvation,” *The Economist*, October 24, 2002.

8. OECD, *OECD, News Releases, OECD DAC Countries Begin Recovery in Development Aid: 5% Increase in 2002* April 22, 2003 <[http://www.oecd.org/document/42/0,2340,en\\_2649\\_201185\\_2507754\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/42/0,2340,en_2649_201185_2507754_1_1_1_1,00.html)> (April 22, 2003).

9. *A Case for Aid* at 203.

Why would Americans be so much less motivated than some of their European friends to take relatively easy steps to accomplish vast improvements in development? Politics from across the ideological spectrum have often obscured or cast doubt over the cause of foreign development aid, perhaps as a lingering relic of the Cold War, or of a yet older will to isolation. Whatever the explanation, it doesn't reflect well on the world's richest nation, especially compared with America's growing foreign engagements. *A Case for Aid* may contribute to dispelling such negative perceptions of aid in America that historically underlie its weak political support for such aid.

The United States took a great leap forward in that respect with its strong commitment to the Monterrey Consensus. This Consensus embodies three essential components, as identified in the section by World Bank chief economist Nicolas Stern: stronger policies and governance institutions in the developing world; reduced trade barriers by all nations, including greater access to rich nations' markets; and more effective aid.

First, the stronger policies and institutions in the developing world must be focused on "the twin pillars of pro-poor growth:"<sup>10</sup> encouraging investment, and improving the capacity of the poor to participate in development. Nations that demonstrate they have the strong policies and institutions in place to use aid to greater advantage are rewarded with greater assistance.

Second, the current prevalence of tariffs, quotas, and other trade barriers runs counter to development, and is a major cause for the persistence of poverty in the developing world. Rich-nation trade barriers are concentrated in such low-tech commodities such as agriculture and textiles that might otherwise form the most potential for developing nations' exports, making them especially egregious. Meanwhile, the rich nations spend about \$300 billion a year on agricultural subsidies alone, five times more than they spend on aid. This is a great expense for themselves, which also blocks out opportunity for competition by producers in the developing world. Reducing these subsidies and trade barriers would dramatically compound the capacity for economic growth in the developing world.

Third, aid is becoming ever more sophisticated and effective, as the aid community has continued to learn from and apply the lessons of experience. Aid is concentrated in highly leveraged forms, including health efforts such as prevention of AIDS, malaria, and tuberculosis, and educational efforts such as raising the number of children who go to school, particularly girls. Aid concentrated in these channels yields dramatic returns in public health, education, income growth, and poverty reduction.

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10. *Id.* at 21.

In making the plea for aid, Stern draws from calculated as well as moral rationales. In part, lifting developing nations out of poverty will dampen their capacity for nurturing crime, terrorism, illegal drugs, and communicable diseases that end up crossing borders into and afflicting rich nations. While such a self-interested motivation may by itself make development aid a wise investment, Stern is also concerned with the greater good:

To accept the persistence of desperate poverty – that is, to do nothing to change a world where 1.2 billion people subsist on less than a dollar a day, where 120 million children do not attend school, and where tens of millions of people die annually from the combined effects of poor nutrition and diseases that could easily have been prevented or treated – is morally untenable. In such a world, people fortunate enough to be born into the richer societies have a moral obligation to share their good fortune with others.<sup>11</sup>

Dramatic progress is being made in raising the income, health, and education of the poor, and lifting them out of poverty. Much more dramatic progress could be made with further support for the vision described in *A Case for Aid*, a book well worth reading, with a vision well worth learning.

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11. *Id.* at 18.

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