WORLD SAVVY
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Global Poverty and International Development

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World Savvy
think beyond your borders

Letter from the Editor

We live in a world of haves and have-nots. More specifically, we live in a world where one billion people have what they need for a long, quality life, four billion people have the hope of getting what they need for a long, quality life, and one billion have very little at all. Yet, all six billion of us share an increasingly interconnected planet – where the problems facing the less fortunate can reach the more fortunate, and the least fortunate are painfully aware of what the more fortunate possess. Morality, pragmatism, and enlightened self-interest prescribe that those in the developed world attempt to pull the others along, but just how to do this remains a source of much debate. Efforts to mitigate poverty over the last few decades seem to have had little effect, and in fact, some statistics indicate that the gap between the haves and have-nots continues to increase.

The battle cry among experts today is to reform the existing "aid architecture" that many believe has failed the developed and developing worlds alike. For the most part, what they actually mean is that the notion of development assistance should be expanded beyond aid to include climate change mitigation, entrepreneurial support, and creative partnerships between the private and public sectors, as well as among individuals, institutions and governments. The required verbs go outside the realm of traditional donor/recipient dynamics: those in the developed world need to give, to learn, to design, to empower, to include, but they also need to reflect, build upon, seek to understand, and allow to evolve.

And all of this should be done with humility. The month in which we wrote this edition of the Monitor, September 2008, will be remembered as a watershed in the global economy – a time in which many assumptions about who and why people are poor and rich came under close scrutiny; we were forced to understand that sometimes, what looks like growth is not growth after all. After decades of urging others to take their advice, use their aid dollars well, and join the world market that had served them so well, developed nations have been forced to examine the very foundations of their own economies.

Far from reveling in the fall of the financial giants on Wall Street, the developing world is holding its breath. Already struggling amidst high food and fuel prices, the world's poor in the Arab, African, Latin American, and Asian regions fear the retraction of the world economy that was supposed to be their salvation and watch as public support and funds for international development assistance disappear before their eyes. With every point drop of the Dow Jones Index, the impact will be seen in The Human Development Index, Human Poverty Index, and Commitment to Development Index that is discussed here. This occurs at a time when it seemed the potential of the developed world to help the poorest had never been greater. As you will see here, there are new donors, new players, new strategies, and new synergies at work to address the myriad traps and cycles in which developing countries find themselves, and to address what can be changed, and mitigate what cannot. These efforts will, and must, continue on behalf of the

bottom billion, yet the road will now be more circuitous and uncertain as economic insecurity infects all six billion of us in differing forms and degrees.

Sincerely,
Cate Biggs
Editor, World Savvy Monitor

World Savvy
World Savvy staff edit and produce the World Savvy Monitor. Our mission is to educate and engage youth in community and world affairs by providing educational programs and services. World Savvy's vision for the future is one in which all members of society are well informed about contemporary global affairs and act as responsible global citizens. We believe that change will occur if the public has an enhanced understanding of international affairs and is given the tools to think critically about such issues.

Cate Biggs
Cate is the primary author of the World Savvy Monitor. She is a graduate of Yale University, has a Masters from the University of California, Berkeley, and has taught high school American and World History. She has also worked extensively in the non-profit and foundation world. She is currently a consultant for Global Education curriculum and professional development, and a writer living in Northern California with her husband and three daughters.

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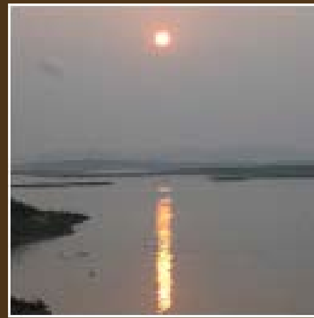


Issue In Focus

Did You Know?

General Facts about Poverty and International Development

- The world economy is shaped like a pyramid, with 1 billion people living in developed countries and 5 billion in what are considered to be developing countries. Of that 5 billion, around 1 billion live in countries that are failing to develop at all, or are in decline. In these Least Developed Countries, or LDCs, the majority of people live in what is considered to be extreme poverty, on less than $1.25 a day, and many live on less than one dollar a day, or roughly 300 dollars per year. Most of these countries are in sub-Saharan Africa, with concentrations in Central and South Asia, and the Caribbean and Latin America as well.
- Each year, over 500,000 women die from treatable or preventable complications of pregnancy and childbirth. The odds that over the course of her lifetime a woman will die from these causes in sub-Saharan Africa are 1 in 16, compared with 1 in 3,800 in the developed world.
- In 2006, it was estimated that 39.5 million people were living with HIV and that 4.3 million people had been newly infected that year; the number of people dying from AIDS has increased from 2.2 million in 2001 to 2.9 million in 2006.
- In 2005, it was estimated that 15.2 million children had lost one or both parents to AIDS; of these, 80% were in sub-Saharan Africa.
- Poor sanitation and lack of safe drinking water contribute to about 88% of deaths of children under five that are due to diarrheal diseases.
- Nearly half of the world's population now live in cities. In 2005, one out of three urban dwellers was living in slum conditions (as defined by lacking at least one of the basic conditions of decent housing: adequate sanitation, improved water supply, durable housing or adequate living space).
- The United States ranks 14 out of 21 wealthy nations of the Organization for Economic Development and Cooperation (OECD) in its promotion of economic development among poor countries as measured by the multifaceted Commitment to Development Index. When aid levels alone are considered in isolation of other types of development assistance, the US ranks first in absolute dollars of foreign aid, but 19th in aid as a percentage of Gross National Income (GNI). OECD countries currently donate an average of one-third of one percent of their incomes, roughly 1 cent for every $3 dollars, while the US contributed 0.19% of its GNI in 2007.
- Private actors are increasingly playing a larger role in the international development community. The Brookings Institution estimates that today, the private sector contribution may be as high as $37 to $44 billion, roughly equal to official aid by traditional OECD and new (developing country) bilateral donors.
- International trade policy is a significant factor in development and poverty alleviation. The World

Bank estimates that as many as 32 million people could be brought out of extreme poverty and a further 64 million out of $2/day poverty by 2015 if the objectives of the current Doha Round of negotiations at the World Trade Organization are met. It has been estimated that if Africa took just 1% more in world trade, it would earn $70 billion more annually, over 3 times what it receives in aid.

- The Center for Global Development reports that in 2005, the EU 15 (OECD European members) spent $179.28 per cow domestically in subsidizing the price of European cattle, but provided only $16.11 in aid per person in the developing world. It is a well-reported statistic that European cows (including those grazing in the high-subsidy, non-EU nations of Norway and Sweden) have an average daily income of over $2.50, higher than one-third of the world's people. The American Political Science Association's Task Force Report on Difference, Inequality, and Developing Societies estimates that agricultural subsidies of rich countries totaled $280 billion in 2004, exceeding the GDP of all of Sub-Saharan Africa combined, and six times the foreign aid these countries provided.
- Global warming can have a significant impact on poverty. The UN has estimated that an additional 600 million would be hungry, 200 million more displaced by floods, and 400 million more exposed to diseases such as malaria and dengue fever if the world's temperature were to rise just 2 degrees Celsius.

Millennium Development Goals

- The Millennium Development Goals (MDGs) are a set of eight key objectives proposed by the United Nations for addressing the plight of Least Developed Countries (LDCs) and other developing nations – the goal is to achieve the MDGs by 2015. At the halfway point of this initiative, the results are mixed and vary greatly by region.
- Worldwide, the proportion of people living in extreme poverty fell from nearly a third in 1990 to 19% in 2004. If this trend continues, the MDG target of halving those living on less than $1 a day should be met.
- Though global poverty rates fell by about 25% between 1981 and 2005, China accounts for a significant portion of this reduction; excluding China, poverty rates fell by only 10%.
- In sub-Saharan Africa, which remains the poorest region in the world, the number of people living on less than $1 a day is beginning to level off; the proportion of people living in extreme poverty fell from 46.8% in 1990 to 41.1% in 2004.
- For 2005, it is estimated that 10.1 million children died before reaching the age of five. Rates have been declining, but progress has been uneven. In most countries with a substantial reduction in under-five mortality rates, the largest changes occurred within the richest 40% of households, in urban areas, or within families in which mothers had at least some education. Where progress has been limited, AIDS is likely to be a significant factor, as is malaria and conflict.

Understanding the Headlines

Who are the world's poor?

- The global economy resembles a pyramid, with the wealthiest 1 billion living in developed countries at the top, and the remaining 5 billion in developing countries, making up the bottom portion of the pyramid. Out of this 5 billion, however, the lowest 1 billion are the most impoverished, living on less than $1.25 a day.
- The poorest billion in this pyramid are residents of what are called least developed countries (LDCs). In addition to being extremely poor, they live in economies that have experienced little or no growth during the post WWII era, an era in which the global economy as a whole has expanded. They have literally been left behind, and this inequality is only increasing as globalization compresses the evolutionary time of others who are experiencing growth.
- They are distinguished from (and in competition with) the residents of developing nations who are experiencing growth, such as Brazil, Russia, India, and China (the BRICs). These growing nations may experience poverty, but not on the same scale or level of intractability.
- They share many of the same characteristics that are both symptoms and causes of their poverty, trapping them in cycles that have proven extraordinarily difficult to address. Some characteristics are immutable, such as geography and demography; other characteristic have been of their own and others' making, such as international and internal conflict, poor infrastructure, bad governance, and structural inequality.

What are the central types of assistance given to the developing world?

- Fundamentally, poor countries are poor because they have failed, for a variety of reasons to grow or to develop, economically. International development assistance is a term encompassing all measures that are used to address the causes of stagnant or declining economic growth among these countries.
- Though it seeks many of the same ends, development assistance is different from humanitarian or emergency assistance, which aim to mitigate the experience of poverty and/or address short-term crises. The important distinction is that development assistance seeks to help countries break out of the poverty cycles and traps described above and to create sustainable solutions to global poverty. Development and humanitarian assistance are often used together to stabilize societies and provide for the basic needs of populations while issues of growth are being addressed.
- Aid is the most common, and perhaps most contentious, type of development assistance, and is subject to many internal debates in regard to who should receive it, in what form it should be given, how it should be used, and in what manner it should be monitored and evaluated for effectiveness. Aid can be cash or budget support for the governments of LDCs or for NGOs (Non-Governmental Organizations). It

can also be in the form of special projects or services. It may be tied or untied to the interests of the donor; it may be conditionally or unconditionally offered.

- Assistance with economic policy and governance reform is another broad category of assistance. It is given with the hope of making aid simultaneously more effective and less necessary, by improving the economic, political, legal, judicial, and social infrastructure of the recipient country. This type of assistance seeks to improve the rule of law on the ground, and prepare the conditions thought to be conducive to growth through participation in global markets.
- International trade policy represents the negotiated rules and systems that guide the participation of all nations, developed and developing alike, in the global market. Negotiating rules that allow LDCs to exploit their own comparative market advantages is seen as a form of development assistance that may be conferred on poor countries by wealthy countries, who must often cede their own existing advantage.
- Foreign direct investment, or FDI, has been the primary engine lifting hundreds of millions of people in China and India out of poverty over the last few decades. More FDI, as well as various forms of business support for local entrepreneurs, is seen as a capitalistic, pro-market form of development assistance aimed at increasing the economic and social capacity of poor countries.
- Microfinance is a relatively new and promising mechanism for providing credit and loans to people living in LDCs, so that they may establish or expand small businesses. When adopted along the lines of the Grameen Bank of Bangladesh, microfinance leverages peer pressure and celebrates a self-help mentality that often extends beyond the commercial realm to improve the general health, education, and well-being of participants.
- Military intervention is a development assistance measure of last resort, yet one that is often seen as necessary to establish the requisite stability for economic growth and effective use of other forms of development assistance.
- Climate change mitigation has entered the realm of development assistance as global warming further imperils many of the world's most impoverished areas. Reduction of carbon emissions and the development of new and adaptive technologies are seen as ways the developed world can offset and reverse the damage done to (low-carbon emitting) poor countries, which disproportionately bear the brunt of climate change.

Who makes up the international development community?

- The wealthy nations of the world, or those comprising the Organization for Economic Development (OECD), are considered traditional bilateral donors, countries who give significant amounts of foreign aid in the form of grants, loans, and special projects using public money.
- New bilateral donors are coming onto the scene, including the BRIC countries, comprising the former brethren of the bottom billion. China is a new bilateral donor of particular concern because of the unconditional aid they offer to poor nations, especially those possessing energy wealth in Africa. China's relationship with Sudan is an illustrative case in point.
- Multilateral donors are International Financial Institutions (IFIs) such as the World Bank and International Monetary Fund (IMF). Regional development banks also play a role, as does the United Nations. These organizations make grants, loans, and/or facilitate special projects using pooled funds from member or donor countries, as well as from investment income on these funds.
- Private donors make up an increasingly large share of all foreign assistance. These include everyone from individuals who make contributions to international charities and traditional foundations, to the new generation of venture philanthropists such as the Gates Foundation. Private funds are often channeled through Non-Governmental Organizations such as Oxfam or Save the Children.
- Corporations are also sources of development assistance in the form of donations, Corporate Social Responsibility programs, investment in LDCs, and support for entrepreneurs.
- Most development assistance efforts reflect a hybrid stream of funding from all of the players mentioned above, and often utilize a similarly hybrid logic when distributing aid or services on the ground in poor

countries. The public and private sectors are often blurred on both the donor and recipient sides.

What Are Some Common Challenges to Effective Development Assistance Today?

- Ideological, design, and logistical hurdles plague both donors and recipients of international development assistance.
- On the donor side, assistance is often given without clear goals and objectives in mind. It may be fragmented, spread out across too many small projects with different implementation, monitoring, evaluation, and accountability features. Lack of coordination and harmonization among different players is commonplace, often placing additional undue burdens on already fragile or failing recipient states.
- In the most extreme cases, aid may not only be ineffective, but may also be damaging in terms of unintended consequences such as dependency, corruption, erosion of state capacity, and even accelerated ethnic tensions.
- On the recipient side, development assistance is often poorly absorbed, leading to waste and corruption. Recipient bodies that are not inclusive of local participants in the planning, distribution, and monitoring of assistance generally make poorer use of resources and may exacerbate political and social stratification on the ground.
- All forms of development assistance are impacted by the spirit in which they are given. Programs that are intended to confer significant benefits on the donor (monetarily, politically, geo-strategically) are often less impactful and can be harmful to the recipients.
- All forms of assistance are, by their very nature, volatile (subject to political constituencies among donors and unforeseen disruptions). This unpredictability and inconsistency is particularly debilitating to the countries in most need of assistance.
- Although proven to be more effective and cost efficient, assistance aimed at prevention (of disease, natural disaster, financial, and political crises) is often given less generously because it contains a lower profile for the donor and a longer-term commitment.

What Do Experts Believe Needs To Be Done to Increase the Returns on Development Assistance?

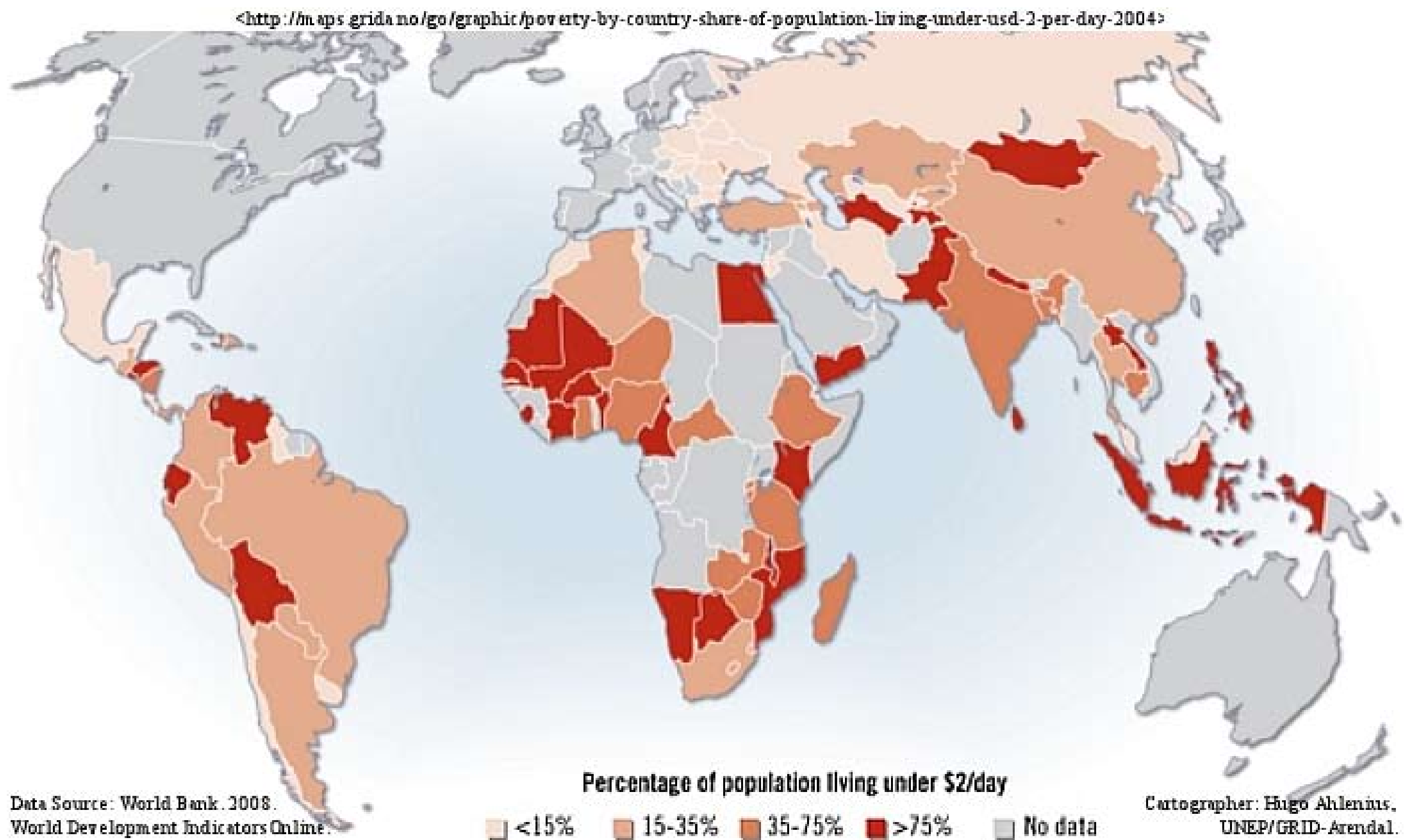
- Choose recipients carefully and tailor assistance packages to what Jeffrey Sachs has called a country's "clinical differential diagnosis" – meaning basically that every country is different and has different assistance needs. Calibrate selectivity and conditionality to get funds to those who can best use them, without foregoing assistance to those who may need it most.
- Utilize all tools in the toolbox, sequenced and timed appropriately for conditions on the ground.
- Be clear about the goals of assistance, and be certain that aid will produce long-term growth, not just ameliorate hardship in the short-term.
- Communicate with local, indigenous stakeholders at all levels about needs assessments, priorities, and delivery strategies.
- Promote collaboration between the public and private sector; streamline the agendas and reporting requirements of all players in a geographical area. Take advantage of each player's unique strengths and use synergies to offset individual weaknesses.
- Be vigilant about not undermining local strengths and capacity; prevent the formation of parallel systems of governance and provisioning; empower local government and promote the bonds of trust between people and their leaders; let the locals take credit where possible.
- Punish corruption, malfeasance, and lack of accountability in donor and recipient organizations and institutions.
- Reward outcomes, not inputs. Create incentives for performance, not aid distribution or consumption.
- Be realistic about what can be achieved through the use of any tool or in any time frame. Readjust expectations regularly and promote accountability to measurable, incremental reforms as well as to overall project aims.
- Don't be a "planner" (designing wholescale, saturation initiatives) when a "searcher" approach (facilitating small, distinct, locally-driven efforts) is required,

and vice-versa. Combine the two approaches when appropriate.

- Do no harm.

Map: Global Poverty

<http://maps.grida.no/go/graphic/poverty-by-country-share-of-population-living-under-usd-2-per-day-2004>



Annotated Timeline

Date	Major Development Events – the 20th and 21st Centuries	Global Poverty Levels
1910s	1914-1918 World War I 1919 League of Nations established at the close of World War I	Note: Few official poverty statistics are available prior to 1960. The Industrial Revolution in Western nations increases economic output and innovation, leading to some reductions in poverty. Europe experiences economic stagnation and increased poverty following WWI.
1940s	1939-1945 World War II 1944 The United Nations Monetary and Financial Conference (usually referred to as the Bretton Woods Conference) held in Bretton Woods, New Hampshire to regulate the international monetary and financial order after the conclusion of World War II; delegates agree to set up the International Bank for Reconstruction and Development (IBRD)*, the General Agreement on Tariffs and Trade (GATT)**, and the International Monetary Fund (IMF)	1947 At the close of WWII, the Marshall Plan is adopted to help European nations recover from the war.

Date	Major Development Events – the 20th and 21st Centuries	Global Poverty Levels
1940s cont.	*IBRD is one of five institutions that make up the World Bank Group; to reduce confusion, throughout the remainder of the timeline, IBRD activities will be attributed to its parent organization, the World Bank **GATT was replaced by the World Trade Organization (WTO) in 1995 1945 World War II ends United Nations (UN) Charter drafted in San Francisco, CA and UN comes into official existence The World Bank and IMF begin their formal existence 1947 World Bank issues its first loan to France for post-war construction IMF officially begins operations and the first drawing from the IMF is made from France GATT signed Marshall Plan for European recovery proposed by US Secretary of State George Marshall 1948 World Health Organization established by the United Nations 1949 World Bank expands technical assistance activities	

Date	Major Development Events – the 20th and 21st Centuries	Global Poverty Levels
1950s	1957 European Economic Community (the predecessor of the European Union) is established 1958 Mao Zedong launches the “Great Leap Forward” in an effort to speed industrialization and bring development to China	
1960s	1960 International Development Association established by the World Bank to address the development needs of the poorest developing countries 1961 ACCION International founded as a traditional humanitarian aid organization 1967 Association of South-East Asian Nations (ASEAN) established The Republic of Biafra declares independence from Nigeria; a three-year civil war ensues and more than one million people die in battle or from starvation. Médecins Sans Frontières was formed to provide medical attention to civilians; many experts point to this war as launching the aid industry	1960 In the United States, 22% are living below the poverty line

Date	Major Development Events – the 20th and 21st Centuries	Global Poverty Levels
1970s	1970 First World Bank loan for family planning issued to Jamaica 1971 US announces it will no longer freely buy and sell gold to settle international transactions; this causes 'par values' and 'convertibility,' two main features of the Bretton Woods system, to cease to exist 1973 Famine devastates Ehtiopia, leading Emperor Haile Selassie to be deposed the following year ACCION begins its microlending program 1976 Muhammad Yunus, head of the Rural Economics Program at the University of Chittagong in Bangladesh, launches an action research project to examine the possibility of providing banking services specifically targeted to rural poor 1978 "Four Modernizations" program initiated in China, moving the country's economy toward capitalism, industrialization, and urbanization.	1970 In the United States, 13% are living below the poverty line

Date	Major Development Events – the 20th and 21st Centuries	Global Poverty Levels
1980s	1980 First Structural Adjustment Loan issued by World Bank to Turkey World Health Organization (WHO) announces the eradication of smallpox 1981 Scientists identify AIDS 1982 Oil prices fall; Mexico defaults on international loans, marking beginning of world debt crisis, and several other countries follow 1983 The Grameen Bank Project is transformed into an independent bank by an act of Bangladeshi government legislation, providing the poor in Bangladesh with greater access to banking services, and especially microcredit 1984 Famine strikes Ethiopia again, killing an estimated one million, and leading to worldwide efforts at fundraising for famine relief including the high profile Live Aid concert 1986 25,000 cases of AIDS diagnosed in the US 1989 Fall of the Berlin Wall; Cold War tensions begin to thaw	1981 42% below $1/day 70% below $2/day 1984 35% below $1/day 68% below $2/day 1987 30% below $1/day 63% below $2/day

Date	Major Development Events – the 20th and 21st Centuries	Global Poverty Levels
1990s	1993 European Union established by the Treaty of Maastricht, which XXX 1994 North American Free Trade Agreement (NAFTA) signed, aimed at opening up trade among Canada, the US, and Mexico Heavily Indebted Poor Countries (HIPC) debt initiative approved, providing debt relief to poor countries with good policy performance by World Bank and endorsed by IMF 1995 World Trade Organization (WTO) established 1997 World Bank and WTO sign formal agreement of cooperation Widespread Asian Financial Crisis Kyoto Protocol is adopted with the aim of reducing greenhouse gases in order to prevent climate change; notably, the US is the only developed nation to not sign the treaty 1998 Uganda becomes first nation to receive debt relief under the HIPC initiative 1999 Euro adopted as the common currency for eleven European countries (though currency is not issued until 2002) Large WTO conference protests in Seattle	1990 30% below $1/day 63% below $2/day 1993 27% below $1/day 61% below $2/day 1996 24% below $1/day 58% below $2/day 1999 23% below $1/day 57% below $2/day

Date	Major Development Events – the 20th and 21st Centuries	Global Poverty Levels
2000-present	2000 International AIDS Conference in South Africa 2001 IMF Executive Board reviews the conditionality of use of its resources Argentine economic crisis after the breakdown of the country's banking system Terrorist attacks in New York City and Washington DC lead US to launch the Global War on Terror 2002 IMF adopts new conditionality guidelines aimed at promoting 'national ownership of policy reforms and streamlining and focusing conditionality' 2003 Joint IMF-World Bank project to monitor the policies and actions needed for the achievement of the Millennium Development Goals approved 2005 The International Monetary and Financial Committee and the Development Committee reach agreement on a G-8 proposal to provide 100% debt relief on all debt incurred by HIPCs to the IMF, the World Bank, and the African Development Fund (ADF); three months later, the IMF approves 100% debt relief under the Multilateral Debt Relief Initiative for 19 countries	2002 21% below $1/day 54% below $2/day 2005 16% below $1/day 48% below $2/day Between 1981 and 2005, poverty rates have fallen by about 25%; however, the reduction in poverty in China (from 85% to 15.9%) accounts for a significant portion of this reduction; excluding China, poverty rates have fallen by about 10% 2008 Using a poverty line of $1.25/day, the World Bank estimates that 1.4 billion people live at or below the poverty line

Date	Major Development Events – the 20th and 21st Centuries	Global Poverty Levels
2000-present	2007 World food price crisis leads to political and economic instability and social unrest, especially in developing countries According to estimates by WHO, 33.2 million people are living with HIV, 2.5 million became newly infected, and 2.1 million died of AIDS; two thirds of HIV infections are in Sub-Saharan Africa 2008 Effects of the subprime mortgage crisis reach other financial institutions in the US and begins to spread throughout world, and especially to Europe	

Global Poverty: Who?

Who are the World's Poorest Citizens?

Multiple measures are used to statistically quantify who is poor, and how poor those people are. Gross Domestic Product (GDP), Gross National Product (GNP), per capita income, purchasing power parity (PPP), Gini coefficients are used in addition to other metrics to capture how the world's population is economically organized. The United Nations (UN), World Bank, and International Monetary Fund (IMF) have extensive databases documenting how global wealth is distributed among the countries on the planet, and how evenly wealth is distributed within societies.

These types of statistics are inherently political. Data may be collected, sorted, and analyzed to various ends, and it is possible to choose evidence that suits one's conclusions. Even when acting without an agenda, statisticians can add or delete literally millions of poor people from these rankings simply by considering different factors. Who one counts as poor also plays a critical role in determining how effective development assistance is at lifting people out of poverty; there is often a selection bias that can significantly affect these outcomes. Finally, data on the very poorest people on the planet is hard to come by, and averages are often guesswork. Census numbers and household income figures are luxuries of functioning states, and functioning states are generally not where the world's poorest live.

To provide a visual, economic well-being in the world today resembles a pyramid. Generally, the one thing that most economists agree on is that, of the roughly 6 billion people in the world, only 1 billion occupy the top of the pyramid in what are known as developed countries. The other 5 billion live in what are known as developing countries. The term developing countries, however, is a broad category, and most go a step further to divide this group into 4 billion people who reside in countries experiencing some economic growth (often known as the BRICs, in reference to Brazil, Russia, India, China, and other emerging states) and the roughly 1 billion at the bottom, who live in countries experiencing no growth, or even negative growth. The latter countries are known as Least Developed Countries or LDCs.

Jeffrey Sachs has used the term extreme poverty to describe life in an LDC, and it is this category that will be the primary topic of discussion in this issue of the World Savvy Monitor. Although pockets of "moderate" poverty (meaning living at subsistence level) and "relative" poverty (living below national averages) certainly exist in developed countries, and large swathes of varying degrees of poverty plague middle-developing nations, this is not the type of deprivation seen on a large scale in an LDC. The type of poverty in LDCs is almost unimaginable to the average person living in the West. While someone living in American Appalachia may have extraordinary difficulty affording and accessing basic human needs, the world's poorest citizens live in countries where a minimum standard of living is largely unavailable because, for a myriad of reasons, the state cannot provide it. Likewise, water, sanitation, food, housing, and transportation may be scarce resources in many parts of China or India, but they are

available to many in the country and the basic infrastructure does exist to provide these vital resources. The countries in which the other 5 billion people live are experiencing at least some degree of economic growth, albeit along a wide spectrum; consequently, even the poorest citizens have some hope for a better life, if not for themselves, then for their children.

This is not the case among the poorest billion where life is truly, in the infamous words of Thomas Hobbes, "nasty, brutish, and short." The latest figures from the World Bank, adjusted for current costs of living, show that 1.4 billion people in the world live on less than $1.25 per day. Many of these live on less than $1, or roughly $300 per year. Most of these people live in LDCs in Africa, but people in this category can also be found in parts of Central, South, and East Asia, the Caribbean, and Latin America.

The United Nations Human Development Report annually ranks these countries (See http://hdr.undp.org/en/statistics/) along both the Human Development Index (HDI) and the Human Poverty Index (HPI), examining basic dimensions associated with a long and healthy life, knowledge, and a decent standard of living. Both seek to capture the deeper experience of poverty beyond basic income levels and to probe the extent to which the "opportunities and choices most basic to human development" are denied.

The HDI: Considers life expectancy, literacy rates, school enrollment, and household income (using the GDP Per Capita/Purchasing Power Parity measure).

The HPI: Goes deeper into the same factors considered by the HDI, but uses different statistical modeling for developing and developed countries, reflecting the fact that the concept of "deprivation" is different depending on where you fall on the HDI. For poor countries, it considers survival and literacy measures, as well as basic "provisioning" or access to basic "public and private resources."

See http://hdr.undp.org/en/statistics/ for a list of countries by HDI, and http://hdr.undp.org/en/media/HDR_20072008_Table_3.pdf for a list of countries by HPI. As you will see, most of the lowest performing nations on both indices are in Sub-Saharan Africa; in fact, all at the very bottom of both lists are located on the African continent. Other LDCs outside Africa include Bangladesh, Bhutan, Cambodia, Nepal, Yemen, Pakistan, Haiti, and Myanmar (Burma).

Global Poverty: Why?

Why Are These Countries So Poor?

Why are these countries so poor? The answer to this all-important question is two-fold. First, they are poor because they are subject to one or more of the factors described below, many of them in a dynamic where one factor leads to, or compounds, another. Second, they are poor simply because they are poor; poverty in these extremes is tremendously self-perpetuating – it is a vicious cycle, or trap. The state has no money because its citizens cannot get above subsistence living to start businesses, earn incomes, save, invest, and pay taxes. Because the state has no money, it cannot provide its citizens with basic health care, education, housing, and security, which further limits their ability to rise above subsistence living to start businesses, earn incomes, save, invest, and pay taxes. The cycle then repeats, for generations and generations. Most of the countries in which the poorest billion citizens live are classified either as failing states or failed states, and they constantly move back and forth along the negative end of this spectrum.

It is interesting to note there are some well-respected experts who argue that these countries should never have been countries in the first place. They contend that some nations are just too disadvantaged geographically, incorporating within their borders combustible ethnic configurations and scarce resources, circumstances that even the most adept leadership could not negotiate successfully. That many of them are ex-colonies of the West helps to explain the illogical combination of elements that composes these nations.. In hindsight, they argue that the better alternative would have been for larger, more economically viable countries formed along more sensible boundaries, where resource scarcity and economic risk could be balanced and would not exacerbate ethnic tensions to the degree that has occurred in Africa and elsewhere. Instead, among LDCs, multiple factors have coalesced to form perfect storms of extreme and debilitating poverty.

Characteristics of Least Developed Countries (LDCs)

The very factors that cause these countries to be poor are the same as those that have kept their economies from growing (through industrialization, modernization, and export-diversification) and, tragically, the exact same facts that impact their ability to make good use of development assistance in order to achieve that growth. This is important to remember when examining the effectiveness of tools designed to foster growth among the poorest billion. It is extraordinarily difficult to say with any certainty what is a cause of poverty, what is a result, and what is a perpetuating, accelerating or complicating factor. All are interconnected.

Geography

Geography is frequently a prominent theme of any issue or region examined in the World Savvy Monitor, and there is some truth to the adage that geography is destiny. LDCs are often severely compromised by their location in a multitude of ways. Many are located in harsh climates characterized

by poor quality soil, inconsistent rainfall (which causes droughts and floods), and susceptibility to tropical diseases and pests. This means agricultural potential is limited. Without expansive irrigation, food production is inadequate and people and livestock suffer from malnutrition and famine. Lack of clean water sickens and kills; communities are destroyed by natural disasters; young and old fall prey to diseases such as malaria; keeping critical economic assets such as goats and cows alive is a challenge. Subsistence living is extraordinarily difficult, and savings and investment are nearly impossible.

Beyond climate, geography can take its toll in the form of isolation. Many LDCs, especially in Africa, are landlocked without access to navigable rivers that lead to the ocean. They depend on neighboring countries, through which goods and ideas must move, to reach the world outside the continent. As Paul Collier points out, many LDCs are not only landlocked (some even double-landlocked, having to go through more than one country to reach a seaport), but are also "landlocked in bad neighborhoods." He explains that Switzerland is a landlocked country, but that it does not suffer to the extent of, say, Uganda. Switzerland's neighbors include Austria, Germany, Italy, and France – high functioning states with whom the Swiss can trade regionally and through whom the Swiss can move their goods to the rest of the world. By contrast, Uganda is surrounded by Kenya, Rwanda, Sudan, the Democratic Republic of Congo, Tanzania, and Somalia – impoverished neighbors in significant crisis themselves, and often hostile to Uganda's success or even existence.

Where a country is located determines not only its level of isolation, but can also determine its level of strategic value to wealthier nations. Pakistan and Afghanistan's serious geographic disadvantages (especially harsh mountainous regions creating isolation) are mitigated by the geo-strategic advantages conferred by their location in key corridors and in proximity to neighbors important to the West. This strategic importance is hardly a panacea, as the situations in these Central Asian nations demonstrate, but it does forces developed nations to take them into consideration, at least to a certain degree. The Central African Republic or Burundi cannot say the same.

Finally, geography determines what natural resources a country has that may be traded as commodities on world markets – oil, diamonds, copper, rubber, coltan, to name a few. However, as highlighted in the Sudan issue of the World Savvy Monitor, the existence of natural resources in an otherwise impoverished country often brings more negative than positive effects. Some of the most resource-rich countries in the world are among its poorest, as economies built on the extraction of commodities are generally not engines of growth. Resource wealth acts as what economists call external rents, and creates significant wealth for the country while eliminating the need for the government to tax and thus be responsive to its people. Resource wealth creates conditions conducive to corruption and embezzlement. In addition, the extraction of these resources is often harmful to the environment and generates opportunities for exploitation by domestic elites as well as those from the developed world. Economies based on natural resource extraction are extremely vulnerable to volatility in world commodities prices, and high commodity prices can artificially inflate the value of a country's currency. Export diversification in these countries, which generally leads to more sustainable and equitable growth, is discouraged. In addition to these factors, resource wealth substantially increases the risk of conflict, both with neighbors and within a country itself. Nigeria is a perfect case in point. Despite being one of the world's largest oil producers, it is among the world's poorest nations, with the residents of its oil-rich delta among the world's most desperate people and its citizens subject to internal conflict and violence. Sudan and the Democratic Republic of Congo are other resource-rich LDCs in which people live in extreme poverty and are subjected to near perpetual civil war.

Demography

The demography of the poorest billion only exacerbates their geographical challenges. First and foremost, many LDCs have extraordinarily high population growth rates. Women with little access to education and/or employment tend to have higher fertility rates. Families in societies where children are needed to work on subsistence farms tend to have more children, especially in places where infant and child mortality is high. Like many other factors, population growth is both a symptom and a cause of poverty. Communities quickly outgrow their arable land as their population density increases. Parcels of

land become smaller with each successive generation, as agricultural productivity becomes diminished by overuse and environmental degradation. Competition for resources becomes fierce and often erupts into conflict, as in Darfur.

Another demographic feature of LDCs is uneven population distribution. Rural communities, where many citizens reside, tend to be isolated from each other, making transportation, communication, and commerce difficult. Urban populations are disproportionately dense as people migrate to cities in search of often non-existent jobs. Resource distribution is problematic in both cases, as illustrated by both the slums and remote villages in much of the developing world. Urbanization, often cited as a positive force for modernization (by producing synergies and agglomerations of talent, capital, and skills), has been beneficial for some but usually not for the poorest citizens. Richard Florida has written a seminal article to rebut Thomas Friedman's claim that the world is flat, an analogy used by Friedman to describe how globalization is effected by the increased accessibility brought about by technological innovation. Florida instead envisions the world as being "spiky." In his view, the modern global economy has peaks, hills, and valleys. The peaks are the cities where innovation and capital combine, the hills are cities where production and capital combine, and the valleys, including rural areas and cities in LDCs are insignificant. As Florida concludes, "in terms of sheer economic horsepower and cutting edge innovation, surprisingly few regions matter in today's global economy."

Adding to the challenges of urbanization is the prediction from the UN that cities in Africa and Asia are expected to double in size between now and 2030, a result of a massive rural to urban migration. Young people are expected to spur this growth, settling in developing cities, and many in growing slums and shantytowns. One billion people currently live in slums, 90% of them in the developing world. Most experts agree that these cities are ill-equipped to handle the influx, and consequently urban poverty in LDCs is expected to become more concentrated and debilitating.

These cities are expected to reflect a larger demographic trend that often plagues LDCs: youth bulges. Developing countries tend to have a disproportionate number of citizens under the age of 30. This creates a large pool of potentially restless and unemployed youth who live in a society without sufficient employment opportunities and often with many radical groups, militias, and militaries to which young boys in particular are often drawn. In fact, expert Henrik Urdal has calculated that when the youth population of a country (as a percentage of the adult population) reaches 35%, the risk of armed conflict goes up by 150%.

A different demographic crisis for many LDCs has been brought on by the high incidence of HIV/AIDS. AIDS tends to disproportionately afflict the working age cohort of the population, who are also those that are most sexually active and those that are most likely to have children. This results in entire villages that have few young healthy workers to grow the economy and many AIDS orphans. Youth deficits and bulges are highly destabilizing for countries trying to grow their economies, increasing the pressure on already compromised health care delivery, child care, employment, and public safety.

Finally, demography is a factor when there are large numbers of different ethnic groups within a country. Diversity itself is not the liability; it is the competition for limited resources that often ensues among ethnic groups that is the problem. As has been mentioned, many LDCs are former colonies whose boundaries were often drawn without regard for the ethnic, tribal, religious, and cultural identities of their indigenous residents. When affinity groups were divided by boundaries, destabilizing interstate conflict and secessionist movements become the issue (examples include the Kurds in Turkey and Iraq, and the Pashtuns in Pakistan and Afghanistan). When too many different affinity groups were combined, civil war and conflict has often ensued. Paul Collier has made the point that when small countries (note that most LDCs are small countries) contain highly heterogeneous populations, they tend to splinter into factions, and the political process often reflects this in the form of fragmented, contentious and debilitating patronage and cronyism (as in Kenya and Rwanda). On the other hand, generalizations about ethnic diversity are hard to make – heterogeneity seems to have largely worked with regard to economic development in the United States, while homogeneity without democracy has largely worked for China.

International Relations

A country's past and present relations with its regional neighbors and other countries around the world significantly impact its prospects for development. Most LDCs are in Africa, and their history of interactions with the West is characterized by slavery, colonialism, support for Cold War dictatorships, opportunistic resource extraction, and the Global War on Terror. Many believe that LDCs are often used as a means to an end for larger Western interests, and that this results in the adoption of policies and agendas that are detrimental to LDCs' economic, political, and social development. In fact, most believe that these legacies have had a net negative effect for countries in which the poorest citizens reside. However, a great deal of debate exists about the extent to which these Western legacies are responsible for the circumstances of the world's poor, which, in turn, drives much of the debate about the extent to which the West is responsible for fixing these problem today. White guilt is a term often discussed in this context, but most experts agree that there is more than enough blame to go around, and that a portion of LDC liabilities have been homegrown.

An example of these indigenous liabilities is the significant amount of regional conflict that exists among LDCs in Africa and, to a lesser extent, in Central Asia. Many argue that the legacy of Western interference on the African continent has often been an underlying factor in many regional conflicts among LDCs, and several interstate wars have essentially been proxy wars between developed countries. Western machinations alone, however, cannot sufficiently account for the lack of regional cooperation and peace. In Africa in particular, the presence of so few ports for so many countries means that regional commercial success is dependent on harmonious trade and diplomatic relations among the LDCs in the interior and those on the coasts. Despite this, many contend that these countries are sabotaging their regional development with onerous customs duties, poor infrastructure, and outright hostility among countries and among rebel groups crossing borders. Many believe that Africa's development would be greatly enhanced by some version of regional integration such as one modeled on the European Union, comprising trade and security benefits for all member nations. It is widely acknowledged that because the EU is made up of developed nations its replication would require significant adaptation. As of yet, the African Union has not had much success in replicating this model or garnering similar benefits for its members, and other, smaller regional organizations, such as the Economic Community of West African States (ECOWAS), have likewise enjoyed limited success.

Internal Conflict and Civil War

Of all the factors contributing to world poverty, internal conflict has been enormously damaging to the development prospects of the poorest billion; the damage results from the conflicts themselves, as well as the many ways in which conflict exacerbates other factors. Again, most experts agree that war is both a cause and a symptom of extreme poverty.

Most internal conflicts among LDCs are classified as resource conflicts – conflicts that arise over the control of natural resources. They can also be the result of ethnic and historical grievances, many of which are colonial legacies, such as the Hutu-Tutsi conflict in Rwanda. Colonial powers often employed a divide and rule strategy, turning different indigenous ethnic groups against each other to prevent them from uniting against external rulers. These rivalries and hatreds outlasted the colonial era, and decades after independence, many LDCs are still reeling from the fragmentation of their societies.

The World Bank has estimated that LDCs are 15 times more likely to experience internal conflict than developed countries. According to an analysis by Paul Collier, of the 58 countries that are home to the poorest billion, a full 73% have experienced a civil war; the occurrence of one civil war is seen to double the risk for a subsequent civil war. For a disadvantaged country that is trying to grow its economy, war is particularly devastating: from the physical destruction of homes, farms, schools, and businesses, to the loss of life and the complete disruption of an already fragile society. Energies of multiple generations are diverted away from growth and to survival and reconstruction. Foreign investors are deterred by war and the perpetual risk of its resumption. Regional factions in neighboring countries often take advantage of vulnerable resources and populations. Simultaneously, refugees destabilize the region. Brookings Institution scholar Susan Rice has vividly described this phenomenon as a "doom spiral." See Lael Brainard and Derek Chollet's book, *Too Poor for Peace: Global Poverty, Conflict, and Security in the 21st Century*, for

more detail on what they have called the "poverty-insecurity nexus."

Infrastructure

Even if not affected by war, poor infrastructure in LDCs figures prominently in their impoverishment. Infrastructure is analogous to the systems that make up the human body – bones, blood, organs, and connective tissues. A society's **hard infrastructure** is made up of roads, ports, railroads, aviation, bridges, power grids, water systems, telecommunications, schools, and hospitals – everything that makes interaction among and between people and the markets possible. **Soft infrastructure** is comprised of civil society, social welfare, public safety, and judicial systems – the teachers in the schools, the political parties that drive the electoral process, the judges that decide cases, the police on the streets, and the doctors in the clinics – everything that contributes to general rule of law and provision of a decent standard of living and sense of community. Hard and soft infrastructure are intertwined and are key to ensuring access to the goods necessary for human life, whether they be domestically produced or the product of foreign aid. If food, medicine, and critical goods lack networks and transports for distribution, they lose their value.

When it is said that LDCs lack infrastructure, it means they lack the very elements that make society function smoothly, and ultimately, their people lack the ability to join together to generate pressure for reform. In countries with poor infrastructure, people are often compelled to go outside the formal sector to meet their needs. Alongside extreme poverty, black market economies frequently develop and corruption often flourishes on both a macro and micro level. Growth becomes nearly impossible because human and financial capital do not have adequate outlets. Again, this is indicative of the cyclical nature of poverty in which causes and symptoms become confounded.

Governance

Governance and infrastructure are undoubtedly interrelated, and analyzing this relationship invariably leads to questions of leadership. LDCs generally suffer from both substandard infrastructure and poor governance; this has a serious detrimental effect on the economic growth that is necessary fro development. As discussed in the Democracy edition of the World Savvy Monitor, poor governance can stem from the state being either too weak or too strong. States and leaders (autocrats or democrats) that are weak have difficulty controlling ethnic, social, and economic tensions as well as promoting pro-growth, anti-poverty policies. They are in constant jeopardy of being overthrown by war or coup, and are generally perceived as illegitimate by their people and a bad risk by the international community. Overly strong leaders pose a different set of problems, but are similarly perceived by their citizens and outsiders: as illegitimate and as an unacceptable risk, respectively. The key difference is that strong leaders can often keep order by violent and extreme means. However, this does not mean strong leaders are necessarily more effective at promoting economic growth. Strongman Robert Mugabe of Zimbabwe is seen as a despot exerting enormous control over his rapidly declining country. It is not necessarily important whether the country is an electoral democracy or not – poorly governed states are characterized by predation, corruption, cronyism, questionable protection of property rights, violations of human rights, and enormous popular resentment. Democracy only helps if it is used to further positive outcomes for a country's citizens.

With poor governance, both the public and private sectors fail to thrive, as public funds go missing, services are compromised, individuals do not feel secure in starting businesses, and outside investors stay away. Reformers are ineffective, silenced, and/or do not receive the necessary external support to challenge the status quo. Others are thought to pose as reformers in order to gain control in the future. In this vein, Robert Rotberg has written that often both the leadership and the opposition in extremely poor nations generally lack a commitment to public service, or "reverence and responsibility for the public domain."

In surveying the work of development experts, the overall consensus is that bad governance is an enormous contributor to poverty and economic stagnation. As Robert Calderisi has said, "The simplest way to explain Africa's problems is that it has never known good governance." Yet, Paul Collier, while acknowledging that bad governments can destroy economies with "alarming speed," believes that there is a limit to what good governance can do to stimulate growth among the most disadvantaged nations. He writes that good leaders and policies "cannot defy gravity" or

"generate opportunities where none exist." However, all experts do agree that the quality of governance is extremely important in determining how aid and other forms of development assistance are used.

Human and Capital Migration

Impoverished countries have negative resource flows, meaning that assets tend to flee the country rather than be drawn to it. Human migration often takes the form of a "brain drain," in which those who are most likely to reform the country and grow the economy relocate to countries where they will enjoy a higher standard of living. This has been described by many experts as a double whammy – not only does the LDC lose valuable human capital, but it also loses return on its investment in educating and training these future migrants. Developed countries exacerbate this trend, recruiting talented individuals with attractive jobs and work visas (for doctors, engineers, nurses), while denying entry to aspiring migrants with lesser skills. The LDCs are left without the very people who could contribute to its growth and mentor others to do the same.

Capital flight is another problem. Wealth, when it exists in LDCs, is often held offshore. The reasons for this are complicated, and involve culpability both among the resident elite of LDCs and the international banking institutions that facilitate these capital flows. As James Henry points out in his book, *The Blood Bankers: Tales from the Global Underground Economy*, elites in LDCs often accumulated vast fortunes simultaneous with their countries taking on enormous amounts of debt in the form of loans from the IMF and World Bank. In addition to the embezzlement and corruption that often followed these loans, loan stipulations often required economic policy reforms, such as the privatization of state assets. These privatization schemes were often exploited by resident elites to further consolidate their wealth. Moreover, the loans were often accompanied by money for special "development projects," many of which were wasteful and manipulated by these elites for their own economic gain.

These wealthy few not only benefited disproportionately from loans intended for development, but also often took advantage of tax havens provided by offshore banking to move this wealth out of the country and into developed nations' private banks. In his book, Henry relates the results of research conducted by the Sag Harbor Group showing that "at least half of the funds borrowed by the largest debtor countries flowed right out the back door, usually the same year or even the same month that the loans arrived. For the developing world, this amounted to a huge Marshall Plan in reverse." Henry estimates that by the late 1990s, the market value of private wealth held offshore by a small group of resident elites in LDCs neared $1.5 trillion.

Not only was this wealth earning investment income that flowed in part to banks in the developed world, but it was also being carried as a liability for LDCs – these were loans that, theoretically, needed to be serviced and repaid to the developed nations that initially loaned them. All this was occurring as extreme poverty devastated the majority of the population in these LDCs. The legacy of this "global bleed-out," as Henry describes it, accounts for a significant portion of the dire economic conditions in which LDCs find themselves today. Furthermore, this capital flight continues to occur today, both legally and illegally. Often, resident elites seek better returns on legitimately gained wealth by placing it in the markets of more economically prosperous and stable countries. In other instances, corruption and embezzlement continue to account for capital outflows. Many experts believe that the developed world remains somewhat complicit with its lack of banking regulations regarding offshore accounts.

Another way that wealthy countries are held responsible for this capital flight is in the lack of enforcement of anti-bribery statutes in regard to awarding contracts in LDCs. Payouts to resident elites in LDCs by multinational corporations and government contractors sometimes never even make it into the LDC, instead flowing directly into offshore accounts in the developed world. For example, as recently as several years ago, Pulitzer Prize winning Nigerian journalist Dele Olojede reported, "Congressional investigators found that ExxonMobil secretly deposited more than $700 million in the personal accounts of the president of Equatorial Guinea. These deposits, which could not adequately be explained as anything other than corruption, never led to any ExxonMobil executives being tried for contravening US law."

Structural Inequality Within the Country

LDCs generally exhibit high levels of domestic, economic, and political inequality. A recent report by the Political Science Association notes that inequality, per se, is not

always debilitating. At low levels, it can be associated with growth as it increases incentives for productivity, and investment by elites can produce an expansion that could theoretically be the rising tide that lifts all boats. However, at high levels such as those seen in most poor countries, the report notes that extreme inequality actually reduces "incentives for those at the bottom of the social hierarchy, eroding social solidarity, magnifying social tensions, making property rights more insecure, and impeding the efficient operation of labor, capital, and property markets."

Huge gaps between the rich and poor in developing countries are also seen as huge impediments to macroeconomic growth because these countries lack a crucial middle class. Economists and political scientists have long recognized the value of the middle class as an engine of growth and stability. Peter Marber's seminal article "Globalization and its Contents" summarizes numerous World Bank studies that show that a strong middle class "is associated with increased national income and growth, improved health, better infrastructure, sounder economic policies, less instability and civil war, and more social modernization and democracy," as well as with "gender equality, greater voter participation, income equality, greater concern for the environment, and more transparency in the business and political arenas." These things are precisely what most LDCs lack. Again, it is a cycle or trap – LDCs tend to have greater income inequality and thus a smaller middle class; the smaller the middle class, the less developed the country.

World Bank researcher Vijayendra Rao raises an interesting point in distinguishing the inequality trap from the larger poverty trap, writing, "if a poverty trap describes a situation where 'the poor are poor because the poor are poor,' an inequality trap would say that 'the poor are poor because the rich are rich.'" The power and social status conferred upon the wealthy protects them from downward mobility and prevents the poor from gaining access. Addressing inequality traps is about more than providing more money; it speaks to the need to reform the larger infrastructure and norms of a society.

Summary: Failing and Failed States

All of the factors described above are both causes and symptoms of extreme poverty: all mutually reinforce and/or exacerbate the others. They all directly contribute to poverty, prevent growth, and diminish the effectiveness of outside development assistance. Most of the poorest are caught in at least one, and usually many, of these cycles or traps, and are said to reside in what are called failing or failed states. *Foreign Policy* annually ranks the world's countries according to a Failed State Index based on 12 measures of political, economic, military, and social insecurity. These factors are:

- Demographic pressures;
- Refugees and internally displaced persons;
- Group grievance;
- Human flight;
- Uneven economic development;
- Economic decline;
- Delegitimization of the state;
- Public services;
- Human rights;
- Security apparatus;
- Factionalized elites; and
- External intervention.

A list of the top 20 countries provides a further sense of where many of the poorest live: Somalia, Sudan, Zimbabwe, Chad, Iraq, Democratic Republic of the Congo, Afghanistan, Ivory Coast, Pakistan, Central African Republic, Guinea, Bangladesh, Burma, Haiti, North Korea, Uganda, Ethiopia, Lebanon, Nigeria, and Sri Lanka (See the July/August 2008 edition for the latest rankings). In research conducted using World Bank data, Paul Collier and Lisa Chauvet were able to conclude that a full three-quarters of the world's poor live in failing or failed states, and that the probability of any such country sustaining a turnaround in any given year is only 1.6%. From this, they predicted that the average length of time it takes to rise from the status of failing state is 59 years.

Urgency Posed by Globalization

Put simply, these countries do not have 59 years to turnaround their failing conditions. The crux of the development challenge in today's era of globalization is that economic evolutionary time has been compressed. At the risk of oversimplification, it may be said that what it took the West nearly 300 years to do, China did in a mere

30 years. Rapid industrialization, modernization, and the diversification of exports are all prominent factors, and the LDCs are so far behind, many worry they have lost the chance to catch up. Ironically, the success of their former brethren in the developing community, the BRICs (Brazil, Russia, India, China, and others), has worsened prospects that they will be able to make similar progress.

Experts theorize that the first step on the ladder of economic growth is the export of simple processed goods – agricultural and industrial, usually textiles. This bottom rung is now almost completely locked up by China and India. Even if they could escape the traps listed above, and even in the absence of Western protectionist trade policies (see International Trade Policy section), the nascent economies of the poorest countries are generally not seen as able to compete with the prices and productivity of China and India. Most believe this gap will only widen as Asian economies continue to expand and attract further foreign direct investment. As Collier poignantly notes when he writes that the bottom billion "have missed the boat," it will be decades before the BRICs' prices will reach the point where it will make sense to outsource labor-intensive production to places like Africa. By this point, it may be too late for the populations of the LDCs.

Furthermore, the fact that globalization facilitates not only the transport of goods, money, and ideas, but also weapons, disease, radical ideologies, climate degradation, and terrorism, poses a significant threat to the rest of the world. The developed and truly developing countries of the world are becoming increasingly cognizant of the fact that leaving behind countries that are failing to develop, or are even regressing, is not only immoral, but dangerous to the global community and to global security. Moreover, globalization makes it more possible than ever for the poorest billion to see how the other 5 billion live, through media and the internet. Resentment builds in pace with the ever-widening gap, and dangerous polarization is accelerated. Demoralization and pessimism are reinforced.

The Playing Field

There are many who take issue with Thomas Friedman's proclamation that the world is flat. Economist Joseph Stiglitz is among others who believe that the playing field is far from leveled today. In fact, they believe it is currently heavily tilted in favor of developed countries in the way in which the globalized marketplace functions (see International Trade Policy section), and that this figures heavily in the dismal prospects for the ability of the poorest to catch up. Interestingly, the National Bureau of Research recently conducted a study that shows the playing field has never been level. Researchers Digeo Comin, William Easterly, and Erik Gong found that the technological sophistication of ancient societies is strongly correlated with their current levels of economic success today. Technology in its rudimentary forms from 1000BC to 1500AD took the form of writing, use of draft animals, metalwork, ships, printing, and the compass. The research shows that the regions that had adopted all of these innovations by 1500AD now have a per capita income 18 times greater than those that had not begun to modernize by in the 16th Century. Even controlling for confounding factors such as colonialism, the team posits that 75% of Africa's income lag relative to Europe today is related statistically to the technology lag that existed in 1500.

What is being done to bring the world's poorest and most desperate populations into the functioning world economy and help provide for their most basic needs? The sections that follow describe and evaluate the various tools in the toolbox of the developed world to do just this. The overall theme is that poverty is about more than impoverishment (all societies were poor at one time in history, even the United States) – it is about failure to grow. It is generally agreed that the "solutions" must address the concept of development, not just humanitarian relief, although providing a minimum standard of living while working on long-term, macro growth strategies is necessary.

Development is about building capacity in all sectors of society in the LDCs; at the same time, development is about managing the incentives and interests of all the world's 6 billion inhabitants. The debates within the development community are intense – for every instrument there is disagreement about magnitude, effectiveness, efficiency, unintended consequences, level of local input and involvement, and transformative potential. Yet, it is important to remember the concept of the cycles and traps discussed above – it is generally agreed that no one type of development assistance can provide the "solution" the world seeks; rather multiple arsenals must be brought together address the intractability of global poverty.

The Millennium Development Goals

The Millennium Development Goals (MDGs) are a set of eight key objectives related to development that provide a comprehensive framework through which to address the most pressing issues of poverty. The Millennium Declaration was signed in 2000 by 189 of the world's leaders; it established 2015 as the deadline by which the MDGs should be achieved.

To date, there have been mixed results in progress toward the achievement of these goals. The most obvious success has been the significant reduction of people living in extreme poverty: between 1990 and 2004, the proportion fell from nearly a third to less than one fifth. However, results have not been enjoyed equally throughout the world; while sub-Saharan Africa is not on track to meet any of the targets set, significant economic growth in Asia, and particularly Eastern Asia, has led to marked progress toward achieving many of the goals overall. (Visit http://www.un.org/millenniumgoals/, Path: Reports; 2008 Progress Chart, for a summary of progress toward each goal by region.)

Official Development Assistance (ODA) is a key component to successfully achieving the objectives laid out by the MDGs. Despite this and a pledge by developed countries to allocate 0.7% of their gross national income to ODA by 2015, UN Secretary General Ban Ki-moon noted in 2007, "the lack of any significant increase in official development assistance since 2004." Currently, OECD countries donate an average of one-third of one percent of their incomes, roughly 1 cent for every $3 dollars. This stagnation in giving is especially concerning in light of the recent financial crisis. At his opening address to the UN General Assembly in September 2008, Ban warned, "The global financial crisis endangers all our work – financing for development, social spending in rich nations and poor, the Millennium Development Goals."

Based on the 2007 Millennium Development Goals Report, the following is a summary of the eight different goals agreed upon, progress that has been achieved, and the challenges that will be faced going forward.

GOALS

1) Eradicate extreme poverty and hunger

Targets:

- Halve, between 1990 and 2015, the proportion of people whose income is less than $1 a day; and
- Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Progress:

Extreme poverty:

- Worldwide, the proportion of people living in extreme poverty fell from nearly a third in 1990 to 19% in 2004. If this trend continues, the MDG target of halving those living on less than $1 a day should be met.
- Progress toward this goal has been unequal throughout the world, though, and much of the reduction in poverty can be attributed to economic

gains in Asia, and particularly East and Southeast Asia.

- Sub-Saharan Africa remains the poorest region, but the number of people living on less than $1 a day is beginning to level off; the proportion of people living in extreme poverty fell from 46.8% in 1990 to 41.1% in 2004.
- Economic growth in the developing world has not been distributed equally: between 1990 and 2004, the share of national consumption by the poorest fifth of the population in developing regions decreased from 4.6% to 3.9%. This trend is especially apparent in East Asia, where there have been significant increases in disparities; sub-Saharan Africa, Latin America, and the Caribbean remain the regions exhibiting the greatest degree of inequality.

Hunger:

- From 1990-2004, the proportion of children under five who are underweight decreased by one-fifth across the world.
- Largely in part to nutritional advances in China, East Asia has surpassed the MDG target, and the Middle East, Latin America, and the Caribbean have also made significant progress toward this goal.
- The goal of halving the number of people suffering from hunger is unlikely to be met globally unless better progress is made in South Asia and Sub-Saharan Africa.

2) Achieve universal primary education

Target:

- Ensure that by 2015 children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Progress:

- Net enrollment in primary education in the developing world increased from 80% in 1990/1 to 88% in 2004/5; two thirds of this increase occurred after 1999.
- Sub-Saharan Africa has the lowest rates of enrollment, at 70%, but has made significant progress since 1999.
- Girls, children from poor families, and children from rural families are the least likely to be enrolled in primary school. Of primary school age children not in school in 2005, 57% were girls; a third of primary school age children in rural areas of the developing world were not in school, while 18% in urban areas were not in school.
- It should be noted that in conflict and post-conflict situations, official data is not usually available; if this data were available for global estimates, it would likely have a significant downward effect on rates.

3) Promote gender equality and empower women

Target:

- Eliminate gender disparity in primary and secondary education preferably by 2005, and in all levels of education no later than 2015.

Progress:

- Worldwide, over 60% of unpaid family workers are women; women in rural areas are especially likely to be unpaid.
- There have been small gains in female participation in paid, non-agricultural employment. South Asia, Western Asia, and Oceania, regions where women have low participation rates in the labor market, have made the greatest gains; rates in North Africa, another region with very low participation, remained mostly static.
- Female political participation is gradually growing. As of January 2007, women represented 17% of single and lower houses of parliament, compared to 13% in 1990; there were only 19 countries with at least 30% female representation.

4) Reduce child mortality

Target:

- Reduce by two thirds, between 1990 and 2015, the under-five mortality rate.

Progress:

- In 2005, it is estimated that 10.1 million children died before reaching the age of five.
- Child mortality rates have been declining, though progress has been uneven; rates are highest in sub-Saharan Africa, South Asia, Commonwealth of Independent States (CIS) nations in Asia, and in Oceania.

- In most countries with a substantial reduction in under-five mortality rates, the largest changes occurred within the richest 40% of households, in urban areas, or within families in which mothers had at least some education.
- Where progress has been limited, AIDS is likely to be a significant factor; malaria, war, and conflict are also major contributing factors to high rates.
- Deaths from measles dropped by over 60% between 2000 and 2005 due in large part to improved immunization coverage; immunization campaigns (most notably, the international Measles Initiative) have successfully been used to deliver other needed public health services such as mosquito nets, de-worming medicine, and vitamin A supplements.

5) Improve maternal health

Target:

- Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.

Progress:

- Each year, over 500,000 women die from treatable or preventable complications of pregnancy and childbirth.
- The odds that over the course of her lifetime, a woman will die from these causes in sub-Saharan Africa are 1 in 16, compared with 1 in 3,800 in the developed world.
- Causes of maternal death vary widely. In Africa and Asia, hemorrhage is the leading cause; in Latin America and the Caribbean, hypertensive disorders during pregnancy and childbirth are the leading causes. In Asia anemia is a significant factor, while in Africa, HIV/AIDS is often a contributing factor.
- The regions with the lowest proportions of skilled health attendants at birth are South Asia and sub-Saharan Africa; urban women are more likely than their rural counterparts to have their births attended by skilled health care personnel.
- Every region has made progress toward ensuring that every woman receives antenatal care at least once during every pregnancy; however, four antenatal visits during pregnancy are recommended and there has been less success in meeting this rate.
- Contraceptive use has risen from 55% in 1990 to 64% in 2005; rates in sub-Saharan Africa remain low, at 21%.
- High adolescent birth rates have not been significantly reduced.

6) Combat HIV/AIDS, malaria, and other diseases

Targets:

- By 2015, have halted and begun to reverse the spread of HIV/AIDS; and
- By 2015, have halted and begun to reverse the incidence of malaria and other major diseases.

Progress:

HIV/AIDS:

- In 2006, it was estimated that 39.5 million people were living with HIV and that 4.3 million people had been newly infected that year; the number of people dying from AIDS has increased from 2.2 million in 2001 to 2.9 million in 2006.
- Causes of transmission vary by region: in CIS countries, non-sterile injecting drug equipment is the main mode of transmission, and in sub-Saharan Africa, this mode of transmission is increasing; in South and Southeast Asia, unprotected sex with sex workers is the primary mode of transmission; in some Asian countries, there have also been recent outbreaks among men who have sex with men.
- Recently, there has been a notable 'feminization' of the HIV epidemic as a result of power imbalances between men and women, and as of 2006, women comprised 48% of those living with HIV. This is stark contrast to the beginning years of the epidemic when the majority of those infected were male.
- Access to antiretroviral therapy remains limited in the developing world. In developing regions, only 28% of the estimated 7.1 million people in need have access, and in sub-Saharan Africa, only about a quarter of an estimated 4.8 million are receiving the therapy.
- Prevention measures are not keeping pace with the spread of HIV. In sub-Saharan Africa, less than a third of young men and just over a fifth of young women

demonstrated a comprehensive and correct knowledge of the disease. In 2005, only 11% of pregnant women in low- and middle-income countries who were HIV-positive were receiving services to prevent the transmission of the virus to their newborns.

- In 2005, it was estimated that 15.2 million children had lost one or both parents to AIDS; of these, 80% were in sub-Saharan Africa.

Malaria:

- Due to recent increased attention and funding, key interventions to control malaria have been expanded.
- Despite this, only a few countries came close to the 2005 target of 60% coverage by insecticide-treated bed nets (ITNs) that was set at the African Summit on Roll Back Malaria in 2000; a new goal of 80% coverage by ITNs has been set for 2010.
- Only 5% of children under five in sub-Saharan Africa sleep under ITNs; children in urban areas are 2.5 times as likely as rural children to sleep under a bed net.
- Chloroquine is still widely used to treat malaria, though there is widespread resistance to this drug.
- Of the $3 billion that is estimated to be needed to fight malaria, only $600 million was available as of 2004.

Tuberculosis:

- In most regions, the incidence of tuberculosis has stabilized and begun to fall, meeting the MDG goal.
- However, it is unlikely that the new target set by the Stop TB Partnership to halve prevalence and death rates by 2015 will be met.

7) Ensure environmental sustainability

Targets:

- Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources;
- Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation; and
- To improve the lives of at least 100 million slum dwellers by 2020.

Progress:

Sustainable development and reversal of the loss of environmental resources:

- Since the 1990s, every region has exceeded its commitments under the Montreal Protocol of 1989, which called for the phasing out of substances believed to be responsible for ozone depletion.
- Between 18% and 25% of greenhouse gas emissions each year are associated with deforestation, and from 1990-2005, the world lost 3% of its forests, primarily due to the conversion of forests to agricultural land in developing nations; forested areas totaling about 200 square kilometers – an area twice the size of Paris – are being lost every day.
- Despite conservation efforts, biodiversity continues to decline, both on land and in seas; at present, only 22% of the world's fisheries are sustainable.
- Emissions in Southeast Asia and North Africa more than doubled between 1990 and 2004.
- In 2004, developed regions accounted for about 12 tons of CO_2 emissions per person; the emissions of an individual in sub-Saharan Africa account for less than one tenth of the CO_2 emissions of an average person in the developed world.
- The use of renewable energies has increased greatly, but still only accounts for 0.5% of total energy consumption.

Access to safe drinking water and basic sanitation:

- To meet the MDG goal of halving those without access to improved sanitation, an estimated 1.6 billion people will need access to improved sanitation by 2015; trends indicate that the target is likely to missed by 600 million people.
- East and Southeast Asia, Western Asia, North Africa, and Latin America and the Caribbean are the only regions on track to meet sanitation targets.
- Poor sanitation and lack of safe drinking water contribute to about 88% of deaths of children under five that are due to diarrheal diseases.

Quality of life of slum dwellers:

- Nearly half of the world's population live in cities now. In 2005, one out of three urban dwellers was living in slum conditions (as defined by lacking at least one of the basic conditions of decent housing: adequate sanitation, improved water supply, durable housing or adequate living space).
- In Chad, the Central African Republic and Ethiopia, four out of five urban dwellers live in slums.

8) Develop a global partnership for development

Targets:

- Address the special needs of the least developed countries, landlocked countries and small island developing states;
- Develop further an open, rule-based, predictable, non-discriminatory trading and financial system;
- Deal comprehensively with developing countries' debt;
- In cooperation with developing countries, develop and implement strategies for decent and productive work for youth; and
- In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Progress:

- In 2005, aid rose to a record $106.8 billion, though this was due largely to debt relief operations, especially in Iraq and Nigeria; once debt relief to these two nations fell in 2006, the overall figure dropped to $103.9 billion. This latter number is equivalent to 0.3% of developed countries' combined national income.
- In real terms, the drop from 2005 to 2006 represented 5.1% and was the first decline in official development aid since 1997.

The least developed countries (LDCs):

- Aid to LDCs has essentially stagnated since 2003.
- Donor nations pledged to double aid to Africa by 2010 at the summit of the Group of 8 industrialized nations in 2005. Despite this, when debt relief to Nigeria is excluded, aid to sub-Saharan Africa only increased by 2% between 2005 and 2006.

Trading and financial systems:

- Developed countries, as a part of a 2001 meeting in Doha, agreed in 2005 to eliminate duties and quotas on most imports from LDCs.
- Despite this, in 2005, the share of goods entering developed country markets duty-free was unchanged from the year before.
- It is argued that improving the market for LDCs needs to be complemented by a significant program of Aid for Trade; despite this, between 2001 and 2005, the proportion of official aid going to trade-related technical assistance and capacity-building has declined 4.4% to 3.5%.

Developing countries' debt:

- The Highly Indebted Poor Country (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI) are the two main programs through which countries are being relieved of debt; between these two initiatives, the debt stock of HIPC countries is expected to be reduced by 90%.
- As of April 2007, 22 of the 40 HIPC countries had fulfilled all conditions of the MDRI and been granted debt relief, while eight had completed the first stage of the process and received debt relief on a provisional basis; the remaining 10 countries have received commitments of debt relief.
- There are still 11 countries that are potentially eligible for debt relief under the HIPC Initiative, but as a result of conflict, poor governance, or arrears in payment, they have not taken the steps to capitalize on the Initiative.

Decent and productive work for youth:

- In 2006, the youth unemployment rate was 13.6%, as compared with the adult unemployment rate of 4.4%.
- From 1996 to 2006, the number of jobless youth has risen from 74 million to 86 million.
- Youth bulges in demographics, especially in the developing world, make finding solutions to this problem even more urgent.

New technologies, with an emphasis on information and communications technologies:

- The number of mobile phone subscribers rose dramatically, from 11 million in 1990 to 2.2 billion in 2005. Mobile phone connections are especially important in nations with few fixed telephone lines; in almost every African nation, there are more mobile than fixed telephone subscribers.
- In 2005, just over 15% of the world's population was using the Internet, though access is distributed unequally, with over half the population in developed regions using the Internet, compared with only 9% in developing regions and 1% in the 50 least developed countries.

For more information, visit the United Nations Millennium Development Goals web site at http://www.un.org/millenniumgoals/.

Tools in the Development Assistance Toolbox:

Development Aid
Economic Policy and Governance Reform
International Trade Policy
Foreign Direct Investment
Microfinance
Conflict Prevention and Military Intervention
Climate Change Mitigation

Development Aid

> "It is difficult to draw a line between what is important and almost important, between the root causes and the exacerbating factors of poverty. As a result, aid programs have been stretched across too many countries and activities, watering weeds as well as flowers, giving false hope to some and inadequate support to others."
>
> Robert Calderisi, former World Bank Official

The most high profile tool in the toolbox, and also the most contentious, is aid – a simple term that requires a great deal of unpacking. There is much confusion in the world about what aid is and what it is not. Furthermore, there is much rancor within the development community about how much and what type of aid should be given, and from whom, to whom, and how effectiveness can be maximized to generate the most growth in LDCs.

Beyond the realm of technical economic definitions, and the many ways of parsing the term, aid can be thought about in terms of the deficits it is attempting to redress. In a high functioning, developed country such as the United States, the government exists to provide for the common good and for each individual, whether rich or poor. The list of goods and services provided is astounding: maintaining roads; running public schools; providing social welfare support and health care to the poor; regulating air traffic; monitoring banking and investment transactions; maintaining quality standards for food, water, drugs, and consumer goods; providing for public safety; operating the military and fighting wars; putting out fires; preserving natural spaces; and the list goes on and on.

Some argue about the government's effectiveness in handling these tasks or to what extent it should even be involved in such tasks, but the key point is that the government has the capacity to provide such services for its citizens. It is able to do this because it collects tax revenue, makes investments, and/or borrows money to create a large pool of funds to cover both the routine and emergency costs of running the country. It delivers public goods through a myriad of civil servants, government employees, consultants, and private-sector contractors.

In addition, the private sector (for-profit and not-for-profit institutions) also provides goods and services in a high functioning developed country. Such services include banking, insurance, legal services, medical care, telecommunications, construction, and the procurement and distribution/sale of goods and products of all kinds. These are delivered through large corporations, small and medium businesses, independent contractors, and non-governmental institutions – often in coordination with, or under, some regulation by the state through licensing and other mechanisms. The sheer complexity of how people get their needs met by the public and private sectors is astonishing.

By contrast, an extremely impoverished country that is a failed or failing state generally has neither the money, nor the capacity, to perform these functions. The government

cannot provide for the people, and the people cannot provide for themselves through a market system. *Put simply, aid is what is given by outsiders to replace these funds, create this capacity, and deliver these public and private goods.* It is designed to both meet people's immediate needs and to provide the conditions for economic growth so that the country can develop the capacity to blend public and private mechanisms for meeting its needs on its own. The overarching challenge is matching the supply of resources (money, expertise, projects, services) provided by the developed world to the demands on the ground in the developing world.

Where the Aid Comes From

Public Sources

Much aid is public, passing from government to government, and donated directly by an individual country (bilateral aid, also known as Official Development Assistance or ODA). Traditional bilateral donors are the countries of the Organization for Economic Cooperation and Development (OECD), more specifically the 22 nations that make up the Development Assistance Committee (DAC). (See the Commitment to Development Index section of this issue for a further breakdown on giving by these countries.) The Brookings Institution estimates that, over the last few years, DAC member countries have donated a rough total of $100 billion annually to developing counties, up from $41 billion in 1974 and $63.8 billion in 2001. No individual member of the DAC donates more than 1% of its Gross National Income (GNI), and in 2007, the levels of giving ranged from a high of .94% in Norway to a low of .15% in Japan. The US is the largest traditional donor in absolute dollars, but ranks 19th in terms of percentage of giving ability. Since 2001, DAC countries have repeatedly pledged to increase their ODA to .7% (seven-tenths of one percent), yet as a whole, they have not done so.

It is important to note that a good portion of public foreign aid doesn't even go to LDCs, but rather to middle and even high-income countries considered strategically important for donor countries. For example, Israel and Egypt are among the largest recipients of US foreign aid.

In recent years, the development community has been joined by new bilateral donors, some of which are former recipients of aid themselves. These include China, Russia, Brazil, Turkey, India, and Saudi Arabia. Brookings estimates that there are now 29 non-DAC countries in the game; collectively they gave a rough total of $8 billion in aid in 2005.

Public aid is also given multilaterally, through pooled funds from many different donor countries facilitated by International Finance Institutions (IFIs), such as the World Bank, the International Monetary Fund (IMF), and through regional development banks. The United Nations also runs an International Development Assistance program funded by member nations. Some feel that multilateral channels are more effective and efficient in the delivery of public money because they reduce the number of bilateral players and agendas, and theoretically direct funds with more potential for impact. Think of the class gift – it is generally better appreciated by the teacher if funds are pooled for a larger, more useful gift than disbursed individually in the form of coffee cups and candy.

Debt Relief

Public aid can also take the form of debt relief, or the cancellation of loan and interest payments owed by LDCs to developed countries, usually from loans made by the World Bank and IMF, and by bilateral donors as part of Structural Adjustment Programs (see the Economic Policy and Governance Reform section) in the latter part of the 20th Century. Other types of loans are covered as well, including ill-conceived ones made for strategic reasons to Cold War allies in what was then called the Third World, and better-conceived loans for general development assistance made since. Debt relief has been granted by much of the OECD, the World Bank, and the IMF to Heavily Indebted Poor Countries (HIPCs) in large sums, beginning in the 1980s; it is one of the least controversial types of aid.

Unlike other types of aid, debt relief has little opposition – it sounds good, and has been embraced by many celebrities and the faith-based community. There are few that, in good conscience, would argue that extremely impoverished countries should be paying interest on loans made to former despots who are no longer in power, or that they should be paying this debt to rich countries while their own populations starve. It speaks to the goal of self-sufficiency by encouraging poor nations to use those funds to instead contribute to their own development. Clearing the books

also lowers the risk rating of HIPCs, qualifying them for new loans that can be used more effectively, and also making them more attractive to foreign investors. In theory, the money that would have been used to service bad loans can be invested in the economy to, in turn, attract foreign investment, and create markets for goods from developed countries. It is a win-win situation on the surface.

However, many experts point out that things are rarely so simple. First, most forgiven debts were not actually being serviced, so there is little transfer of real resources to the HIPCs. To the extent that some countries were servicing this debt, there is also no real guarantee that those newly freed up funds will, or can be, used effectively for domestic development purposes; in fact, there is no way for the international community to even track what happens with that money. Furthermore, as William Easterly and others have pointed out, current HIPC debt relief programs are inherently unfair because not everyone qualifies. Ironically, the worse the country did using the original loan (i.e. the poorer the country still is, despite the original loans), the generally better chance that the debt will be forgiven. Countries such as Bangladesh and India, whom many agree put past loans to good use in producing growth, do not qualify for debt forgiveness and must continue to service their loans. In addition, while it is true that HIPCs who have had debts forgiven are considered "cleaner" for the purpose of future loans, the prospects of these new loans being paid back are far from certain. In fact, as Easterly has pointed out, for many HIPCs, debt forgiveness is a wash or worse. The 41 nations of the HIPC community borrowed new money in the amount of $41 billion during the same period (1989-1997) in which they were forgiven past loans in the amount of $33 billion. Many see this as a vicious cycle: bad debt is forgiven so that new bad debt can be taken on.

Although it seems reasonable and morally correct to make debt relief a priority, sometimes lender countries obtain credit for canceling payments they were never going to receive anyway. To make matters worse, in some experts' eyes, debt relief is often counted as aid in ODA totals, inflating the generosity of a donor country's bottom line without costing a cent. That means there is less real money for new loans, and countries outside the HIPC community, who may well have put their original loans to better use, suffer under their own continuing debt service while the money available for new loans shrinks. Debt relief is said, however, to have some value politically. It is often easier to normalize relations between donor and debtor nations once the books have been cleared, and often this normalization can confer numerous benefits on the LDCs/HIPCs in the form of improved trade relations and/or political support in multilateral institutions such as the UN.

Private Sources

Private sources of development assistance funds are significant as well, and are growing. As Jane Nelson has noted, in 1970, 70% of resource flows from the US to developing countries came from public ODA. Today, private funds from American citizens, residents, and companies comprise 80% of resource flows to LDCs. Some of these are philanthropic funds provided by traditional foundations, high net-worth individuals, corporate giving programs, and individual donors. Old guard donors, such as Ford and Rockefeller, have now been joined by names such as Gates, Skoll, Soros, and Case. Philanthropists have become more prolific in the past decade, and more innovative with their generosity, partnering with the public sector and interacting with individual entrepreneurs in LDCs. Much private aid is also channeled through donations to Non-Governmental Organizations (NGOs) – large and small charities that range from Oxfam and Save the Children to internet-based and faith-based charities. Brookings estimates that private giving for development aid in the US alone reached $33 billion dollars in 2005. This does not even fully account for funds and goods that are donated through corporate social responsibility programs such as (PRODUCT)RED™ and others, or remittances to LDCs from migrants working abroad.

Mixed Funding Streams

It is important to note that many development initiatives are funded by a hybrid of all of the above donor sources. In practice, it is extraordinarily difficult to disaggregate aid. All three types of donors – bilateral, multilateral, and private – tend to combine and leverage their funds at some point along the way, whether it is intentionally conceived in a comprehensive public/private initiative, or whether this blurring lies in the reality of the paychecks, procurements, and activities on the ground. Not surprisingly, this

complexity is at the center of many of the debates over how aid is used and not used effectively to further economic development among the LDCs. A key takeaway is that, while international development aid was once the purview of a small set of countries and major foundations, there are many more players today, disbursing up to $150 billion dollars a year. The challenge, in the words of Lael Brainard and Vinca LaFleur, is seeing to it that all of these resources "add up to more than the sum of their parts" to achieve real economic growth for the poorest countries.

How Are Aid Funds Typically Used?

Just as the categories describing where aid comes from are typically blurred, so are the categories describing how aid is used. These distinctions can be highly technocratic and vary depending on which categories are used and how they are combined. Aid can be in the form of cash given directly to the government of an LDC; this is known as budget support. Budget support generally is in the form of unrestricted funds that take the place of the tax and investment revenue the government does not have. Budget support can also be in the form of restricted funds infused into the budget of the recipient country, but earmarked for specific goals. Oftentimes, public and private aid is not in the form of cash, but rather in the form of special projects or the provision of services – the building of a bridge or airport, or the delivery of health or education services. These programs can be in coordination with the recipient country government, or they can be delivered to the people directly. While the services may be paid for by the donor country or institution, they are implemented by contracting with in-country residents, the staff of non-governmental organizations (NGOs), and private companies. As stated above, most aid efforts utilize a hybrid of all these strategies and channels; again, this complexity often leads to unclear accountability channels.

The budget for any given aid program inevitably includes things that donors and recipients don't really consider aid in its truest form – these costs vary from administrative costs to the use of technical assistants, experts, and consultants in the donor country or institution as well as on the ground. Brookings Institution scholar Homi Kharas has analyzed the expenditures of various official and private aid programs, and found that the actual amount of money, projects, and services for LDCs often amounts to less than half of the total figure given by donors. It is important to note that Kharas excludes emergency and food aid from these figures, since these tend to be short-term humanitarian-oriented endeavors, not long-term development assistance. He also removes debt relief from the calculation, because most foreign debt owed by LDCs is not being repaid anyway and thus represents no real transfer of resources. His calculations, taken from OECD data, are sobering: $38.4 billion of $104 billion in ODA from DAC members went into money, projects, and services in 2005.

The Center for Global Development's (CGD) research reveals the same trend. The CGD has reported that typical Western ODA figures should be discounted by 61% to reflect real aid to recipients (meaning that an average of 40 cents of each ODA dollar is seen as actually reaching those in need). Jeffrey Sachs has reached similar conclusions. Break-downs such as these are not available for private donor funds and would certainly vary among specific budgets and donors, but there are some who suspect that the proportions would be similar.

Several notes of caution are important in digesting these and other statistics. First, numbers are mutable and often political in the realm of development assistance. Many other sets of figures and calculations exist; it is difficult to generalize over a wide variety of projects involving an ever-shifting array of public and private players in a wide variety of recipient countries. The Brookings Institution numbers provide a sense of the complexity involved in evaluating the use of aid, but they are not necessarily representative of all initiatives. Even within the DAC, some types of non-development aid are included in reporting, while in others they are not.

Second, it is important to note that overhead is not always indicative of funds misspent. If you believe that more aid should reach the people who need it on the ground, to fund things they need most in an efficient and cost-effective manner, then you must concede that what is needed are good planning mechanisms, monitoring, oversight, and accountability. These require administrative overhead. These factors add just one more complicating factor to the debate over how aid is administered.

General Approaches to Distributing Aid

One way of distinguishing approaches to the delivery of aid is to consider the manner in which they are conceived. Traditionally, macro or "top-down" approaches tend to be highly technocratic, designed by development economists based on what former World Bank economist Jeffrey Sachs has called a "clinical" diagnosis, not unlike that delivered by a physician. Needs are identified and plans are developed; the LDC receives a comprehensive portfolio of aid in the form of funds, projects, and services delivered by an array of players in the development community. The goal is to jumpstart economies and societies into productivity through structural and policy reforms in concert with massive infusions of budget support, projects, and services. Evaluation, monitoring and mid-course adjustments tend to be the purview of the experts and planners; levels of input and participation from local beneficiaries vary. The best example of macro approaches are Poverty Reductions Strategy Papers (PRSPs), which are developed for countries who receive aid. The PRSPs of individual countries may be viewed on-line through the World Bank and other sites.

Micro or "bottom-up" approaches are traditionally more modest, incremental, and specialized. They address distinct needs that are, according to development economist Amartya Sen, often seen as convertible to market demands to be met by local innovators who are given training and capacity-building to solve problems at the grass-roots level. William Easterly, a former World Bank economist who embraces the micro approach, has deemed followers of this approach, "searchers," and derides the proponents of the Jeffrey Sachs' macro approach "planners." Among Easterly's concerns with the macro approach is that it is patronizing to the recipient country. First, it is patronizing to assume first that external donors and experts can "fix" the very complicated myriad of structural and logistical "problems" plaguing an LDC; furthermore, it is patronizing to assume that this can be done in a culturally-sensitive and effective way on the ground by technocrats from developed countries. Easterly generally believes that planners (or "utopianists") overpromise and under-deliver, and, in the process, miss opportunities to empower local reformers and entrepreneurs to design home-grown solutions. By contrast, he believes specialized micro approaches that usually seek to facilitate the workings of the market, not the good intentions of the donor community, are easier to implement, evaluate, and correct. The debate between the Sachs and Easterly camps has long been an anchor of the international aid dialogue (see Sachs' *The End of Poverty: Economic Possibilities for our Time* and Easterly's *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* for a more detailed comparison).

The Reality: Beyond the Macro/Micro Debate

In reality, just as public/private sector blurring has become commonplace, most large scale aid projects today actually incorporate both macro and micro elements in their design and implementation. An example of a comprehensive large scale, all-inclusive project with both "planner" and "searcher" components is Millennium Villages Project (supported, ironically, by Jeffrey Sachs), which is based on a saturation model in which resources are poured into a small community in an effort to transform its economy and society. One such celebrated village is in Sauri, Kenya, where each year for five years, roughly $100 will be invested for each of the village's 5000 inhabitants, for a total of $2.75 million, with the ultimate goal being the achievement of the Millennium Development Goals (MDGs). Sauri is among 12 such villages, 10 of which are in Sub-Saharan Africa, and all of which are designed to be models of how development should work.

In writing about the concept of the Millennium Villages for the Wilson Quarterly, expert Sam Rich notes that this approach is unique in an important way: projects such as the one in Sauri are a combination of the two philosophical schools of development and essentially incorporate a range of micro (Easterly searcher-style) projects run by people from the macro (Sachs planners-style) camp. How these islands of intense international focus fare in meeting the MDG benchmarks will be an important contribution to the field of developmental aid research. If they succeed, whether this model can be replicated and brought to scale for the other roughly 900,000,000 in need is another question entirely.

Conditionality of Aid

Another way of thinking about the different types of aid refers to the conditionality with which it is offered. Some aid is given without being connected to specific demands

on recipient countries, while other aid is given contingent upon the LDC making certain reforms or achieving certain outcomes. In "tied aid," an LDC must meet certain conditions to qualify for aid, and/or aid is given with conditions for how it can be delivered or used, often in ways that confer benefits upon the donor.

A prime example of tied aid is US food assistance and anti-hunger programs. Presently, despite attempts at reform, the majority of US-donated food must, by US law, be grown by US farmers, transported by US ships, and distributed by USAID personnel. Many have decried this as a travesty, believing it would be more efficient to purchase food from farmers in regions close to famine-prone areas, thereby saving on shipping and storage costs (accounting for up to 50 cents on every US food dollar), and boosting the local agricultural community in the process. Untied aid generally allows for the purchase and delivery of aid through more flexible channels and at the discretion of aid agencies on the ground. Another example of "tied aid" was described in the Pakistan issue of the World Savvy Monitor: US ODA was given to this geo-strategically critical Central Asian country on the condition that it help the US pursue the Global War on Terror in neighboring Afghanistan.

Is conditionality good or bad? This is the question at the heart of the issue, and the answer, as always, is that it depends. Requiring that recipient LDCs adopt basic best (or even good) practices in governance, transparency, and accountability has been proven to dramatically increase these governments' abilities to absorb and effectively use aid resources. Numerous studies reveal what is not surprising: the better the infrastructure on the ground, the better the results. The conundrum here, however, and it is one pointed out by many experts in the field, is that if all aid were premised on such conditions, no aid would be given to the countries that need it the most – those that are badly governed, corrupt, and lacking infrastructure.

DAC countries and many multilateral development bodies are moving increasingly toward such conditionality, while also trying to mitigate the effects of extreme selectivity by providing extra assistance that is directed at governance, economic policy, and transparency reforms in lower-performing states. The challenge here is that many of the new bilateral donors (non-DAC, especially China) are moving in the other direction, offering aid with no conditions as an alternative to the reform-driven aid from traditional donors. Many in the development community fear that China's "no-strings" attached aid could undermine aid-linked reform efforts in failing or failed states, and that such LDCs will see "donor shopping" as a way around the reform agenda of OECD donors.

The Chinese and others take issue with this viewpoint, in turn making charges of Western meddling and neo-colonialism, particularly in Africa where places like Sudan, Zimbabwe, and Angola receive Chinese aid to replace aid lost when they failed to accept the conditions of OECD aid. Experts note that China tends to offer the most unconditional aid to resource-rich LDCs, especially those with energy resources so badly needed by the expanding Chinese economy; in this sense, China's aid is not entirely unconditional either, and accounts for its complementary trade relationships with countries laboring under Western sanctions.

Conclusion: A Complicated Delivery System for Aid

In sum, it is important to note that few aid projects are of one variety only. On the contrary, most aid packages comprise a hybrid of private and public, as well as macro and micro planning, infrastructure, personnel, funds, delivery systems, and oversight. They usually involve a complicated mix of standards, regulations, people, and money from different sources, both in-country and from donor countries, in the private and in the public realms, combining traditional welfare mechanisms with market forces.

Many agendas are usually in play, and different, even divergent goals are often being pursued simultaneously. Most of the challenges surrounding the delivery of aid derive from this complexity. Corruption and opportunism has been known to take advantage of these multiple, moving pieces. When it is unclear where each dollar is coming from and who is responsible for its use, efficiency is compromised and the door left open for embezzlement and leakage. Recent news stories charging the Sudanese government with selling UN Food Programme supplies on the open market while their people starve is a case in point.

In addition, it can be common for all the various development players to literally trip over each other in

the field, duplicating services to some, while unwittingly under-serving others. Reporting requirements and the sheer number of meetings required by multiple stakeholders in such an environment become a burden to already fragile governments and infrastructure. Not everyone plays by the same rules; and an entire subculture of competition and intrigue often develops among those in the aid community whose intended purpose is to simplify, not complicate, the lives of the people they intend to help.

As Lael Brainard and Derek Chollett put it, the various players have yet to achieve a level of coordination that reaches "strategic complementarity," or the best use of specialized resources for purposes that maximize their impact. A numerical illustration of the vastness and complexity of this phenomenon can be taken from the OECD: it reports that its members launched 10,453 missions in 34 countries in 2005, which is an average of 300 per country or one every 1.2 days.

The Debate Over the Effectiveness of Aid

Whether or not aid "works" is a highly charged question, and one that weighs heavily on the development community. The answer lies in what the goals of the aid are in the first place. Should it simply raise the minimum standard of living and improve the quality of life for the poorest or should it generate the preconditions necessary for the true economic growth of LDCs? What one believes has everything to do with whether one thinks aid is "working."

Modern foreign aid has its roots in the success of the Marshall Plan, a bold and generous effort on the part of the United States to reconstruct Western Europe after the devastation of WWII. Encompassing 3.2% of US Gross National Product (GNP) in a society-wide endeavor, the US made large grants and loans on the assumption that putting war-torn countries back on their feet and stimulating their economic growth was the best hedge against the spread of Communism to these societies. Similar efforts were made to reconstruct former enemy Japan for the same reasons. Overall, the initiatives were a huge success, and today, most of the members of the OECD (the world's developed nations) were recipients of Marshall Aid or other post-war US assistance. Communism was kept at bay, markets were generated for US goods along the way, and prosperity returned to the West.

The success of the Marshall Plan inspired the US and the newly recovered European nations to try to replicate this phenomenon among impoverished nations (many of them former colonies) in Africa, Asia, and Latin America. What they found billions of dollars later, was that aid is much more effective at rebuilding an economy than it is at building one that does not have historically strong foundations. Efficient markets had once existed in Europe; the population was largely healthy and educated; the climate was generally favorable; the post-war ethnic configurations were (tragically) more homogenous than before the war. There had been infrastructure, hard and soft, that could be resuscitated; there had been a tradition of public service that could be built upon; there was much potential gain to be had for the US in reviving the continent.

This was simply not the case among the impoverished nations of what was then called the Third World. Much to the dismay of development economists, by the 1990s, there was little evidence that aid had made any statistically significant difference in sparking growth among the poorest countries. Some had even experienced negative growth while receiving large amounts of aid. Numerous studies went on to demonstrate this lack of correlation between levels of aid and levels of growth, and the result was a general waning of enthusiasm for the potential of aid to bring LDCs into the functioning world community.

It was, however, acknowledged that some good had been done in ameliorating certain conditions. Foremost among these successes was the vaccination of children in LDCs and the dramatic decrease in morbidity and mortality from smallpox, measles, polio, and other diseases that had long disappeared from the developed world. Despite this, by the turn of the 21st Century, it could be said that, although aid had improved the lives of some people in some places, its overall impact on growth among LDCs was disappointing.

But Why, and What Now?

Why was there an overall lack of return on development investments in the post-Marshall Plan era? It should first be stated that there are many experts who would take issue with the very notion that aid has been ineffective for LDCs. As many note, it is important to consider what the overall objectives of past aid to LDCs were. As some claim that aid was not truly given for development purposes, it is hard

to claim that it has not "worked" to produce development goals. Many experts have made this key point in current research. Mark Sundberg's and Alan Gelb's work for the World Bank is particularly instructive: by analyzing different amounts and types of aid given over the past three decades they were able to conclude that only 38% of all ODA was given, in fact, in forms specifically designed to produce growth. Remaining dollars went to technical cooperation (consultants and advisors who did not leave the developed world), the administrative costs of donors, debt relief, emergency and food aid, and tied aid.

They also looked at to whom the money was given, assuming that for aid to be called truly pro-growth, it needed to be given to countries needing the most growth and to those who could best use it to grow. By various analyses, they concluded that much aid had been given to countries without good potential for growth, or to recipients chosen on the basis of the "postcolonial" or "strategic" interests of the donors. In this view, much of the aid that is said to have been ineffective in producing growth was actually given in forms that don't generally produce growth and/or to recipients either unable to use it for growth purposes or not chosen for their growth profiles.

Even if it is accepted that aid as a whole has been less than a success, is it a result of "sins of omission" or "sins of commission," as Michael Clemens questioned in a recent issue of Foreign Affairs Magazine? Again, former World Bank economists Jeffrey Sachs and William Easterly are at the forefront of this debate. Sachs generally believes that levels of aid have been insufficient, and that this is why it hasn't "worked." He points to the failure of OECD countries to donate adequate funds for international development, for reneging on their promises over the years to achieve what has become the suggested standard of giving: .7% (this is seven-tenths of one percent) of GNP. For Sachs, and many of those who support his work, including the singer Bono, the issue is the magnitude and consistency of the aid. In this view, more funds and less volatility in funding levels over time will provide the resources necessary for both the amelioration of poverty and the transformation of societies. Sachs and others of this perspective advocate pooling these resources along with other development tools and marshaling them according to comprehensive protocols (Poverty Reduction Strategy Papers), drawn up with local input and buy-in, targeting specific goals, and involving stakeholders from a wide variety of public and private institutions and organizations in the donor and recipient countries. His crusade is one of putting lessons learned to good use, in replicable models taken to scale in the developing world.

In contrast, Easterly generally believes that aid has been poorly used and, along the way has even created debilitating incentives that produce dependency, economic stagnation, corruption, and regression (sins of commission, not omission). The world's attention, in his view, should be turned toward other tools in the development tool box (see Foreign Direct Investment, Microfinance). He points to the fact that many countries have pulled themselves out of the lowest rankings without large infusions of aid, citing China as a prime example.

As a Communist country, China received very little traditional Western aid – what it did manage to attract with the opening of its economy to trade and capitalism was the foreign direct investment (FDI) that was critical in creating export diversification and drew on its inexpensive labor force. The reason the ranks of impoverished are not greater than one billion is because China and, to a lesser extent, India, managed to grow their economies out of widespread abject poverty and stagnation over the last 30 years. In Easterly's view, aid has not only been largely ineffective in addressing the needs of the LDCs, but it has also been wasted because experience has shown that it is possible to achieve growth and poverty-reduction without it. His key point is that development experts have no way of truly knowing what will make a difference, despite best practice lessons. In his view, the only ones who can know this are local residents of LDCs themselves, and they should be given the tools to put this information and incentive to good use. Despite this, Easterly concedes that aid can be a short-term bridge until the tools to grow the market can be utilized.

Ultimately, the overall impression one gets from reading both Sachs' and Easterly's prolific works is that they are perhaps not as far from each other as the debates would suggest. With differing degrees of emphasis, both camps, and most experts along the spectrum, generally agree that certain amounts of aid are more effective than others, that

aid is more effective in some places than in others, and aid is necessary, but not sufficient for economic growth.

There is a sense of great promise brewing, with the infusion of new innovation and funds from new types of development players (many of them from the private sector who are able to act with more spontaneity and flexibility, and less political maneuvering). The sections that follow will describe what is being done beyond aid to promote growth in the LDCs. Another glimmer of hope can be seen in the increased awareness of the public for the need for aid and development. Celebrities such as Mia Farrow, Bono, and Angelina Jolie have had an impact on the profile of the LDCs, and when they have linked with traditional players in the development community, their participation has largely been an accelerant. The danger, as acknowledged by Darrell M. West and others, is that development aid risks becoming a fad, or that, in other words, recognizing its complexity will be sacrificed for sound bites. Most, however, embrace the new infusion of energy and search for ways to sustain it as an avenue for increasing the effectiveness of aid.

Inescapable Facts About the Potential Effectiveness of Aid

The same factors that contribute to a country's poverty also impact its ability to make good use of aid. Geography, demography, international and regional relations, internal conflict, poor hard and soft infrastructure, predatory or ineffective governance, human and capital migration, and internal inequality all exist in various combinations in different places and make effective and efficient use of aid immensely difficult. The traps and cycles associated with poverty are ever-present; just because a country can mitigate or escape one trap doesn't mean it is not at risk for being pulled back into that same trap or another one at any time. Adding to these intractable difficulties are operational and logistical difficulties brought to the table by aid donors, organizations, and practitioners themselves.

Another overarching consideration about aid effectiveness is that dollars are generally worth more in preventing or containing problems than in addressing them once they have spread. For example, a recent statistic released by CARE, an international relief and humanitarian organization, via the BBC estimates that $1 in hunger prevention has the same net effect as $80 dollars in humanitarian relief after a famine has occurred. As many in the field have pointed out, however, aid dollars tend to flow where there is dramatic, observable impact (such as after a natural disaster). Easterly has called this SIBD – "Something is Being Done Syndrome," and points to the high profile controversy over the provision of AIDS drug cocktails to AIDS patients in LDCs versus less dramatic, less observable, yet more widely-efficient AIDS prevention programs, such as condom distribution, public education, and the prevention of viral transmission between mother and child.

Finally, it is vital to issue another warning about the numbers and statistics used within the development community. Aid effectiveness cannot really be measured using scientific control groups. Like much social science research, it is never wholly objective – the effects of prevention cannot easily be measured and the effects of interventions can often be attributed to other factors. For example, "skimming," or taking on those clients that are the most easily helped, skews the reliability and applicability of data that is collected on outcomes. With so many different levels of decision-making and actors involved, isolating weak links in comprehensive projects is often impossible. In addition, as we have seen, much aid that is factored into studies was of the type that was never actually intended to produce growth and consequently its low levels of effectiveness are a debated conclusion. In sum, evaluating aid is generally political and problematic – it is the hope of many experts that this area is where innovation will occur as new players enter the field.

Aid as a Negative: Unintended Consequences

An important caveat to consider in regard to aid is its potential to do harm – a point raised by Easterly and other experts. The spectrum of the unintended consequences resulting from aid give with good intentions is broad. At one end, experts frequently raise concerns about perverse incentives. If receiving aid (free money) is predicated on a country's inability to provide for its citizens, it has been said that the incentive therefore exists for the government to remain needy. Most would agree that the connection is not quite this direct, and that given the choice, most societies would choose self-sufficiency and economic sovereignty. But the point remains – unless aid is conditioned on some

measure of indigenous efforts to ultimately eliminate the need for such aid (see above), the aid itself can become a barrier to reform. Aid here subverts the laws of natural consequences and is haunted by a legacy that includes the propping up of unsavory leaders when their own wrongdoings and ineptitude would have otherwise spelled their demise.

Writing in the *Foreign Policy Magazine*, Michael Cohen, Maria Figueroa Kupcu, and Parag Khanna of the New America Foundation recently offered another argument against aid in their article, "The New Colonialists." In their view, development aid has served a perverse function in LDCs that appear to be "transitioning," or making progress. They argue that these countries are in fact locked in an extreme form of dependency on the development community to perform basic state functions. The new philanthropists and the proliferation of NGOs (the new colonialists) have, according to the authors, literally displaced the government in countries like Botswana, Cambodia, Georgia, and Kenya, "eroding" state responsibilities as well as the community's faith in its government's functionality.

As an example, it is noted that 80% of all Afghan services are delivered by NGOs – on the whole, there no longer exists much expectation that the Karzai government will be able to receive and distribute aid itself, much less provide for the welfare of its citizens without aid. In this view, the large NGOs have become too effective; their largesse often erodes the government's ability to stand up on its own. Once this happens, there is very little incentive to hand off the responsibility – if things stabilize and donors continue to donate, the world generally breathes a sigh of relief that some progress is being made without asking where that progress is originating. Moreover, once an operation has been declared a success, or even promising, the aid community itself has an interest in staying in-country because there are too few such successes in the developing world.

This result has been described elsewhere by former World Bank Official Robert Calderisi as "the weakening of governments by creating islands of well-paid specialists in seas of mediocrity." In his view, "neo-colonialism" veers into "neo-imperialism," a phenomenon in which external powers not only control the economy of LDCs, but use aid arrangements to their own financial benefit. Some experts suggest that, 100 years from now, it is possible that aid may be seen as having worked to the benefit of LDCs to the same extent as colonialism and imperialism did.

Finally, taking the idea of aid as an agent of negative consequences to its extreme, Peter Uvin, in his book *Aiding Violence: The Development Enterprise in Rwanda*, has posited that the aid community in Rwanda in the 1970s, 1980s, and 1990s hastened the 1994 genocide by its willful ignorance and/or failure to address the growing crisis. His argument is that the numerous aid organizations on the ground chose to lead their own "well-intentioned separate life," and to "conduct business as usual" in the face of escalating Hutu-Tutsi tensions, growing violence, and rampant militarism in the lead-up to 1994. Rwanda in 1990-1993 was a darling of the development community, receiving increasing amounts of aid and foreign experts, almost until the date of its implosion. In fact, Uvin says the fact that the aid community, whom people assumed had the best knowledge of the situation, did not raise the alarm, but rather increased aid levels, sent a faulty "signal" to the international community about the seriousness of the situation. Uvin uses this example to conclude that aid can never be apolitical, because it inevitably becomes intertwined and even complicit in the actions of both benign and malicious states alike, "providing the fuel that allows the government machinery to exist, to expand, to control, and to implement" what, in the case of Rwanda, were horrific agendas. His argument is that the aid community should have used conditionality (carefully, so as to not back aggressors into the corner), and that it should have implemented conflict-prevention/community-building mechanisms as the crisis became ever more apparent.

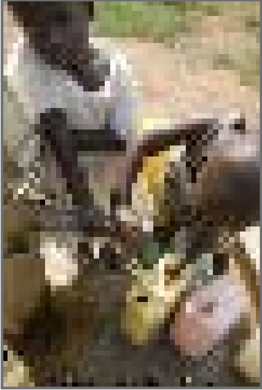
Prospects for the Future

Even though experts have pointed out the number of challenges and obstacles to effective aid, the continuing existence of aid is not in question. What John Cassidy wrote in the New Yorker in 2004 is even truer today: anti-poverty programs are increasingly being elevated to the level of counterterrorism strategy. Cassidy's historical perspective is remarkably prescient. He quotes a line from John F. Kennedy's famous 1961 speech advocating increased foreign aid – "Widespread poverty and chaos lead to a

collapse of existing political and social structures, which would inevitably invite the advance of totalitarianism into every weak and unstable area." Read in the context of contemporary international relations, this quotation invites the reader to substitute "terrorism" for "totalitarianism" to create the message of today. How aid is to translate into nation-building (as in the example of Pakistan) is another matter. In this vein, aid is likely to continue to find advocates in the realm of national security strategy, especially given what is increasingly being realized about the proclivities of radical youth bulges in poor Islamic countries.

While most believe the OECD as a whole (and the US in particular) will not soon increase their giving levels to the suggested .7% of GNP, neither do they believe a major decrease is likely. How the growing US financial crisis and potential global recession in fall 2008 will affect this remains to be seen. Ironically, there is a surprising lack of knowledge among the American public about how much aid the country already gives. Surveys over the last decades show a fairly consistent misperception – Americans tend to over-estimate the US foreign aid budget by 30 times (most guess around 20% of GNP when it is less than one-quarter of one percent). This clearly complicates efforts to assemble a constituency for increasing or improving aid, yet this is what celebrities and philanthropists such as Bono, Bill Gates, and Warren Buffett are attempting to do. Theirs and others' advocacy efforts are expected to at least forestall a decrease in ODA, while also encouraging others to raise overall levels of private giving.

Beyond overall levels of aid, more conversation about who gets what and to what end, are expected to transpire: what populations and programs should have priority; how can aid should be made more effective; how should the new players and other tools in the toolbox be factored into the aid equation. The trend is towards a more holistic conceptualization of development assistance, bringing the power of the market to bear alongside traditional aid practices to promote economic growth and welfare among the poorest countries. Paul Collier writes that the developed world (particularly the G-8, or group of most industrialized nations) needs to "narrow the focus, and broaden the instruments."



Economic Policy and Governance Reform

Traditional aid dollars can be used to create economic and political change, but development assistance in the economic and governance reform category is different from traditional aid because its goals tend to be structural, and it is specifically given with the intention of making traditional aid simultaneously more useful and less necessary. Both governance reform and economic policy reform are aimed at increasing the accountability and democratic quality of LDC institutions, as well as making the country more competitive and conducive to market-oriented growth. This form of assistance is not without its controversy and debate, however, and many feel that developed countries have their own flaws and shortcomings, and thus have no right to impose economic and governance policies on LDCs.

Economic Policy Reform

No discussion of economic policy reform in LDCs is likely to occur without the mention of the Structural Adjustment Programs (SAPs) of the last decades of the 20th Century. Also known as "shock therapy," these programs placed conditions on the loans given by International Finance Institution (IFIs – made up of the World Bank and IMF) to recipient countries. The intention was to push these countries to make fundamental economic and political transformations through fiscal discipline, with the ultimate goal of creating the conditions for free-market, capitalist growth.

To illustrate how this worked, take the hypothetical example of an LDC attempting to 'modernize,' both economically and politically. In this country, an authoritarian, often corrupt regime presides over a poorly performing, non-capitalist economy (characterized by heavy state influence/ownership of assets and a large, even bloated public sector). In order to receive desperately needed loans, the country is required to make radical changes to jumpstart its market economy and "open" the country. As was the case with most SAPs, the country is required to deregulate, abolish many public subsidies and labor rights, reduce state spending, lower tariffs, encourage export-oriented industries, and sell major public enterprises.

In order to rapidly transition an economy with faltering socialist practices into a capitalist free market, the patient was often essentially killed in order to be saved. The enticements were significant loans and the eventual integration into global markets that had historically produced such incredible growth for developed countries. The result in the short-term was almost always hardship – state sector jobs were eliminated, prices for basic goods rose as currency lost value, and private industries were opened up to often crippling foreign competition. Those with capital to purchase previously state-owned assets quickly rose to the top; others found their standard of living diminished. The transfer of assets from the public realm to privatization was often rife with corruption, as highly-placed government officials cut deals for their personal benefit and that of their cronies.

Even if the transition was smoother than that described above, the result for the country in question was likely to

be a form of raw capitalism untempered by government social welfare measures. Although social welfare is used widely in donor nations, these measures were typically discouraged in SAPs. Even if they were permitted, safety net benefits require a functioning government to disburse them effectively; this is a luxury generally not found in developing nations. Instead of democracy, unfettered capitalism thus often produced oligarchy, in which elites ran the capitalist economy and the state for their own benefit.

To make matters worse, one of the main reasons LDCs subjected themselves to this process – the lure of participation in lucrative global markets – has not fully come to pass, as will be discussed further in the International Trade Policy section of this issue. This happened partly because while donor nations required LDCs to dismantle protectionist measures as part of SAP packages, they largely kept their own protectionist architecture in place, retaining their competitive edge in these markets.

Due to these factors, the potential of SAPs to create economic growth was largely unfulfilled. Not only did SAPs fail to produce significant growth, but they also left the developing world with huge debts from the loans (see the Development Aid section for information on debt relief) and a bitter taste in its mouth toward the West's well-intentioned, but misguided reform efforts. A significant backlash ensued against externally-driven policy assistance; in extreme cases, leaders of LDCs were able to use Western institutions and experts as a scapegoat for their poor economic status.

SAPs remain a subject of great debate within the development field. Some take issue with the premise that they were wholesale failures. The World Bank continues to point to a few measured successes of SAPs among some countries who, in varying degrees, managed to reduce debt and inflation, as well as set competitive exchange rates and establish basic preconditions for growth. Some experts believe that SAPs were never really given a chance and that they were never adequately funded, correctly implemented, or given enough time to work. Others believe that SAPs were too rigid and not sufficiently inclusive of local input or adapted to varying conditions on the ground. Still others fundamentally believe that reforms cannot and should not be instituted externally from IFIs; rather, market reforms must be shaped by incentives and incremental support for indigenous innovators to take advantage of the free market on their own terms. Another viewpoint is that macro reforms require macro solutions, and that development economists from the developed world can provide valuable guidance. An entirely different group of SAP critics is composed of those who believe that the power of the market is overstated, and that LDCs were sold false hope that they would be able to create optimal market conditions, that markets would have anti-poverty effects, and that developed nations would level the playing field to allow them to participate.

The contrasting experiences of China and India are important to consider when discussing SAPs. Unlike many of today's LDCs, they largely did not participate in formal SAP initiatives. Rather, they focused on pieces of the SAP model, most notably the export diversification component, putting their greatest asset (a large labor pool) to work in producing competitively priced agricultural and industrial goods that could be sold abroad. This produced strong results, and they followed up this diversification by establishing a favorable business climate in their countries and attracting a great deal of foreign direct investment (FDI). By contrast, many of the SAP nations became bogged down in the reform process, took on more and more debt, and scared away investors. In time, their potential markets for labor-intensive exports were dominated by India and China, and their market access was limited by international trade policy that favored developed nations.

Whether or not SAPs were an unfortunate iteration of a well-intentioned idea or a neo-imperialist travesty visited on LDCs is a subject of continued debate. Overall, there is disagreement about the design of the programs, but most would still defend the goals sought by SAPs: to produce the conditions conducive for growth via the free market. Easterly perhaps sums it up best when he says that SAPs were ill-conceived means to a correct end. Markets are a proven way to produce economic growth, and most LDCs are in need of economic and governance policy reforms to position themselves well in the global marketplace. Numerous studies, including those conducted by David Dollar and Craig Burnside, link economic reform to growth, and have shown that monetary and tax policy assistance are

a critical complement to traditional development assistance in the form of aid.

To that end, after falling briefly out favor, economic policy assistance has again become a major tool for development; however, many, such as Council on Foreign Relations expert Amity Shales, believe these programs look a lot like a reincarnation of SAPs. The Growth Report, compiled by the Commission on Growth and Development, is based on the same faith in markets for growth and recommends a variety of economic policy reforms that LDCs should adopt with technical expertise and monetary support from the development community. These suggested reforms include building the capacity of local leaders to choose a growth strategy and communicate it well to the population, and working to achieve buy-in with a full disclosure of short and long-term risks and discomforts. It also recommends shoring up economic security during the time of transition toward the modern global market, including the provision of retraining, income support, and basic services for those workers displaced by reforms. Fiscal and monetary policies are recommended by the report and cover exchange rates, inflation, and the role of central banks. Investments in public health and education for workers are also recommended. It contains policy advice on mitigating the environmental impact of growth and the effects of global warming; it also includes a discussion of labor markets, and an analysis of rural/urban issues associated with growth. The report advocates more cultural and educational exchanges between LDCs and developed nations to improve the capacity of local leaders, combined with incentives to encourage migrants who are educated in the West to return to the LDCs as agents of reform.

Like its SAP predecessors, the Growth Report advocates against the adoption of wide-spread protectionist measures, but unlike the SAPs, it advocates for the provision of social welfare mechanisms to mitigate the effects of extreme poverty and recognizes the merit of some agricultural subsidization for LDC producers in the short-term. Overall, it looks to the China and India model and seeks to set LDCs on the path of "labor-intensive growth strategies" and "structural change under competitive pressure."

The Growth Report acknowledges the barriers put up by developed countries' own protectionism and does not advocate that LDCs should have to comply with the same carbon emissions standards as industrialized nations. Many economists hope that assistance in implementing these economic reforms in LDCs will bear the fruit that SAPs were supposed to produce. Its emphasis is on long-term horizons; it is now the job of the development community to negotiate ways to encourage these reforms in less destructive, more realistic, and sustainable ways. Whether these reforms go far enough or too far, whether they should be conceived by IFIs or on the ground, and how they should interact with other types of development assistance (especially aid and international trade policy) will clearly be the new (and old) debate. It is encouraging to many that current proposed economic reform assistance packages do a better job of recognizing the myriad of fronts on which LDCs need to fire in order to generate growth. From investing in human capital to attracting financial capital and building social capital, the pieces of the growth plan are not as effective if addressed in isolation from each other; in the same vein policy reform is not as effective when not combined with other tools in the development assistance arsenal. As Greg Mills has pointed out, the education of 400,000 Kenyans means little if less than 10% of them can find jobs upon leaving school.

One last note on economic policy reform concerns land ownership in LDCs. Some in the development community believe this issue is critical, while others believe it is overstated and potentially culturally-destructive. What many in the West do not realize is that in many developing countries, not only is land inequitably distributed, but it is also often held without official title. From a mud hut to several acres of subsistence-farmed lands, people who occupy these properties often have no way of gaining official title to them. This means that they lack a critical economic asset: collateral or credit needed for seeking a loan, which closes most traditional banking channels to them (See the Microfinance section for information on alternative banking channels). If people don't have legal control of their land, there is less incentive to expand and improve the capacity of that land. This is an area of reform that many believe could have tremendous impact on developing societies' growth. Yet there are others who believe that IFIs and Western reformers tread on sacred ground with regard to cultural, familial, and societal practices of communal ownership in developing societies.

A similar controversy exists over the introduction of insurance to developing economies. Finding ways of providing insurance for crops, property, and business ventures in LDCs, some believe, holds a great deal of promise and could enable would-be entrepreneurs to achieve a level of protection and risk management in their endeavors. However, others like Stephen Marglin, have pointed out that such market solutions "often substitute impersonal relationships" for collective and reciprocal systems of cooperation, and thereby harm communal core values that often celebrate dependence of community members on each other for help in times of crisis. He writes, in his article "Development as Poison," that "once this interdependence is undermined, the community is no longer valued; the process of undermining interdependence is self-validating."

Governance Reform

Good governance goes hand in hand with economic reforms, for it is the government that needs to preside over the newly emboldened marketplace and to take care of those for whom the market cannot be the solution. Governance affects decision-making with respect to all types of development assistance: how to use aid, how to attract foreign investors and negotiate beneficial trade agreements, how to make the most of technology, and how to use bilateral and multilateral connections to prevent and mitigate conflict and achieve economic stability. In short, governance presides over how to get the needs of the country met, domestically and internationally and how to avoid the traps and cycles that impede development.

Yet, governance can be a trap in and of itself – the poorer a country is, the worse its governance tends to be, for a variety of factors. Poverty often means that leaders themselves are not well-educated or connected to the outside world and that they are more susceptible to corruption; poverty can mean that their constituents are largely concerned with subsistence living and lack capacity for oversight, opposition, and reform movements. These obstacles in turn create a cycle for the future, as the leadership makes poor decisions that impede economic growth.

However, leadership is but one component of governance. An enlightened and beneficent leader is necessary, but not sufficient, for good governance; even the best-intentioned leaders often fail when they preside over broken systems. Moreover, regime change is not necessarily an effective solution to bad governance; poor governance usually runs deep and is entrenched in a country's institutions and in the ruling elite. Removing Saddam Hussein did not fully address the poor leadership that had afflicted the Iraqi government; effecting real change in Zimbabwe means more than simply removing Robert Mugabe. Holding a democratic election does not always mean that true democracy will result. Experts generally agree that governance reform must address dynamics, norms, and policies broadly and deeply throughout a country's social, ethnic, and political infrastructure. Assistance from the outside world to governments in LDCs must help leaders strike a balance between lack of authority and overwhelming authority, between garnering the support of elites and serving the population as a whole. Reform assistance must help to create accountability and rule of law if it is to have any impact on poverty and development. Please see the Democracy Around the World 2008 issue of the World Savvy Monitor for a thorough discussion of governance and its relation to a country's economic growth.

The track record of the developed world in assisting LDCs with governance reform is fairly bleak. The fact that Mobuto Sese Seko, Idi Amin, Charles Taylor, Pervez Musharraf, and Robert Mugabe all received significant development and other types of aid from bilateral and multilateral donors in the developed world bears this out. Certainly incentives have been tried, pressure placed, and much consulting done, but to little avail. Both carrots (more aid, preferential trade deals) and sticks (sanctions, threats to withdraw aid or intervene militarily) have been used to try and effectuate governance reform. Despite this, many believe that the OECD and others have not fully followed through on threats related to in-country governance in LDCs, especially when it comes to developing nations that are considered strategic to the interests of developed nations. In key geo-strategic states, the developed world has often claimed it has few choices, that the stakes are too high, and the potential for instability too great for them to place significant reform pressures on certain leaders, no matter their governing style or capacity.

Innovations in Governance Reform Efforts

A way in which some current pro-good governance initiatives are different from their predecessors is in the specific nature of conditionality. United States Millennium Challenge Accounts (MCAs) are one such area viewed with promise by many experts. MCAs condition loans and grants on basic good governance requirements, among them representative decision-making and transparency/anti-corruption measures. The idea has great ideological support, but to date, is hamstrung by lack of funding. Only a portion of the intended budget has been disbursed through MCAs. Furthermore, there are those who feel that application of these guidelines has been uneven in the administration of the funds, and that difficulty in monitoring compliance will only increase as more money is disbursed. The fact remains that conditionality is difficult to implement well. It is a lesson learned the hard way that promises to meet conditional requirements are not the same as actual follow through on these promises. Many recipients of conditional aid have pocketed the money and failed, for reasons of malice or ineptitude, to make the required reforms, and the international donor community has historically had little redress in such circumstances.

A micro approach that has been proposed to create incentives for good governance is grants for good leaders, often delivered by the private sector. For example, Sudanese billionaire Mo Ibrahim has established a foundation that will award the Achievement in African Leadership Prize. The world's largest leadership prize (at $5 million, it is three times the amount of the Nobel Prize) will go to a democratically-elected leader of a Sub-Saharan African nation who receives high marks on a performance scale measuring quality of governance in areas such as security, rule of law, economic opportunity, and political freedom. His hope is that the prize will serve as an incentive for leaders to govern honestly and beneficently and to leave office when their tenure is up (any attempt to stay in power beyond elected terms will disqualify candidates). The effort is chaired by former UN Secretary General Kofi Annan and will also include a $200,000 grant for the winner to use in philanthropic ways.

Beyond positive incentives for good governance, some also advocate using negative pressure to stem bad governance. Economic sanctions used for this purpose have had varying levels of effectiveness. Many believe that the shaming or exclusion of corrupt, ineffective, or predatory leaders would be more effective if it were extended to their participation in regional and multilateral institutions, acting as both a punishment and incentive for reform. Yet, with such an approach so unevenly practiced (no one has yet to be kicked out of the African Union, ASEAN or United Nations), this has had limited effect. The International Criminal Court seeks to pursue a similar naming and shaming (and ultimately indicting) approach, but yet again, it has had limited success to date.

Alongside efforts to transform existing bad governments with incentives or threats, a completely different realm of governance reform assistance exists to empower opposition leaders and reformers. Instead of focusing on the villains, many believe that developed countries can better impact governance in LDCs if they bypass existing governments of LDCs and aid courageous and often downtrodden indigenous reformers. Many contend that those seeking change should stop attempting to reform the corrupt and the inept leaders of the ranks of the LDCs, and instead, start supporting the opposition in a significant fashion. They argue that this does not necessarily need to be through cash grants, but could be in the form of technical assistance, training, and on-the-ground protection and facilitation for reformers.

These are the very measures Peter Uvin believes aid agencies and other external players should have helped put in place as Rwanda's governance problems began to come to light in the 1980s and early 1990s. The same measures could be beneficial in any country with poor governance and an aspiring reform or opposition faction: free press, freedom of assembly, election monitoring, empowerment of civil society watchdog groups, and encouragement of lawyers, judges, and police officers to uphold the rule of law. Finding the moderates and helping them to spread their message and garner the support of the people for locally-driven reform and even regime change is a more low-profile development assistance activity, but one that most believe may have the most chance of success in addressing issues of governance and economic policy.

Kenneth Roth of Human Rights Watch concurs, suggesting that the World Bank begin to support the work of indigenous reformers on the ground by basing

the conditionality of Bank aid and loans not on ad hoc or unspecific guidelines, but rather on the widely-known Universal Declaration of Human Rights. He writes that the Bank "can enhance development and growth by promoting freedom of expression and association, the availability of information, collective bargaining, political participation, and access to justice." He notes that Bank programs that have done so include "participatory budgeting, accountability to local stakeholders for service delivery programs, and efforts to enhance the voice of marginalized groups."

But Whose Economic Policies, Whose Governance?

As always, there is another side to these issues. What seems like a good idea – helping to reform the economies and governance of LDCs with Western expertise – is complicated by the fact that many believe developed countries could use economic policy and governance reform themselves. The current economic meltdown in the US mortgage-backed securities market is a prime example. As this issue is being written, the US is trying to negotiate a solution to the crisis brought on, at least in part, by faulty government regulation and oversight of Wall Street's economic practices. This issue impacts those far beyond the borders of the US; some believe that the blame for a global recession, should it come to pass, should be leveled at the US government for not managing its economic affairs more prudently. This only adds to the bitter taste among some LDC leaders about externally-driven reform efforts aimed at their countries by what they see as the "hypocritical" developed world. Similarly, in addition to bilateral donors, IFIs are under attack for questionable practices and governance in their ranks. The controversy over internal World Bank policies that forced the resignation of Director Paul Wolfowitz is an example of what many perceive as the generally anti-democratic nature of IFIs, whose governance is disproportionately dominated by officials and decision-makers from the developed world.

The question becomes, given its own failings, is the developed world qualified or morally justified in forcing the issue of economic policy and governance reform in LDCs? The issue is a sticky one. Many believe that, yes, OECD donors and IFIs give a great deal of aid to LDCs and therefore have implicitly earned the right to have a say in what happens to those funds as they are channeled through in-country economic and political infrastructure. If this means imposing policy reforms and attaching strings, then so be it. Others argue that OECD donors and IFIs possess neither the right nor the correct expertise to intrude on an LDC's economic and political sovereignty. Yet, the inescapable fact is that good economic policies and good governance matter in LDCs as much, or more, than they do in other places. Research has proven that good use of aid and economic growth are both related to market reforms and effective leadership. What is to be done?

The answer is complicated and involves improvement in the developed and developing worlds alike. First, most believe that the OECD and other bilateral donors, as well as IFIs, must develop and adhere to international norms and standards for fiscal responsibility, transparency and good governance. It is also thought that they must become more inclusive and democratic in their ranks, model what they preach, and address the issues of aid corruption and fragmentation that originate with them and their sins of omission and/or commission. Second, most believe that development assistance in the form of incentives and technical assistance for LDC infrastructure reforms must be conceived with more local input from indigenous players. In terms of both morality and effectiveness, most believe any mandated policy reforms imposed or pressured on LDCs should be designed with local, widespread participation. Finally, most agree that clear standards should be established to determine who should be required to initiate economic and political reforms in order to qualify for other types of development assistance. Likewise, enforcement should be pursued with equal vigilance everywhere. A comprehensive effort is generally seen as needing to address both structural and governance deficits around the world and issues of equity and backlash between LDCs and their developed world donors.

A last interesting wrench in the equation is how China's dramatic economic rise has become a factor in the way in which LDCs see their own potential development trajectories. China, beginning with the economic reforms of the late 1970s, is the development success story of the century, lifting hundreds of millions out of poverty in three decades (though significant poverty does still exist among

its large population). The fact that Chinese leaders were able to do this without incorporating many of the social and political reforms advocated by the West for LDCs is significant. It certainly has caused some in LDCs to think that democracy may not be the ultimate answer, or even a necessity. Furthermore, with the Chinese ready to lend, grant, and invest money in LDCs (especially those with energy resources), with no strings attached regarding governance, the attempts at governance-reform by OECD and others are being undermined.

Another key issue is that even if LDCs do make economic and governance reforms that are designed to enhance their participation in the global market to achieve growth, this is hardly the last barrier they will encounter. Becoming market-ready is one thing; being able to fully reap the benefits of the market is another. International trade policy matters a great deal, as will be shown in the next section.

International Trade Policy

Trade policies in today's "flat world" (Thomas Friedman's famous analogy to the supposed 'evening' effects of globalization) are an issue of utmost concern to developing countries because these policies dictate the terms on which LDCs will be integrated into the global economy. In fact, the development debate is often framed as "trade versus aid," suggesting that participation in global markets is sufficient for LDCs to begin to climb the development ladder and address poverty among their citizens. In reality, trade is just one more tool for development and is closely related to the other instruments discussed. Theoretically, aid, combined with in-country economic and governance reforms, should create the conditions for LDCs to take advantage of globalization for growth. However, LDCs' preparations for global competition are only one part of the equation; international trade policy is what they inevitably encounter when they enter the market.

What Kinds of Policies Are In the Marketplace?

International trade policy consists of bilateral and multilateral arrangements between countries and dictates the terms of commerce between them. As Jeff Faux has said, "the precise content of a market's rules has major consequences for who gets to be rich and who gets to be poor." **Free trade policies** open up markets by removing barriers to goods coming in and out of countries. In a free trade scenario, the market itself determines how the global economy functions by promoting the concept of "comparative advantage." Comparative advantage describes a system by which countries prosper by doing only what they do best, or specifically, what they do most efficiently and profitably using their own distinctive mix of labor, resources, and expertise. What they cannot produce efficiently and competitively for the global marketplace, the market dictates they buy from other countries. Specialization is paramount in an era of globalization; the market does the sorting.

Generally, LDCs have a comparative advantage in labor-intensive, low-skilled activities, such as agriculture and light industry. In a free market, LDCs' corn, sugar, and cotton is cheaper to grow, to pick, and to pack because of lower land values, and a larger, lower-priced labor pool that will engage in such activities. Easily manufactured goods such as textiles capitalize on the same features of LDC economies. Developed nations, on the other hand, have comparative advantage in producing technology-intensive goods and services. In a free market, they should be abandoning agriculture and light industry because their production costs are much higher for these products than in LDCs. Developed countries have skilled, educated workers concentrated in urban areas where innovation and investment become agglomerated and increase in value. In theory, they should be producing high technology goods and engaging in the delivery of services that capitalize on their expertise, such as banking, accounting, engineering, entertainment, and biotechnology. In sum, free markets allow the world to make purchasing and production

decisions (imports and exports) based on competitive pricing and expertise. It is all about efficiency.

Protectionist trade policy distorts the free market sorting effect. Protectionism refers to barriers that are erected, impacting how goods move between countries. These can be in the form of *tariffs* (taxes on goods imported from other countries that artificially raise the price of those goods in relation to domestically-produced goods of the same kind). They can also be in the form of *subsidies* (grants paid to domestic producers of a good so that those producers can charge less for the product and artificially make it competitively priced with goods of the same kind produced in other countries). Other protectionist measures include tax breaks for domestic producers, labeling requirements and standards for imported goods, and import quotas. The rationale is to skew the market price of goods for a country's advantage. The result is that inefficient industries are propped up and their goods protected from competition from abroad, where those goods may be more efficiently and cheaply produced. The natural ecosystem of supply and demand is disrupted, and countries are not limited to doing only what they do best.

Whether protectionism is good or bad depends on where one sits. Economic transitions generally follow a pattern. As a country's economy becomes more developed (its workforce more educated and its technology more expansive), it loses its comparative advantage in basic labor-intensive agriculture and industry and has two choices: it can invest in moving up the economic ladder to produce technology-intensive goods and services where it has the natural comparative advantage in the global marketplace; or it can invest in protecting the more rudimentary, traditional industries that often comprised the basis of the economy initially. To put it another way, it can invest in the retraining of workers and/or the provision of income support to workers to prepare them to move into more advanced industry and services, or it can enact trade terms and domestic legislation that keep its otherwise endangered industries alive in the global market.

Free market advocates would advise that developed countries start buying their agricultural products and basic manufactured goods from those countries that can produce them more cheaply (imports) and turn their attention to producing the more sophisticated goods and services that the rest of the world needs from them (exports). Yet, transitions such as these are incredibly difficult and often require short-term hardship that most politicians seek to avoid. It is often more expedient to do some of both – protect some non-competitive industries while growing more competitive ones.

The problem is, in order for poor countries to get onto that first rung of the economic ladder (agriculture and light industry), the more advanced economies have to get out of the way and move up the ladder. If not, there is overcrowding on those first rungs, a result that free trade advocates see as a lose-lose proposition for both types of economies. The LDCs can't compete with protected goods from developed countries, and their economies falter; the developed countries spend tax dollars protecting industries that they should be abandoning in favor of more lucrative sectors. A complicating factor is that developed countries also face competition for their technology-intensive goods from other developed and some middle-income countries, and LDCs face competition from other developing and middle-income countries for their agricultural and manufactured goods. The result is a complex maze of incentives at play in the design of trade policy, and most countries end up advocating for some free trade and some protectionism, depending on the goods and trading partners in question.

Decisions regarding tariffs, subsidies, customs duties, import quotas, and the like are expressed in these trade policies – either between individual countries, regionally, or in international bodies such as the World Trade Organization (WTO).

The World Trade Organization (WTO)

The World Trade Organization (WTO) has its roots in the General Agreement on Tariffs and Trade (GATT), and was officially created in 1995 as an umbrella institution to negotiate and enforce the increasing number of international trade agreements that developed after WWII. Between 1980 and 2005, the world saw an exponential growth in global trade (a four-fold increase), largely facilitated by a move away from protectionism and toward free trade. More nations trading more goods meant an explosion of bilateral and multilateral agreements regarding the terms of this commerce. Jagdish Bhagwati of Columbia

University has described these numerous and often conflicting political agreements as the "spaghetti bowl" approach to international trade (in reference to the lack of order in a bowl of spaghetti) – at any given time, nations are now negotiating different arrangements as individual entities, and as members of regional blocs. Geopolitical tensions can be exacerbated; large wealthy nations generally dominate the process. Quid pro quo or tit-for-tat deals are struck in layer upon layer; the sheer complexity and diffusion of the negotiations has disadvantaged poorer nations who were often subjected to what Paul Blustein, in his article "Trade Pacts Run Amok," has called "the law of the jungle." The WTO was created to simplify the process, and to theoretically make it more inclusive, by developing a formal, multilateral forum for trade negotiations, along with adjudication capacity in the event that rules were breached.

However, as many experts have pointed out, the WTO does not do what many think it does – it does not and was not designed to develop and oversee trade policy as an authoritative institution analogous to the United Nations. It is merely a forum, a sophisticated marketplace where nations come together to try to reach consensus or to address grievances. It does not have a staff with any real authority to make or influence decisions or dictate outcomes. Rather it provides an aggregating function, providing a place where countries can receive administrative and technical assistance as they continue to barter about bilateral trade agreements and multilateral trade policy. As for its ability to address fundamental imbalances and inequalities in international trade, Frank Alcock has cautioned people to remember that the WTO "doesn't impose policies upon governments as much as it articulates their preferences in the form of rules to which they commit themselves," and that the convictions of those governments "rarely extend very far beyond their perceived self-interests." If anything, the WTO just provides a place for the "law of the jungle" to play out. The way this plays out, however, often favors the elites of the global economy (from developed countries and multinational corporations) who tend to wield the most leverage and be the most seasoned at bartering and advancing their own interests.

Partly in response to this criticism, the WTO, after coming under fire during its 1999 Seattle negotiations for failing to pursue some manner of trade equality for LDCs, launched the Doha Development Round of trade negotiations in 2001 (commonly referred to as the Doha Round).

The Doha Round

The Doha Round is ongoing and consists of different rounds of negotiations by a revolving roster of trade negotiators from different subsets of the WTO's 153-nation membership. It seeks agreement on key issues of concern to developing nations by 2011; yet, most have long feared it will not live up to this promise. In fact, talks collapsed this summer after seven years of contentious negotiations, dealing a serious blow to the credibility of the WTO and to the aspirations of LDCs who had once thought Doha would facilitate their positive integration into world markets. It is helpful to consider what Doha set out to do, before turning to what has occurred over the last seven years.

LDCs generally feel they are laboring under a triple whammy from the international community in the realm of trade policy. At the risk of oversimplification, their concerns are as follows: (1) To a significant extent, LDCs are excluded from the markets of wealthy countries by tariffs, subsidies, import quotas, and other measures that prevent their agricultural and basic manufacturing goods from reaching consumers in those wealthy countries in the form of imports; (2) The artificially low prices of goods from protected industries in wealthy countries make exports of those goods to other developed and developing countries and even to LDCs very cheap, crowding out competing products from LDCs, which are often products that they depend on for domestic *and* export income; (3) The protection of intellectual property in wealthy nations impedes the transfer of technology and innovation to the developing world, especially in the arena of pharmaceuticals.

Tariffs and Import Quotas

Wealthy countries' tariffs on imported goods are often higher on those originating in developing countries than on those from other wealthy countries. By some estimates, US tariffs on LDCs are three to four times higher than those imposed on developed nations. The poorer the LDC, the more the disparity; US tariffs on the poorest of the LDCs can be ten times higher than those imposed on OECD countries.

For example, it is often more expensive for the American consumer to buy African agricultural goods than to buy European produce, even though the actual cost of the African produce is lower when it leaves the continent. The price is increased by disparate import taxes or tariffs when it enters the US, decreasing its competitiveness in American grocery stores, and thus making it not worth growing or shipping from Africa. Just as importantly, tariffs on African goods tend to be determined on an escalating scale that increases the tariff or tax along with the amount of processing involved in producing the good. This makes raw African cotton cheaper to import than African clothes and discourages the development of garment and textile manufacturing (which is more lucrative than raw cotton) in Africa itself. A similar situation exists between Europe and Africa with respect to cocoa and chocolate. The EU places a 1% tariff on raw African cocoa, but a 30% tariff on processed cocoa in the form of chocolate, discouraging the processing of cocoa (again, where the money is made) in Africa. Escalating tariffs essentially recreate a mercantilistic arrangement similar to that which existed in colonial times – raw materials shipped out of Africa and most processing (the adding of value) done abroad.

That these exorbitant tariffs are collected by wealthy countries from LDCs to whom they, in turn, must give aid is a point not lost on the development community. Steven Radelet from Foreign Policy Magazine has shown that US generosity toward economies destroyed by the Asian Tsunami in the amount of $350 million was dwarfed by the $1.8 billion in duties collected on imports from Indonesia, Sri Lanka, Thailand, and India in 2004.

Subsidies

Many wealthy nations further disadvantage LDCs' agricultural goods by providing subsidies or grants to domestic farmers to keep the price of otherwise expensive and inefficiently produced domestic farm products artificially low. This is a particularly contentious issue between Africa and the United States (with respect to cotton and corn) and between Africa and the EU (with respect to livestock prices). US cotton subsidies are seen as being particularly distorting to world markets and destructive to African farmers, and numerous experts mention them as a symbol of hypocrisy and bad faith dealing in free trade among developed countries.

Joseph Stiglitz estimates that the US spends $3.4 billion to subsidize 25,000 US cotton farmers, resulting in higher production and lower prices. These subsidies generally do not go to the small family farmer, whose image is often used to tug at the heartstrings of the American public (who pay for the subsidies in the form of taxes). Instead, they mostly go to large industrial farms that account for just a small fraction of US Gross Domestic Product. Eliminating cotton production from the US economy would, in this view, not only help the American taxpayer and consumer, but also have little to no impact on the livelihood of most Americans. By contrast, there are 10 million cotton farmers in Sub-Saharan Africa (most of them in LDCs), and US cotton subsidies essentially wipe them out in the global market. African cotton, moreover, is usually grown in small family farms that are not only more efficient and less expensive to run than American agribusiness, but also provide jobs for millions of people, many of them women who can care for their families while building self-sufficiency. Kate Eshelby recently did a comparison of the cotton markets in the US and Burkina Faso, calling cotton a "moral issue." She has shown that American subsidies to a small group of cotton farmers in the US is more than the entire GDP of Burkina Faso, a country for whom cotton is the primary export and lifeblood. Seen another way, she points out that the US gave Burkina Faso $10 million in aid in 2003, but that the small African country lost $13.7 million in cotton exports attributed to US subsidies.

The problem goes beyond cotton in the US. The Center for Global Development reports that in 2005, the EU 15 (OECD European members) spent $179.28 per cow subsidizing European cattle, compared with $16.11 in aid per person in the developing world (the majority of whom live on less than $2 a day). Overall, the American Political Science Association's Task Force Report on Difference, Inequality, and Developing Societies estimates that agricultural subsidies of rich countries combined totaled $280 billion in 2004, exceeding the GDP of all of Sub-Saharan Africa combined, and six times the foreign aid these countries provided. Subsidies cost the average OECD citizen around $1000/year, and in the US, 87% of all agricultural subsidies go to only 20% of America's farmers.

Dumping

In addition to the difficulty that African farmers experience in gaining access to US domestic markets, the US, like many developed nations, also engages in what is known as "dumping." Dumping means exporting excess subsidized agricultural and/or industrial production at rock-bottom prices; in other words sending the excess cotton, corn, and livestock products that developed country farmers are paid to grow, to LDCs. While on the surface, goods for low prices would seem to be a good thing for people living in poverty; but it also means that domestic producers in LDCs cannot compete with wealthier countries' products even in their own domestic markets. There is little incentive to grow more food or develop local industries in LDCs if exports from developed countries are cheaper for in-country consumers. LDCs have little leverage in restricting such exports from the OECD and others, yet wealthy countries often enact import quotas on goods coming from LDCs into their own countries.

Intellectual Property/Patent Protection

LDCs are also generally hurt by what are known as TRIPs (trade regime for intellectual property rights), whereby developed countries restrict the export of technology to LDCs in the form of patent protection. This phenomenon is most well-known in the area of pharmaceutical drugs (usually for HIV/AIDS, but also for Malaria) that are prohibitively priced for export to LDCs because drug company patents on the medicines disallow the production or sale of lower-priced generic equivalents. While these patent protections make eminent sense in protecting and recouping the Research and Development (R & D) investments of wealthy country pharmaceutical companies (and thus protecting the incentive to innovate), they are literally lethal to many in LDCs. Additionally, because the market in LDCs for big pharmaceutical drugs is so small (because the drugs are too expensive), there is little incentive for pharmaceutical companies to put that R & D into producing innovations that would address tropical and other diseases known mainly in the developing world. Critics here point to the fact that modern medicine has produced Viagra, but has yet to cure Malaria. There has been movement on this front in recent years with OECD and drug companies donating or subsidizing patented drugs for LDCs. Furthermore, some other developing nations such as India and China have seized the market opportunity in this realm, producing generic drugs (sometimes in violation of TRIPs) for sale in LDCs.

A Flat World?

Generally, the position of LDCs going into Doha is that the playing field is far from flat; in fact, it is leveled against them in an era of globalization. Their experience in the WTO has often been that even when tariffs and subsidies have been declared illegal, new barriers are erected to get around those rulings. For example, legal import quotas often serve the same function as an illegal tariff. The WTO has, in the past, ruled that the majority of US cotton subsidies are illegal, and promises have been made to repeal these and other subsidies by developed nations, but to little avail. The issue becomes complicated as neither the US nor the EU wants to drop protectionist policies first, as this would give their fellow developed nation competitors an edge in the LDC market. The question of protectionism is, as described above, often presented as a moral one. When the full effects of protectionist trade on LDCs are calculated, most agree that their impact is crippling on the societies that are already least able to provide social safety nets for farmers and workers when their businesses are unable to compete in the global marketplace. As Giles Bolton has pointed out, the effect is magnified when these cycles force motivated businessmen and farmers to migrate from the developing to the developed world, accelerating the debilitating brain and talent drain already in progress.

Why This Protectionism?

Why would developed countries, who give an enormous amount of aid to LDCs, be so obstructive in their trade policies toward the promotion of self-sufficiency in impoverished countries? The reasons once again resemble a cycle: LDCs don't have much consumption power so they don't have much clout in the international trading system; consequently, their interests don't rank highly on the agendas of wealthier nations. This lack of influence results in a disadvantaged or marginalized position in the marketplace, which only reinforces their lack of consumption power or poverty. One might question, however, if LDCs do not represent a significant portion of

global trade to start with, why would developed countries see them as a threat and go to the trouble of erecting protectionist barriers against them?

The answers to this range from political pressure at home (American farm and pharmaceutical lobbyists) to what Stephen Chan has called the power of precedent-setting. If the OECD and others were to drop their barriers against the LDCs, they would also be under pressure to drop them against developing nations who might one day represent a threat to the status quo. Essentially, in the "law of the jungle," the LDCs get caught up in competition between wealthy nations and the BRICs, and among wealthy nations themselves. No one wants to surrender any advantage in a quickly changing marketplace because one never knows which country could use a concession as a way to improve its own position. In this view the LDCs are simply caught in the net as developed and developing nations that have a greater stake in the global marketplace protect their legitimate interests.

Will Doha Help?

Most experts are guarded in their optimism about the Doha Round making any significant improvement in the bargaining position of the LDCs. First of all, its agenda is incredibly broad, in terms of both actual negotiated outcomes and psychological aspirations. As Louise Blouin McBain summarized in an article for *World Policy Review*, this round is charged with no less than creating a clearly articulated, socially just, set of multilateral rules to govern global trade. It seeks to bring the magic of markets to the world's most impoverished and low-capacity economies, instill solidarity and goodwill between developed and developing nations alike, and "restore the dignity" of the LDCs. It attempts to address the fundamental and historic issues of power, capacity, incentives, and inequality that have existed since trade began thousands of years ago. The sheer complexity of the task makes the prospect of success on any of the distinct items of the agenda unlikely.

Second, most experts believe that in addition to its unrealistic objectives, the timing of the negotiations has become extraordinarily challenging over the past few years. With a possible global recession looming, most countries are loathe to make concessions; even if they wanted to make concessions, they would likely be hamstrung by the anxiety of their constituents. As EU Globalization expert Zaki Laidi has said, "the benefits of free trade are rarely immediate and visible, whereas their costs are viscerally and instantly felt." Powerful lobbies already exist to promote protectionism in developed countries. Such protectionists are increasingly likely to find more support among the everyday Americans, Europeans, and Japanese who fear a retracting global economy, and are aided by politicians eager to please special interest groups in election years. The passage of the 2008 US Farm Bill, with most protectionist measures intact and $289 billion in new farm spending (including $20 billion in new subsidies for farmers), is evidence of this.

Third, even if the negotiating environment were better, the majority of experts see the Doha process as flawed. Over the years, the membership of the WTO has expanded dramatically, with blocs forming among different countries, preventing consensus in a one country, one vote system on major initiatives. As Zaki Laidi has written, trade negotiations today, as in the past, follow geopolitical dynamics. The WTO is now made up of three main blocs – the OECD community led by the US and EU; the G-20 group of developing countries led by Brazil and India; and the G-90 made up primarily of LDCs. The G-20 are often in competition with and in opposition to the G-90 and the OECD. The OECD often fights amongst itself, as does the G-90. Many groups are often against the US, whom they distrust because of the side deals American negotiators have been known to make with strategic allies. The US is also often seen as negotiating in bad faith, reneging on WTO deals, and making agreements in opposition to WTO policies, such as is the case with agricultural subsidies. Moreover, unlike many WTO member nations, responsibility for trade policy in the US is split between Congress and the Executive Branch, and the two branches often differ and amend each other's commitments.

The process behind Doha is seen as cumbersome, political, and inordinately slow. It is also perceived as being somewhat unfair, despite the one country, one vote rule. Who sits at the table at various times is an issue of great consternation. Not every country is included in all rounds of Doha, and there is the sense among the G-90 that they are being excluded from the most important discussions (most agree with this, pointing to the phenomenon of "Green Room" sessions where only the most powerful

players are present). Recent rounds have seen LDCs walk out of negotiations when they felt their representation was inadequate or was confounded with G-20 or Chinese interests. Moreover, as Stiglitz and Collier have both noted, when LDCs are included, the technical nature and breadth of the negotiations is a burden on them and they are disadvantaged as compared to more seasoned and expert negotiators who also enjoy more generous travel budgets and connections. As in any business transaction or negotiation, much takes place behind the scenes, and frequently, LDCs are unable to be there.

Extreme views exist on either end of the political spectrum in regard to Doha. Some believe that LDCs have been tricked into participating in a process that cannot possibly meet their needs, that they come to the table with little to bargain with, and that the system is somewhat rigged against them. On the other extreme end are people who believe that aid agencies have co-opted LDCs to be spoilers at Doha out of a fear of losing their place in the development industry if trade should in fact succeed in promoting economic growth among their client states.

Doha's Fate

Doha talks broke down in late July 2008 upon the failure of emerging economies such as China and India to reach compromises with the United States and others over protection for farmers in developing countries. The US and other OECD nations generally stood firm in their opposition to new counter-subsidies that developing nations sought to introduce to protect their own agricultural sectors from competition from developed nations. This opposition was not surprising, but what was interesting to many was the new power exhibited by India and China in standing up to the US and others on this issue. The fact that they were willing to walk away from the talks, rather than accept developed world trade terms, suggests that they believe they can do better elsewhere, in regional and bilateral agreements, perhaps spelling the demise of multilateral trade negotiations in general. Many experts see the rise of the BRICs and their divergence from OECD and LDC interests as the primary challenge facing the WTO going forward. In the talks, the losers were ultimately the LDCs, who walked away with little to show for seven years of negotiations.

Since Doha was launched in 2001, *The Economist* reports that over 100 bilateral and regional deals have been successfully negotiated, lowering protectionist barriers on some WTO members and not on others. These agreements will stand, despite the collapse of talks on multilateral issues. While lucrative for some blocs, such as those in Southeast Asia (the Asian Free Trade Agreement or AFTA), these deals actually undermine the fundamental principle of the WTO, which is that concessions offered to one member must also be offered to all members; the deals also unevenly address the concerns LDCs brought to Doha. However, a joint study conducted by the Inter-American Bank, the World Bank, and the London School of Economics shows that all may not be lost. They found that over time, preferential cuts in tariffs reached bilaterally or regionally often spread to previously excluded members. Citing the "juggernaut effect," *The Economist* reports that many experts see free trade as a snowball effect – small dents in protectionism achieved through preferential trade agreements have macro and micro economic effects that ultimately gain momentum and lead to the eradication of trade barriers more generally.

Is It Even Free Trade that LDCs Seek?

How do these bilateral and regional preferential trade deals impact LDCs? An interesting point made by many experts is that if the WTO really exists to promote free trade, then this is not where the LDCs should be looking for relief from their predicament. They believe LDCs don't need free trade or the abolition of protectionism as much as they need what Collier has called "selectively-free trade," Stiglitz calls "asymmetrical" protectionism, and Peter Hardstaff calls "trade justice." In this view, what they really need is protection from the BRICs in developed country markets. The success of China and India looms large, and many believe this is as much a problem for LDCs as are OECD tariffs and subsidies. What LDCs really need is to be able to grow their domestic industries to produce exactly what China and India are already producing for wealthy and developing nations alike, and to export the produce that Brazil is already exporting. They need barriers dropped by developed nations against them, but erected against these emerging economies, so that they can catch up. As Carolyn O'Hara of *Foreign Policy Magazine* has pointed out, they also need to erect these same barriers themselves to protect their nascent domestic industries from cheap rice,

textiles, and electronics from China and from generic drugs and computer software from India – all while not unduly burdening their own impoverished populations whose lives could be improved by access to these very imports. Getting this done while advocating for free trade is difficult. Getting this done in the WTO may be impossible.

The US African Growth and Opportunity Act is a mechanism that exists to provide select trade preferences to certain African nations. Greg Mills has written that bilateral trade between the US and these nations increased 140% since 2001, and that $44.2 billion of a total of $59.2 billion in US-African trade was conducted under AGOA. Some experts note, however, that a portion of this trade follows mercantilistic patterns, and a significant portion of it is in oil, which does not tend to confer general development benefits on poor countries. AGOA is typically seen as the trade equivalent to the aid innovation Millennium Challenge Accounts – both are promising and utilize lessons learned in the past, but it is too soon to tell if they will create sustainable growth, or if the US will even continue to fund them in the future. The European equivalent of AGOA is the Everything But Arms initiative that is similarly well-intentioned in its free trade concessions to LDCs, but imperfect in its implementation.

Many experts have noted that the problem with many of these bilateral, selective free trade arrangements is that they are often offered primarily to those countries least able to take good advantage of them. There are those who believe it makes sense to dispense trade benefits, like aid, to those countries that can make the most use of them to stimulate their own growth and that of their neighbors. Several experts note that one-third of Africa's people, and a full half of all African economic activity, is contained in just four countries: South Africa (not an LDC), the Democratic Republic of Congo, Nigeria, and Kenya. In this view, bilateral preferential trade agreements, not Doha per se, may have the most potential in promoting African development by starting with the largest nations.

In addition, many believe that LDCs, while erecting some protections against more developed nations' goods, need to set up preferential deals and remove barriers among themselves. Many development experts decry the abysmal state of economic (and security) cooperation among Sub-Saharan African nations. With a significant portion of the continent land-locked, relations with neighbors, unburdened by multiple layers of customs duties, are key. Goods need to be able to move freely on jointly-maintained transportation links between African countries so that LDCs can begin to meet each others' needs, as well as transport products to ports. The growing success of such regional cooperation in Southeast Asia and Europe is often cited as a case in point. On the other hand, some believe this is not as relevant for LDCs in Africa, noting that the success of the European Union and ASEAN is built on the diversity of the economies involved, linking the weaker with the stronger. Collier and others believe that more regional cooperation where only poor nations exist only creates a poor region and is a distraction when connections with the developing and developed world are the ticket to prosperity.

The Free Trade Gospel Reconsidered?

Consider these statistics. According to the World Bank Commission on Growth and Development, cited by the OECD Secretary-General in a recent article, globalization has, over the last 60 years, brought "three billion people the fruits of growth." The OECD further calculates that reducing "trade transaction costs" (increasing free trade) by 1% would generate "welfare gains" of $43 billion dollars, of which a "65% share would go to developing countries." The 2003 Copenhagen Consensus estimated the world economy would gain $254 billion (in 1995 dollars) if all protectionism were abolished. Expert Moises Naim's review of economists' predictions of potential Doha gains shows that even the "most pessimistic projections" of returns on trade liberalization would yield between "$50 billion and several hundred billion" in increased revenues. The World Bank estimates that as many as 32 million people could be brought out of extreme poverty and a further 64 million out of $2/day poverty by 2015 if Doha's objectives are met. Kate Eshelby, of the *New African* magazine, predicted in 2006 that "if Africa took just 1% more in world trade, it would earn $70 billion more annually."

Most of the decrease in global poverty over the past three decades has been due to the economic rise of China and, to a lesser extent, India, both of whose growth has been predicated on an increased share of global trade. Moreover, most experts believe that free trade reduces conflict between nations (a theory known as the supply-chain theory of

peace promotion where countries that share in the process of extracting and transforming a raw material into a marketable good via commercial agreements rarely go to war with each other). As we have seen, the expenses of war and the benefits of peace can both be calculated in terms of economic growth. When Doha was launched, the US was quick to emphasize the potential anti-terror effects of free trade as well.

Yet, many believe that, in the words of Joseph Stiglitz, author of the famous article "Globalism's Discontents," trade liberalization is "far more complicated than people realize." Like capitalism in general, it inherently confers benefits unequally, depending on a variety of internal and external factors. Nations come to trade negotiations with their own interests firmly in view and tend to pursue agreements on free and preferential trade in line with those interests. Those that are benefiting from the system generally seek to consolidate their gains – their own domestic constituencies demand that they do so. Thus, trade charity is perhaps an oxymoron; many believe Doha was doomed from the beginning for this very reason.

In addition, Nancy Birdsall of the Center for Global Development has written that a country's "poverty profile" matters a great deal; details are extraordinarily important with respect to free trade. Few generalizations can be made regarding the diverse range of LDC economies and their ability to take advantage of any kind of trade deal, free or otherwise. She also notes that OECD countries, China, and India all grew their economies under measures of protectionism until their capacity for export-driven trade was developed. It has also been noted by numerous experts that neither China's nor India's subsequent export-driven growth has been via totally free markets. Both economies have employed state-sponsored or state-protected market strategies to some degree; both are determined to continue to do so today, as the breakdown of Doha suggests.

Birdsall and others uses the example of Mexico as an example of the limits of free trade as a magic bullet for development. If free trade were sufficient for growth, Mexico should be a prosperous country. Located on a 2000-mile border with the world's biggest market, to which it enjoys good access by virtue of the North American Free Trade Agreement (NAFTA), it should be thriving. But it is not, as a result of a myriad of other factors that prevent it from being able to capitalize on its advantageous trade position. Many would say that the prosperity of the European Union proves the adage that free markets ensure growth. However, as Birdsall points out, the EU is much more than a free trade pact, requiring significant economic policy and governance reforms as a condition of membership. It is also made up of economies that enjoyed other types of development assistance at critical times (aid in the form of the Marshall Plan, military security in the form of US and NATO treaties). Trade liberalization has been but one tool in the tool box for the EU; thus its members have been able to steer clear of the many traps that prevent LDCs from benefiting from development assistance.

In sum, the debate over the power of markets, particularly free markets, to produce growth remains fierce. Many believe they represent a false promise to many LDCs, and the WTO is often seen as a place where wealthy countries offer up concessions on some trade terms but not on others, striking deals that are, in the end, worth very little to the G-90, and serve only to perpetuate their marginalization and exploitation by the global marketplace. Others see no alternative to trade-driven growth, and generally feel that LDCs benefit from any attempt to introduce transparency and improve inclusivity in the processes of trade negotiations. Whether they can benefit as much or more from bilateral and regional preferential trade as from multilateral free trade is a question not likely to be resolved any time soon.

The Food Crisis

The free trade debate is only expected to intensify as food prices continue to rise worldwide. The cause of these price spikes is a complicated combination of factors, including the increased consumption of meat in BRICs and middle-income countries that requires more animal feed, the growing use of food products to make biofuels for energy consumers, and persistent distribution problems in the worldwide food market. Experts point out that at least some of these factors are the result of free markets (supply and demand), while others are the result of protectionism (lack of incentives to bring more growers from LDCs into the market, and dysfunctional distribution networks exacerbated by agriculture supports in developed nations).

Tragically, the food crisis that is gripping many LDCs is an illustration of the very dynamics that exist at the table in the Doha round, and at the same time it is making the development needs of LDCs much more urgent. High food prices benefit farmers in the US and other developed nations; many believe this should create a climate where wealthy countries are more willing to compromise on agricultural subsidies. Others believe it only makes protectionism in OECD agricultural sectors more likely. Nevertheless, many fear that before any progress can be made, LDCs may slip off the radar of the market completely. Global trade's potential to lift new millions out of poverty may mean little if, as the World Bank projects, a sustained 20% rise in food prices puts 100 million people who had escaped poverty over the last decade back into the trap.

A Footnote on Fair Trade versus Free Trade

Whereas free trade refers to voluntary trading without barriers from third parties or governments, fair trade usually incorporates a measure of aid for countries that produce raw materials such as coffee beans – a subsidy is added to the price of the beans that is transferred to growers in LDCs out of a sense of philanthropy for industries impacted by fluctuating commodities prices. Fair trade coffee is more expensive than free trade coffee because of this subsidy, and, in the short-term, this subsidy benefits the grower, usually in a poor country.

Interestingly, fair trade can actually be harmful to LDCs in the long term because it acts like a traditional agricultural subsidy: it encourages the production of one kind of crop, usually one that would otherwise not be terribly profitable, and discourages export diversification. Collier writes of the farmers, "they get charity as long as they stay producing the crops that have locked them into poverty" in the first place. These types of policies vary by product and by company, but this is an important caveat to consider if you are seeking trade justice in your fair trade dollar.

Foreign Direct Investment (FDI)

LDCs are caught in a cycle of poverty where they are unable to grow their economies, despite aid and assistance with economic policy and governance reform. The global marketplace is held out as their salvation, yet international trade policies marginalize and disadvantage them. They need a complex combination of free trade and preferential trade to produce the incentives for domestic growth and export-diversification. Doha's failure to date suggests that these terms will be difficult for them to negotiate in the face of OECD and growing BRIC domination of trade policy. Moreover, they are often caught up in rivalries between these two powerful blocs that have little to do with their own varied economic predicaments. What other tools can be brought to bear to increase their prospects for development? How can private money be brought to bear, and how can governments encourage and leverage private capital flows?

Foreign Direct Investment (FDI) is a powerful development tool, illustrated by the dramatic growth of China. FDI can be in the form of public money (governments investing in projects in other countries), but, more frequently, it comes in the form of private funds, often from Multinational Corporations (MNCs). FDI is money used to set up operations or buy assets in another country. This is not aid; rather, it is a business transaction on which investors expect a return. Investment costs can be relatively low in LDCs because these counties are so undeveloped that costs such as labor remain low. Consequently if things go as planned, the returns can be very lucrative. In this sense, LDCs are a largely untapped market for private capital, and getting there first with your dollars, Euros, or yen can translate into extraordinary success and advantage. However, LDCs are also an enormous risk for investors because of the very factors that make them poor in the first place. Often, FDI doesn't come to LDCs because of these very risks, and the lack of FDI only reinforces lack of growth in a globalized economy. Capital is often more likely to flow out of LDCs than into them.

However, if an LDC can attract FDI, the development effects can be dramatic. For this reason, Greg Mills has written that LDCs should ask the dignitaries of developed country dignitaries and officials who visit "to pack your plane not with just the… press corps, but with business people who come to strike deals. And let these deals, not new aid initiatives, be the centerpiece of your speeches." Theoretically, if the significant risks can be managed, LDCs should be the new frontier of global business investors, especially as the cost of doing business in the BRICs is expected to rise in-step with increasing development in those countries.

In a recent article, financial analyst Justin Muzinich and Harvard Business School professor Eric Werker advocate for the US and other developed nations' governments to provide less ODA and more incentives for FDI. They write that the simplest way to reconfigure the "aid architecture" is to bypass traditional ODA channels, and instead provide tax credits to private companies who invest in developing nations. This is seen as being more conducive

to development among LDCs, as it provides incentives for LDCs to build "growth-friendly institutions," and, in the process, introduces LDC entrepreneurs to Western and OECD business expertise and practices. Muzinich and Weker suggest that these tax credits be subject to oversight and disbursed only to companies who qualify based on an application detailing how the investment dollars are to be used. They also suggest criteria for determining which countries qualify for tax-credited investments, based on their level of poverty, their current levels of FDI, their commitment to civil and political liberties (as measured by Freedom House), and their level of progression toward democracy. Essentially, only the poorest, most FDI-neglected, yet "freest" and most democratic countries would qualify in order for the dollars to have the most impact. This type of program is technically considered aid because it would require US tax dollars to fund the tax credits, but it is seen as being a less traditional "transfer" of money because it "creates value" in LDCs, while simultaneously opening investment opportunities for US companies.

Is FDI a Panacea for What Ails LDCs?

The answer to the above question is both yes and no. Investment is key for growth and growth attracts more investment. However, many experts believe there are serious downsides to be considered. Multinational Corporations (MNCs) are for-profit organizations and their shareholders require that they act as such. Most investments are not likely to be made according to the criteria described above. As a result, experts cite that much of the FDI in developing countries occurs on terms that are ultimately exploitative to LDCs, especially those with natural resources. Oil, diamonds, and copper are cases in point; one doesn't have to look far to find articles bemoaning the effects of booming investment in energy in Nigeria or mines in Sierra Leone and the Democratic Republic of Congo. Extractive industries seek to extract resources at the lowest possible cost. By their very nature, MNCs involved in the extractive industries do not have incentives to be charitable or to negotiate deals that transfer any advantage to LDCs, where the resources are located. Some corporate social responsibility usually enters into the equation in the form of aid that accompanies investment to redress environmental and/or social ills in the areas where these companies operate. But FDI is not philanthropy, and investors would not be in LDCs if they were not able to negotiate terms favorable to their own shareholders. A fundamental conflict of interest often exists between the bottom line of investors and the well-being of the LDC.

Moreover, the benefits of FDI can be easily exceeded by its destabilizing effects on LDCs when these benefits are unequally distributed within the recipient society, as the "resource curse" illustrates. Corruption and bad governance is often exacerbated in the presence of what development economists call "honey pots," or "external rents," as special interest groups in the LDC scramble to reap the rewards of FDI. In other cases, MNCs come to wield disproportionate influence on societies, as was the case in the 1960s and 1970s in Brazil, where GDP tripled as a result of an increase in FDI, but wealth became consolidated in foreign-owned industries while the real income of 80% of the population declined.

This is not intended to paint MNCs as inherently evil. Again, they are investors, not agents of charity, and as such, they must watch their own bottom line. MNCs are a diverse group, some more socially conscious than others. Fundamentally, foreign investors should have an interest in the growth and stability of the countries in which they invest – they gain little from extreme pathology and poverty on the ground. Many are realizing that the more developed the country becomes, the safer and more lucrative their investments are, and they are acting accordingly. The Extractive Industries Transparency Initiative and the Kimberly Process for diamond certification are examples of this trend on a more macro level.

Corporate Social Responsibility and Social Businesses

Corporate social responsibility is a hot topic today. As several experts have pointed out in the new Brookings Institution book, *Global Development 2.0: Can Philanthropists, the Public, and the Poor Make Poverty History*, many MNCs are now considering their "double bottom line" and trying to balance their profit motives with their responsibilities to the countries in which they invest. Similarly, socially responsible investing is a hot new sector in the financial portfolios of many developed nations, and many MNCs stand to attract shareholders by burnishing their benevolent images abroad.

For-profit technology, pharmaceutical, and engineering companies are seen as having special social roles to play in the field of development assistance. In the words of Eric Brewer, they have the capacity to address "concrete, solvable problems" that are of utmost importance to LDCs. Providing LDCs with cell phones, computers, medicines, improved irrigation mechanisms and water wells, and more productive strains of crops is not solely the province of aid. Someone has to make the initial innovations. Sometimes this involves simply extending technology used by the developed world to the developing world; however, it often it requires significantly adapting the technology for developing world uses. Solar powered computers, drugs for tropical diseases, alternatives to modern plumbing – these are not necessarily products in high demand among consumers in wealthy nations, yet, they are matters of life and death for those in many LDCs. Putting resources to bear in developing and adapting these technologies is an important contribution that can often be best made by private sector companies who employ engineers and scientists for other purposes.

Taking this impulse one step further, Nobel Prize Winning Economist Muhammad Yunus (see the Microfinance Section) and others have called for the establishment of social businesses, for-profit companies that operate as such, but for the purpose of providing a social benefit. Profits that are made are then invested back into the company to either extend services further to those who need them or to decrease the cost of socially beneficial services. No dividends are paid out to investors; instead, the company is self-supporting and not dependent on (nor eligible to receive tax-deductible) donations. Social businesses do not exist to dispense aid, but rather to provide, through the private sector, goods and services that might otherwise be covered by aid. It is thought that this encourages better management, administration, and delivery. Social businesses can exist completely independently, but can also be found alongside other ventures of a larger corporate conglomerate. Furthermore, some companies dedicate one or more sectors of their business to social purposes. Crop insurance for poor farmers in drought or flood-prone areas is an example of a badly needed service that is often not provided by the traditional for-profit insurance industry or by the government. Some experts believe that this, like special banking services (see the Microfinance Section) and the development of technologies for LDCs, is an area in which social businesses can make a big contribution.

For-profit corporations can also provide expertise and consulting to LDC entrepreneurs. Some experts have proposed a Peace Corps-style operation made up of professionals whose employers donate or subsidize the cost of their time to help people in developing countries start advanced businesses. In addition, universities are entering the field and are well-suited to providing not only educational opportunities for students from LDCs, but also the knowledge and expertise of their faculty and students on the ground in a similar Peace-Corps model of consulting. They are seen as furthering the development of what Brewer has called "bottom-up technology." These particular types of endeavors by the private sector can be considered, in a sense, charity, because they involve the transfer of private resources (money, human capital, sacrifice of profits). But their place in the development field is unique from that of traditional charities as, in most cases, the services they provide confer some benefit to their investors and constituents as well – in the form of sales of related products, ethical credentials or brand advancement, and experience for employees and students. It is also hoped that, in providing pro-bono or subsidized services, these private sector entities will utilize the best aspects of for-profit-style business practices – injecting accountability and outcomes-oriented solutions into the realm of development assistance.

One last caveat about the participation of the private sector (from traditional MNCs to social businesses) in development assistance bears mentioning. In addition to the collateral damage that can occur from strictly profit-motivated FDI, any type of foreign presence in a country can be volatile. Most experts agree that LDC economies, perhaps more than anything, need to be protected from sudden financial or social crises. In a sense, a stagnant or slowly-growing economy is better than a boom and bust economy among fragile LDCs. The American Political Science Association Report on Inequality, Difference, and the Challenge of Development points out that speculation by foreign investors can often involve rapid divestment as well as investment, a shock LDCs cannot easily absorb. Similarly, social businesses come and go, and the problem becomes that volatility exposes countries to additional risks. Generally, like other types of development assistance,

FDI is seen to be useful as one of many tools, providing opportunities for growth while balancing the downsides of the other tools.

China and FDI in the LDCs

The influence of China in the matter of FDI is significant. On one hand, the economic activities of China make it more difficult for LDCs because Chinese products are tough to compete with in the global marketplace and China has long been one of the primary destinations for foreign investment that might otherwise have come to LDCs. On the other hand, the Chinese example is an inspiring one to many LDCs, and many are attempting to emulate the Chinese FDI model of growth. Interestingly, China is itself a major player in LDCs as a foreign investor, especially in Africa. There are close to one thousand Chinese state-owned enterprises invested in Africa today, and more privately-held investments in addition to that. Because many investors are state-affiliated, they are better able to manage the risk involved in businesses in LDCs; the Chinese government can bail out projects that go bust. In addition, because the Chinese tend to proffer both their aid and their investment with no strings attached, in terms of governance or accountability, they are a favorite source of investment for savory and unsavory LDC leaders alike. China is also proving very adept at managing the logistics of investment projects – if anything, Chinese companies come under fire for being too efficient, preferring to use their own nationals to do the work on the ground instead of hiring indigenous workers.

Other Private Flows of Investment

Tax incentives for FDI are not the only way for public money to leverage the impact of private money. Many experts have called for government-facilitated remittance flows to LDC families and communities from migrant workers in developed nations. Remittances actually make up a significant portion of private capital flows from the developed world to the developing world – they represent money that is personally sent back home from both skilled and unskilled workers who have migrated from LDCs to nations throughout the world. Much of this money is unaccounted for and falls under the umbrella of the informal economy. However, it seems appropriate that Muzinich and Werker consider it in their article along with FDI, because it is, in a very real sense, a private foreign capital investment, albeit not the kind most people consider when thinking about FDI.

Remittances help on a micro level, too, often providing the primary source of income for many impoverished families in LDCs. They also have the potential to help on the macro level if recipients use them to start businesses. Moreover, many experts have pointed out that any connection between the citizens of LDCs and their ethnic or national diasporas in developed nations is generally a positive one. The growth of Israel is perhaps the most dramatic example of what remittances and private donations from a diaspora can do for the development of a foreign country. China and Taiwan have also benefited enormously from their respective diasporas in wealthy nations. Being able to make these contributions with pre-tax dollars would encourage more remittances and would not require a large leap in public policy. Individuals in the US are already able to make tax-deductible cash contributions to international NGOs, faith-based institutions, and charities in other countries. At the very least, many believe the governments of developed countries could pressure banks to make these transfers less cumbersome, while still monitoring transactions for the purposes of money laundering, drugs, or support for terrorist organizations. Any of these steps to increase the ease and number of remittances could be yet another valuable development assistance strategy.

Microfinance

A form of private capital flow that has gained recent attention in the development world is microfinance. Popularized by 2006 Nobel Peace Prize winner Muhammad Yunus, microfinance strives to provide formal financial services to the poor. Microcredit, the most popular form of microfinance, is based upon the premise that providing small 'micro-loans' to the poorest of the poor is an effective and efficient way to allow the poor to lift themselves out of poverty, often through entrepreneurial activity. Historically, formal banks have been unwilling to loan to the poor due to collateral requirements as well as due to the simple fact that small loans are not as lucrative as large loans; the transactional costs for making a $100 loan and a $5000 loan are the same, and so from a profit-maximizing perspective, banks would understandably prefer to make one $5000 loan than 50 one hundred dollar loans.

While traditional banks would view a borrower with no collateral as a high-risk investment, microcredit proponents count on the fact that continued access to non-usurious credit (often the only lenders available to the poor are traditional moneylenders who charge exorbitant interest rates) creates a strong enough incentive to mitigate these risks. This belief has been repeatedly substantiated with high recovery rates. Grameen Bank, the microfinance bank founded by Muhammad Yunus in Bangladesh, has distributed over US $7.28 billion since its inception, and has a loan recovery rate of 98.08%.

Microfinance institutions (MFIs) – that is, any organization offering financial services to predominantly low-income clients – take a variety of forms. They can be private commercial banks, non-governmental organizations (NGOs), cooperatives, credit unions, or a part of state-owned banks. Some MFIs are funded by subsidies, loans, or charitable contributions, while others are self-sustaining and are able to cover operational costs through interest rates. In a study published in 2006, information from three databases to which Indian-based MFIs report was analyzed. The study revealed that state-owned institutions and Indian self-help groups (of which the majority are funded by state banks) each account for loans made to about 30% of borrowers, while NGO MFIs account for the loans made to less than 25% of borrowers, and licensed private banks and finance companies account for the loans made to approximately 16% (or one sixth) of borrowers.

The study also determined that private lending institutions were much more likely to be profitable than government institutions. Furthermore, when compared with the commercial banks in the same country, MFIs tended to be more profitable – 'return on assets' for MFIs was an average of 2.8%, while for the commercial banks it was 1.5%. While this does not necessarily mean that MFIs are inherently more profitable than commercial banks (there are so few MFIs that they are subject to far less competition), it does clearly demonstrate that MFIs *can be profitable*. When profitability is compared with the poverty level of clients, there is very little correlation, indicating that even those MFIs serving the poorest of the poor can be profitable.

The Grameen Bank

Many consider Grameen Bank to be the 'grandfather' of the microfinance movement, and many MFIs around the world have used it as a model. Grameen began as a 1976 action research project led by Muhammad Yunus, then Head of the Rural Economics Program at the University of Chittagong in Bangladesh. After visiting the neighboring village of Jobra, Yunus discovered that many women were forced to borrow money to buy raw materials and then sell their finished product back to the lender at a very low price; because the profit they made on the finished product (in this case, bamboo stools) was so low, the cycle began again the next day and the women were never able to make a profit of more than 50 poysha, or about two US cents. Yunus compiled a list of women working under these arrangements and realized that with US $27, he could provide enough capital to 42 women to allow them to purchase raw materials independently, and therefore sell their finished products in markets, thus making a profit and breaking the cycle. Yunus continued to fine tune and expand his micro-credit experiment, and in 1983, legislation was adopted to give the Grameen Bank Project independent bank status.

Today, Grameen Bank borrowers own 94% of its shares, while the government owns the other 6%. There are 7.56 million total borrowers and of these, 97% are women. Grameen has disbursed US $7.28 billion since its creation, and over the past 12 months, the monthly average aggregate loan disbursement has been US $69.7 million. Furthermore, Grameen Bank is profitable: it has a loan recovery rate of 98.08%; since 1998 it has received no donor funds or loans from external sources; with the exception of the years 1983, 1991, and 1992, Grameen has posted a profit each year of operation.

Grameen targets women as its primary loan recipients. Studies have repeatedly shown that when women have access to increased resources, it benefits the family as a whole more than when men are given access to these increased resources. Instead of requiring collateral, Grameen requires women to join five member groups and go through a rigorous application and approval process in which they must memorize the bank's rules and submit to a test. This is meant to ensure that only those truly committed to joining Grameen join and is also an important confidence-building step for many rural Bangladeshi women who, often for the first time, must speak assertively to a person in a position of power – the usually male bank employee.

Before a woman can take out a loan, she must develop a clear proposal for how she will use the loan, and her proposal must win the approval of the women in her group, as well as that of bank managers. If she does not pay back her loan, the other women in her group may become ineligible for larger loans in later years. This incentivizes the members of the group to support each other during the entire borrowing process, as their individual prospects are intrinsically tied to the rest of the group's success. When a loan is dispersed, no legal instrument is used to legally force the borrower to repay. Instead, Grameen assumes the borrower will do everything she can to repay her loan in full. In the case that a woman does not pay on schedule, the loan repayment is simply rescheduled in what is called a flexi-loan and the maximum that she is eligible to borrow is lowered. Grameen uses a weekly repayment schedule and simple interest rates (as opposed to compound interest). Rates vary according to the purpose of the loan: 20% for income generating loans, 8% for housing loans, 5% for student loans, and 0% for 'Struggling Members,' or beggars. If a borrower dies, a loan insurance program covers any remaining debt. In addition to microcredit, Grameen offers saving accounts, pension plans, and loan insurance.

Over the course of its history, 65% of Grameen's borrowers have been shown to have clearly improved their socio-economic conditions and lifted themselves out of extreme poverty. Furthermore, political engagement has been encouraged. In the 1996 national election, more women than men voted – a feat that many attribute to Grameen's empowerment of women. Furthermore, in that election year, over 1,750 Grameen members and 1,570 members of Grameen borrowers' families were elected to local offices. Grameen's successes have shown that by providing the poor, and particularly poor women, with access to small amounts of money, change can be achieved on a much greater level.

Other Microfinance Institutions

Developing parallel to Grameen, ACCION International was founded in 1961 in Caracas, Venezuela, and initially performed traditional development work, installing electricity and sewer lines, running training and nutrition

programs, and building schools and community centers. By the 1970s, ACCION's leaders decided to shift the focus of the organization to address an underlying cause of poverty – lack of economic opportunity – and in 1973, ACCION began issuing small loans with which microenterprisers could expand their businesses. ACCION continued to expand successfully, and by 1992, it had helped to create BancoSol in Bolivia, a bank dedicated to the poor and now serving 80,000 people. There are currently more than 15 other ACCION-affiliated regulated financial institutions. In 1991, ACCION expanded to the United States and to date, has lent more than $178 million to more than 18,500 low-income American entrepreneurs. ACCION continued to grow; in 2000 it expanded to sub-Saharan Africa and in 2005 it reached India. In 2007, ACCION (excluding ACCION USA) served 3.12 million clients and disbursed US $5.14 billion.

Another well-known organization within the microfinance field is Kiva. Founded in 2005, Kiva is a peer-to-peer microlending website and serves as a conduit to connect individual lenders with MFIs that then disburse money to entrepreneurs. At present, lenders, who are typically from the developed world, register through the website and then browse through a list of profiles of entrepreneurs in the developing world, then choosing to donate to one of these entrepreneurs. As of September 2008, Kiva had lent over US $44 million with a repayment rate of 98.6%. Cofounder Matt Flannery envisions a day when the borrowers from the website become the donors, and those in the developing world could make loans to those in the developed world, breaking down stereotypes about what it means to be poor.

In addition to these organizations there are thousands of other MFIs, and as the concept receives more and more publicity, the number is only likely to increase.

Debates Surrounding Microfinance

Despite the rosy picture of microfinance painted above and the demonstrated good that microfinance can bring about, there is debate within the development community about its overall effectiveness.

A primary concern is linked with microfinance's very success and popularity. The vast majority of experts agree that microfinance alone is not enough to lead to comprehensive development. However, because it has received so much attention in recent years – the UN declared 2005 the International Year of Microfinance – some worry that other useful strategies are being neglected. Kiva cofounder Matt Flannery has commented that the microfinance industry is currently "clogged," as a result of a combination of large amounts of capital and limited investment opportunities. This claim can be illustrated with a quick visit to www.Kiva.org. When I recently visited the site, I received a message informing me that all loan requests had been funded, and later in the week, there were only a handful of profiles with pending loan requests. It is clear that microfinance is currently en vogue, and while hardly anyone questions the institution's merit, there are questions as to whether its potential to reduce poverty at a structural level warrants the attention it has received.

Related to these concerns is the criticism that microfinance does little to create small- and middle-size businesses, which some believe to be the foundation to any stable economy. Muhammad Yunus has said, "All people are entrepreneurs." However, according to the 2000 census, in the United States, only 6.6% of people are self-employed. Thus, some believe that although the microfinance industry is effective at allowing individuals to sustain microenterprises, it does not allow for the creation of the small businesses that will provide a secure foundation for a national economy. Furthermore, microenterprises rarely provide employment opportunities for anyone other than the microenterpriser herself. Critics argue that there would be greater returns on a loan made to a small business if that loan enabled the business to expand and consequently provide jobs for the local community. Others go one step further and believe that investing in small businesses, as opposed to providing them with loans, would enable the greatest degree of economic growth.

Another common criticism of microcredit is that while it reduces financial vulnerability, it does not effectively alleviate poverty. In other words, microloans allow individuals to avert financial crises, such as illness, death, or natural disaster, but do not significantly raise poverty levels. Substantiating this claim is a delicate process. Many MFIs do not collect accurate data regarding the poverty levels of their clients, and moreover, definitions of poverty can vary greatly. Grameen Bank has developed ten indicators that it uses to measure the socioeconomic level of its borrowers.

These indicators range from the size of weekly loan installments to the use of a sanitary latrine. A Grameen borrower who has met each of the ten indicators is said to have moved out of poverty. Clearly, these indicators would be an inappropriate measure of poverty in many other settings. Additionally, it is unclear whether lifting families out of Grameen-defined poverty leads to macroeconomic development. This is a debate that will surely continue to play out in the coming years as measures of poverty are standardized (or at least clearly defined), and the impact of the explosion of MFIs is analyzed.

A final basic debate within the microfinance industry is whether microfinance should be approached as a business or as a charity. Central to this debate is how high interest rates should be. As previously discussed, due to the high transactional costs of microloans, rates must be higher than for larger loans. However, many find it to be unfair that the poorest must pay higher interest rates than the wealthy. Linked with this is the degree to which MFIs should rely on grants, donations, and subsidies. Grameen Bank has a policy of not accepting loans or grants from outside institutions and, on one high-profile occasion, rejected a sizable, low-interest loan from the World Bank. A large number of other organizations, however, rely on some type of support and are not self-sustaining. Some believe relying on such support destabilizes MFIs by subjecting them to variability from the supporting institution. For example, if an MFI receives subsidies from the government and there is a change in leaders, funding may be lost. Others, however, worry that if MFIs are seen as a business venture, the poorest clients will be crowded out in favor of more profitable and less poor clients. One solution may be if microfinance becomes a part of the growing social enterprise movement in which a 'triple bottom line' is used and success is measured in environmental and social terms, in addition to economic terms.

There is much evidence pointing to the continued growth of the microfinance industry. Despite the phenomenal expansion the sector has experienced in recent years, most experts note that there are still millions of poor people without access to the formal financial sector. And, if the recent past is an indicator, once the poor have access to these services, they will fully utilize them. Muhammad Yunus has said that credit is a human right, and he, along with many other pioneers in the microfinance movement have done much to change the way the poor are perceived. As more and more MFIs prove to be profitable, providing services – financial and otherwise – to the poor may become a growing enterprise and will hopefully also play a part in lifting some of the poorest of the world out of poverty.

Conflict Prevention and Military Intervention

There are times and contexts in which the efforts of International Financial Institutions (IFIs), development experts, aid organizations, policy makers, local reformers, and the market can not make progress because an LDC has slipped into total state failure and/or violent conflict. Zimbabwe and Sudan are examples of state failure and violent conflict, respectively. Multiple studies and many experts from along the political spectrum have demonstrated the close relationship between lack of economic growth and the existence of physical conflict. It is one of the most brutal traps, as illustrated by many of the essays in the recent book, *Too Poor For Peace? Global Poverty, Conflict, and Security in the 21st Century*. Essentially, extreme poverty can cause governments to crumble and resources to be depleted, which leads to instability. This instability can lead to violence and a further shutting down of social and economic infrastructure, which in turn makes it nearly impossible for the government to regain a foothold and promote development.

These costs often extend beyond the borders of the LDC, into the region and the wider world as well. The setbacks are significant because they tend to reverse any growth that might have occurred prior to the conflict, they destroy societies in the present, and they prevent future growth. Conflict discourages investment, often wiping out local talent, causing enduring environmental damage, creating refugees and internally displaced persons, and leaving a country awash in weapons and unresolved resentments. Military budgets are typically increased using money that might otherwise have gone to development, and societies often find themselves at great risk for future wars that will have similar effects.

What Strategies Are Available to Address Such Conflict?

Measuring the economic impact of conflict can be tricky, but some economists have been able to attach specific numbers to the statistical probability that a poor country will experience civil or intrastate conflict, or that it will relapse into war after a peace has been negotiated. They have also attempted to attach LDCs' actual dollar costs that result from conflict, in terms of real losses in human, social, and physical capital, as well as in terms of opportunities lost. For example, Paul Collier's work estimates that the cost of a typical civil war to a country and its neighbors (excluding wider costs to the world in the form of disease, terrorism, and environmental degradation) are around $64 billion. Using the past few decades as a reference point, it could be said that an average of two civil wars start each year, costing over $100 billion dollars. Collier found that LDCs are seen as having a one in six chance of falling into civil war in any five year period, and that a typical post-conflict country has a 50-50 chance of slipping back in to war. Moreover, economist Edward Miguel's research shows that a one percentage point increase in per capita income reduces the chance for conflict about one percent – as a country's income rises, its risk for conflict declines accordingly.

These are powerful reasons for the development community to consider external military intervention in fragile or post-conflict LDCs as yet another tool for development. Because an LDC's own internal military and paramilitary forces are often a big part of the problem in any conflict, some believe that in certain cases, external intervention is warranted. Peace is worth a lot to LDCs, often more than other development assistance; further, peace facilitates the good use of other development tools. In fact, it could be said that other tools are necessarily ineffective unless stability can be established. Development in neighboring countries is similarly ineffective if the region is destabilized. The UN Peacekeeping Program exists for this very reason.

Yet, from Somalia to Rwanda to Sudan, both UN and national peacekeeping forces have clearly experienced what one might call limited success, and even failure, in high profile conflicts involving LDCs over the past half century. The debate over the morality, legality, and effectiveness of external interventions in conflict situations is a vigorous one. There are many who feel that external countries' own national strategic interests in the country(ies) involved in conflict unavoidably corrupt the cost-benefit analysis. Fundamentally, discerning when and where is an appropriate time to use this tool is, by its very nature, a highly subjective process.

Moreover, there are many who feel that external peacekeepers or military interventions can create more problems than they solve for LDCs, disrupting fragile cultural, social, and political dynamics, and exacerbating others. There is evidence that artificially or externally resolved conflicts are more dangerous in the long run because the population misses a cathartic and nation-building opportunity to dispose of its own despots and address its own grievances. In addition, external military forces often accelerate conflict, drawing in new factions, such as has occurred in Iraq and in Afghanistan.

There can be significant benefit in preventing conflict in LDCs – prevention is nearly always, in theory, cheaper and more effective. Yet under what circumstances the international community can intervene to prevent a conflict is unclear and involves very real sovereignty concerns. If you accept that a certain number of LDCs exist on a semi-permanent brink of conflict eruption, by virtue of what makes them poor in the first place, they could be considered to be eligible for external preventative efforts at any time. Most agree that, like with governance issues in general, the most effective strategy may not be regime change or direct external intervention, but rather the empowerment of local reformers and opposition groups. However, distinguishing the 'good guys' (who to help) from the 'bad guys' (who to oppose) is not something outsiders can always do well.

Climate Change Mitigation: The Issue of Climate Justice

There are many in the development field who are beginning to include climate change considerations into their analysis of what the developed world can do to help mitigate the challenges of the LDCs. Global warming caused by carbon emissions is thought to contribute to many of the ills facing the developing world: from droughts and extreme temperatures in already harsh climates, to floods and damaging storms. This appears to be especially true in places such as Sub-Saharan Africa where most LDCs are located. Desertification is destroying arable land throughout the Sahel region in Africa, eliminating crop-bearing soils, and bringing groups into conflict over increasingly scarce quality land. Similarly, debilitating tropical storms and other natural disasters linked to global warming are disproportionately destructive to poor areas, and many poor areas seem to lie in their paths. LDCs in a storm's trajectory lack both early warning systems and a system for insuring against potential losses.

It is thought that, in general, the negative effects of climate change hurt the poor and geographically disadvantaged in much more dramatic ways than they do those in the developed world. Even small alterations in natural temperatures, glacial melting and river flows, rainfall patterns, and ecosystems have huge impacts on the very people who can least afford more hardship. In the words of Michael T. Klare in his article Global Warming Battlefields: How Climate Change Threatens Security, "most of the effects will be felt across the planet, but the degree with which they produce death, injury, and suffering will vary with the relative wealth and resiliency of the society." Yet the world's poor, by virtue of their relative lack of modernization and industrialization, contribute less to the problem of carbon emissions that is driving global warming. This has led to the concept of climate justice entering into the development lexicon.

As reported in the 2007 UN "Intergovernmental Panel on Climate Change Task Force on Impacts, Adaptation, and Vulnerability," the disproportionate effects on LDCs from global warming are thought to include food shortages, malnutrition, and famine related to more frequent and protracted droughts, as well as increased intra-state and civil conflict over scarce arable land. They also include destruction of coastal areas by floods, as sea levels rise and storms become more severe. Finally, as glaciers melt and diminish river flows, water wars are expected to intensify. This will have a particular impact on those countries and provinces that share long river tributaries as they attempt to control and divert water from places like the Nile, Amazon, Yellow, Indus, and Congo Rivers. Many competing LDCs lie within these regions, and many are also rife with internal conflicts over water between different ethnic groups that already live in fragile domestic arrangements. Another phenomenon expected to increase is that of environmental refugees. These populations are driven from their degraded land and by virtue of their sheer size and vulnerable condition, tend to cause instability, disease, and conflict in other parts of the developing world and developed world alike.

What Can the Developed World Do To Mitigate This Pressure on LDCs?

Many experts believe that in the wake of environmental disaster, perhaps the most important development assistance wealthy nations can give LDCs is to begin reversing climate change that is caused by greenhouse gases that originate in the developed world. In this sense, a driving a hybrid car or using solar panels in OECD countries can become a development tool for the world's poorest populations elsewhere. Engineering and technology that are aimed at finding alternative energy sources serve the same function. Many believe distributing these innovations to wealthy countries, as well as (and especially) to the BRICs and LDCs themselves, will be key. In the meantime – while solutions to climate change are being researched – some see carbon credit trading systems as a useful method of providing funds to LDCs.

Helping LDCs to find and develop less water-intensive crops, new irrigation technologies, and alternatives to timber-made buildings is also thought to be important. In this sense, it is not just about fixing climate change from the perspective of what wealthy nations do at home, but also about helping the world's most vulnerable to find ways to adapt to the climate change already in progress, and to prevent their own contribution to the problem. Urgency is an issue. In December 2007, *The New York Times* quoted a UN Human Development Report stating that "an additional 600 million would be hungry, 200 million more displaced by floods, and 400 million more exposed to diseases such as malaria and dengue if the world's temperature were to rise just 2 degrees Celsius," which many predict will occur over the course of the century.

Advocates of climate change mitigation efforts to help the world's poor, such as Mohammed Valli Moosa, President of the World Conservation Union, acknowledge a particularly complex issue exists: "how to differentiate between roles and responsibilities of the historic big emitters, the recent big emitters and the truly poorer countries." He advocates developing different approaches to each of these groups of countries, and asserts that putting stringent requirements aimed at historic and recent big emitters on the truly poor countries is unjust. Whether or not LDCs should be held to the same standards as the developed and developing world strains the environmental community, and makes consensus over treaties like the Kyoto Protocol particularly difficult to achieve. Resolving this central question is essential to the development community's efforts to harness climate change mitigation as a development tool.

Photo courtesy of the US State Department.

The Commitment to Development Index

An interesting way to think about the overall implications of development assistance is to consider the following information from the Center for Global Development, an independent US-based think tank that annually ranks the world's 21 wealthiest nations by how much they help "countries build prosperity, good governance, and security." According to the 2007 summary by David Roodman, development assistance given from the public sectors of these countries is ranked along seven indicators "to compare how well countries are living up to their potential to help:"

- **Quality and quantity of foreign aid**: The index considers aid as a percentage of the size of the donor's economy, and penalizes tied aid. It also discounts aid given to recipient countries with high levels of corruption. For example, aid to Iraq is counted at 10 cents on the dollar, while aid to Mozambique is counted at 77 cents on the dollar. Donors are penalized for launching too many small aid projects that lead to fragmentation and undue burdens on the recipient country; the index rewards countries that give tax incentives for private contributions (such as tax deductibility for private donations made to international charities).
- **Openness to developing-country exports:** All trade and subsidies enacted by the donor nation are converted into "one flat across-the-board tariff," representing the total effect of the wealthy country's trade policies on developing countries. Impact is adjusted for size of the country. For example, US tariffs count more than Swedish ones because they have a greater impact due to the larger US share of global trade.
- **Policies that influence investment**: The index looks at FDI as well as the purchase of securities from developing countries on the open market. Wealthy countries are subjected to a "checklist" of policies that incentivize and facilitate such investments, ranging from tax breaks to participation in international investment transparency initiatives such as the Kimberley Process.
- **Migration policies**: The index rewards countries who implement policies encouraging the migration of both skilled and unskilled labor from developing countries to their countries, though unskilled labor counts more. Openness to students from LDCs and aid to refugees and asylum seekers is also considered.
- **Environmental policies**: The index looks at what developed countries are doing to reduce their own greenhouse gas emissions as well as whether or not they participate in environmentally degrading activities in the developing world, such as timber mining or the patronization of harmful fisheries.
- **Security policies**: Countries are rewarded for participation in international (UN) peacekeeping and humanitarian endeavors (under multilateral control only – the US-led war in Iraq does not count, but the NATO-led invasion of Afghanistan does). They are also rewarded for using their navies to patrol and protect international shipping lanes.

They are penalized for arms sales and military aid to developing nations.

- **Support for creation and dissemination of new technologies**: The index rewards government-led Research and Development (R & D), as well as government subsidies for private R & D, though it counts military-oriented technology at a 50% discount. Countries are rewarded for participating in trade negotiations to reduce intellectual property and patent restriction on certain products needed by LDCs, and are penalized for over-zealous protection of these rights themselves.

(Center for Global Development: http://www.cgdev.org/. Path: Initiatives; 2007 Commitment to Development Index)

All scores are then averaged for an overall CDI measure. This approach is widely seen as being a comprehensive and inclusive way to capture the types of things that have been discussed in this issue of the Monitor: providing aid, facilitating trade, encouraging private investment, transferring expertise, and promoting peace and cooperation on issues that affect the global commons as a whole and, often disproportionately, the world's poorest citizens. Among its other findings, the 2007 CGD report concluded: "development is about much more than direct aid; the design and delivery of aid programs is as important as the quantity of aid; and the policies of developed countries have a significant impact on the developing world." To see the full report, go to: http://www.cgdev.org/section/initiatives/_active/cdi/what/

The rankings of the 21 nations scored for the 2007 report, can be seen below:

Country	Overall CDI Score
Netherlands	6.7
Denmark	6.5
Sweden	6.4
Norway	6.4
Finland	5.6
Canada	5.6
Australia	5.6
New Zealand	5.6
United Kingdom	5.5
Ireland	5.3
Austria	5.3
Germany	5.2
France	5.1
United States *	5.0
Spain	4.9
Belgium	4.9
Switzerland	4.8
Portugal	4.6
Italy	4.4
Greece	3.9
Japan	3.3

* Over the past five years, the United States made steady improvement. From 2003 to 2006, it incrementally increased its overall score from 4.5 to 4.9 to 5.3 to 5.1, and ranked second for overall improvement during that time period. However, in 2007, the US fell one rank, its overall score of 5.0 dragged down by its performance in terms of aid and the environment.

World Savvy

How Individuals Can Make a Difference

The development community is increasingly coming to include individuals who give their "time, talent, and treasure" to address the root causes and experience of poverty worldwide. As Lael Brainard and Vinca LaFleur of the Brookings Institution have written, "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." They estimate that individuals from the United States alone contributed as much as $26 billion last year to the developing world.

20th Century Philanthropy	21st Century Philanthropy
By the few	By the many
By the old	By all ages
Giving is mostly local	Giving is local and global
Philanthropy as a club	Philanthropy as a community
Give on your own	Give with others

Below, we profile two types of organizations that are working to harness the power of individuals, adults and youth, to meaningfully participate in anti-poverty efforts globally.

Toward a New Paradigm of Philanthropy – The Next Generation

YouthGive is a non-profit organization that works to engage children and youth in philanthropy and to instill lifelong habits of generosity and civic engagement. Their philosophy is that everyone can be a philanthropist and social entrepreneur.

YouthGive enables young people to have their own philanthropic giving account that puts them in the driver's seat of giving. Parents can open a youth account online for any amount – $1, $20, or $100 – to which youth, friends, and family can donate. Then, from a menu (written by youth participants themselves who map, interview, and profile organizations), the youth donor can explore issues and connect with non-profit organizations working around the world. Using their own donations as a base, the youth possess a platform from which to leverage additional funds from corporations and others, allowing them to join in the larger philanthropic community, where they are given a seat at the table with traditional funders and development professionals. YouthGive also offers a philanthropic curriculum that blends online and offline learning with on-the-ground stories and hands-on engagement activities – all of which seek to build hope, social awareness, and philanthropic expertise. They also run trips for teams of youth to work with non-profits, government leaders, and businesses in the developing world to explore the potential of philanthropy and microfinance in addressing global poverty. On these trips, youth also document their experiences digitally and use the resulting film-work to mobilize and educate others. See http://www.youthgive.org/.

Individuals as Microfinanciers

As discussed in the Microfinance section, the provision of small loans and/or grants to local entrepreneurs is a critical anti-poverty tool. Yet, this is not just the provenance of large institutions such as the Grameen Bank and BRAC. Many organizations exist to facilitate the participation of individual donors and lenders in this growing field. Two examples are below.

Kiva (see www.kiva.org) is the world's first person-to-person microlending website, and it enables individuals to lend directly to entrepreneurs in the developing world. Kiva links potential lenders with existing microfinance institutions that have access to micro-creditors seeking small business loans. Through the internet, a personal and transparent connection is established, and the individual lender can see how funds are being used and the impact their dollars are having on the ground.

Living Goods is an organization that facilitates the development of entrepreneurs among women in developing countries, while also working to address the public health needs of their communities. Working with BRAC and other partners, Living Goods operates Avon-like networks of door-to-door Health Promoters who make a modest income selling essential health products at prices affordable to the poor. These local women are trained, and act as public health advisors, providing critical products while also earning a living for themselves and their families. The model seeks to address both poverty itself and the debilitating diseases of poverty that impact the lives and productivity of wage-earners throughout poor communities. (See www.livinggoods.org)

Glossary of Development Players

The following is a brief profile of some of the major players in development, listed alphabetically. When possible, a link to the organization's web site has been included.

African Development Bank (ADB): The African Development Bank is a regional multilateral development finance institution that was established in 1964 to promote economic and social development in Africa, through loans, equity investments, and technical assistance. (http://www.afdb.org/)

Asian Development Bank: The Asian Development Bank is a regional development bank established in 1966 to promote economic and social development in Asian and Pacific countries. ADB loaned about $10 billion USD in 2007. The recent economic growth in many Asian nations has led to a slight change in emphasis, especially in the areas of infrastructure investment, agricultural development, and loans to basic industries. (http://www.adb.org/)

Bill and Melinda Gates Foundation: The Gates Foundation is the largest transparently operated private foundation in the world; it was founded by Bill Gates (of Microsoft) in 1994 and augmented by a subsequent donation by Warren Buffett. It is active in all 50 US states as well as over 100 nations. It is organized into three programs: Global Health, Global Development, and the US Program. In 2007, grant payments totaled more than $2 billion. (http://www.gatesfoundation.org/)

BRAC (formerly known as Bangladesh Rural Advancement Committee): BRAC was founded in 1972 and is one of the largest non-governmental organizations (NGO) in the developing world, and reaches more than 110 million people throughout Asia and Africa. BRAC is active in economic and social development, health, education, and human rights and legal services. (http://www.brac.net/)

Cooperative for Assistance and Relief Everywhere (CARE): CARE was founded in 1945 and is one of the largest international relief and humanitarian organizations in the world; it is active in 69 countries. CARE places particular emphasis on working with women living in poverty; CARE also strives to employ local volunteers and staff members and buy supplies locally in order to support developing economies. (http://www.careinternational.org/)

Development Assistance Committee (DAC): The Development Assistance Committee is the principal body through which the OECD deals with issues related to cooperation with developing countries. DAC serves as a forum of major bilateral donors who work together to increase the effectiveness of their common efforts to support development. (http://www.oecd.org/dac/).

The Global Fund to Fight AIDS, Tuberculosis and Malaria: The Global Fund was created in 2002 to increase funding to fight AIDS, tuberculosis, and malaria. To date, the Global Fund has committed more than $11 billion USD in 136 countries to support aggressive interventions against all three diseases and is one of the largest funders of programs to fight these diseases. (http://www.theglobalfund.org/EN/)

Grameen Bank: The Grameen Bank is a microfinance organization and community development bank founded by Muhammad Yunus in Bangladesh in 1983. To date, it has lent US $7.28 billion; 97% of its 7.56 million borrowers are women and its loan recovery rate is 98%. Grameen and Yunus helped begin the microfinance movement that has enjoyed increasing popularity in recent years. (http://www.grameen-info.org/)

Group of Eight (G-8): The G-8 is an international forum consisting of the governments of Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, the United States, and the European Union (the EU is represented within the G-8, but cannot host or chair). G-8 summits focus on macroeconomic management, international trade, and relations with developing countries. However, the G-8 has been highly criticized for its failure to represent developing nations and what some feel to be policies that are harmful to the poor. Consequently, G-8 summits are often the stage for high profile protests by a variety of anti-poverty and anti-globalization groups. (http://www.g8.utoronto.ca/) (Note: this is not the official website of the G-8, but is an information center hosted by the University of Toronto.)

Inter-American Development Bank (IDB): The IDB provides financing, leverage, policy advice, research, and technical assistance to carry out development projects in 26 countries in Latin America and the Caribbean. Since 1959, the IDB has been the main source of multilateral financing for this region and averages US $10 billion in financing per year. Unlike the World Bank and other development banks, the developing countries that borrow from the IDB are the majority shareholders of the Bank and therefore have greater control of decision-making processes. (http://www.iadb.org/)

International Monetary Fund (IMF): The IMF is an international organization of 185 member countries and is one of the two Bretton Woods institutions (along with the World Bank) formed at the end of WWII. It was established: to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment. The IMF has been criticized because its loans are tied to conditional reforms, such as Structural Adjustment Programs, that many feel have had severely negative effects on populations in developing nations. In particular, austerity measures and currency devaluations often raise the cost of living while reducing and/or eliminating government subsidies and services. In addition, many argue that voting within the organization is unfair as votes are weighted; the US holds 16.77% of the vote while most developing nations hold less than 1% of the vote. (http://www.imf.org/)

Médecins Sans Frontières/Doctors Without Borders (MSF): MSF is an international humanitarian aid organization that provides emergency medical assistance to populations in danger in more than 70 countries. It is best known for its work in conflict zones and frequently insists on political responsibility in conflict zones, often condemning governments for their actions. MSF is independent of any political, religious, or economic powers. (http://www.msf.org/)

One Laptop Per Child Association, Inc. (OLPC): OLPC is an American non-profit set up to oversee the creation of affordable, durable, low-power, connected laptops that can be used for educational purposes in the developing world. It is one of the most high profile attempts to integrate information and communications technologies into development. (http://www.laptop.org/)

Organization for Economic Co-operation and Development (OECD): OECD is an international organization of 30 wealthy countries that are committed to the principles of representative democracy and the free market economy. It was founded in 1948 to help administer the Marshall Plan for the reconstruction of Europe after WWII. The organization works with over 100 other countries. See the Development Assistance Committee of the OECD for information on its relationship with developing nations. (http://www.oecd.org/)

Oxfam International: Oxfam was originally founded in 1942 (as Oxford Committee on Famine Relief) and now consists of a confederation of 13 organizations working with over 3,000 partners in more than 100 countries to find solutions to poverty and injustice. It is involved in development, emergency response, public awareness campaigns, advocacy, and policy research. (http://www.oxfam.org/)

United Nations Children's Fund (UNICEF): UNICEF is a part of the United Nations and provides long-term humanitarian and developmental assistance to children and mothers in developing countries. UNICEF relies on contributions from governments and private donors and its programs emphasize developing community-level services to promote the health and well-being of children. (http://www.unicef.org)

United Nations Development Program (UNDP): The UDNP is the United Nations' global development network; it is funded entirely by voluntary contributions from member nations. The UNDP provides advice, training, and grant support to developing nations, with a particular emphasis on the least developed countries. It also works to help countries achieve the Millennium Development Goals (see Appendix II for more information on the MDGs). The UNDP also publishes an annual Human Development Report (http://hdr.undp.org/en/), in which development progress is analyzed. (http://www.undp.org/)

United States Agency for International Development (USAID): USAID is the United States government organization that is responsible for providing assistance to countries recovering from disaster, trying to escape poverty, and engaging in democratic reforms. USAID has two goals for its foreign assistance: to further "America's foreign policy interests in expanding democracy and free markets" and to improve "the lives of the citizens of the developing world." Some have argued that some aid benefits the US more than developing countries, as in the case of food aid that is provided by American farmers rather than the less costly and more sustainable alternative of buying from local sources. (http://www.usaid.gov/)

World Bank: The World Bank is an internationally supported bank that provides financial and technical assistance to developing nations. It is one of the two Bretton Woods institutions created at the close of WWII (the other is the IMF). It provides low-interest loans, interest-free credit, and grants to developing countries for education, health, infrastructure, and communications, in addition to other development initiatives. The Bank has come under criticism as serving the business interests of the United States and some claim it has worsened poverty and been detrimental to the environment, public health, and cultural diversity. Additionally, many have criticized the weighted system of voting used, in which a nation's vote is in proportion to the size of its economy; decisions must pass with votes from countries with at least 85% of the Bank's shares and the United States currently holds just over 16%, essentially giving it veto power. Others believe donor percentages to be a fair way of structuring votes. (http://www.worldbank.org/)

World Food Program (WFP): The World Food Program is the food aid branch of the United Nations and it is the world's largest humanitarian agency, providing food to an average of 90 million people per year. It is funded from donations from governments, corporations, and private donors. Food aid operations target refugee crises and other emergencies, work to improve the nutrition and quality of life of the world's most vulnerable people, and enable development by both helping people build assets that benefit them directly and promoting the self-reliance of poor people and communities. (http://www.wfp.org/)

World Health Organization (WHO): WHO is an agency of the United Nations and coordinates international public health efforts. In addition to promoting general health around the world, its most prominent activities are related to combating disease, especially infectious diseases; its six-point agenda includes promoting development, fostering health security, strengthening health systems, harnessing research, information and evidence, enhancing partnerships, and improving performance. (http://www.who.int/en/)

Glossary of Acronyms

ASEAN: Association of South-East Asian Nations

BRICs: the nations of Brazil, Russia, India, and China, that have achieved substantial economic growth in recent years

CGD: Center for Global Development

EITI: Extractive Industries Transparency Initiative

FDI: Foreign Direct Investment

G-8: Group of 8; includes Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States

GDP: Gross Domestic Product

GNI: Gross National Income

GNP: Gross National Product

HDI: Human Development Index

HIPC: Heavily Indebted Poor Country

HPI: Human Poverty Index

IFI: International Financial Institution

IMF: International Monetary Fund

LDCs: Least Developed Countries

MDGs: Millennium Development Goals

MFI: Microfinace Institution

MNC: Multinational Corporation

NAFTA: North Atlantic Free Trade Agreement

NGO: Non-Governmental Organization

ODA: Official Development Aid

OECD: Organization for Economic Co-operation and Development

PPP: Purchasing Power Parity

SAP: Structural Adjustment Program

WTO: World Trade Organization

World Savvy

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Visual Sources

Photographic and video imagery can be vital to truly understanding and connecting with unfamiliar issues, and it is often through visual imagery that deeper, more emotional aspects of the psyche are accessed. The following resources provide viewers with multimedia resources that provide a range of video and images related to international development and global poverty.

United Nations Multimedia
The United Nations has a large collection of photos that document events ranging from UN meetings to UN on-the-ground activities around the world. The site also offers film and video, webcasts, and audiovisual news. http://www.unmultimedia.org/

World Bank Broadcast and Multimedia
This page of the World Bank website provides an array of multimedia content related to international development, including photo and video libraries as well as a weekly podcast. http://www.worldbank.org/ (Path: News; Broadcast and Multimedia)

International Monetary Fund (IMF) Videos
The IMF offers an array of educational videos and documentaries. Some are not available for online viewing, but can be obtained by following the instruction listed on the site. http://www.imf.org/external/mmedia/index.asp.

World Health Organization (WHO) Multimedia Center
The WHO multimedia center offers biweekly podcasts, audiovisual resources, and photos of WHO activities. http://www.who.int/en/. (Path: Programmes and Projects; Media Centre; Multimedia)

United States Agency for International Development (USAID) Photo Gallery
USAID photo galleries are organized by region, country and category; you can either browse through photos or search using key words. http://www.usaid.gov/press/photos/.

Grameen Videos
This page from the Grameen Bank website contains videos related to Grameen Bank and Dr. Muhammad Yunus. http://www.grameen-info.org/ (Path: About Us; Video Library)

This page from the Grameen Foundation website provides videos to help viewers learn more about microfinance and provide a glimpse into the lives of those affected by poverty as well as those working to defeat it. http://www.grameenfoundation.org/resource_center/video_room/.

The Grameen America website provides an image portal as well as a video library, allowing viewers to see microfinance in action in the United States. http://www.grameenamerica.com/ (Path: News and Media; Video Library OR Image Bank)

Key Foundation Documents

United Nations Human Development Reports – See country rankings on various poverty and quality of life indicators. http://hdr.undp.org/en/statistics/

Center for Global Development Commitment to Development Index – See country rankings on various indicators evaluating anti-poverty efforts on the part of the developed world. http://www.cgdev.org/ Path: Initiatives; 2007 Commitment to Development Index

Commission on Growth and Development – See analysis of issues in development, including "The Growth Report". http://www.growthcommission.org/ Path: Report; Report Highlights

The Paris Declaration on Aid Effectiveness – Contains best practices and indicators of progress. http://www.oecd.org/ Path: Browse By Topic; Development Issues; Aid Effectiveness; Publications & Documents; Other OECD Documents; The Paris Declaration

The World Bank – In-depth reports, statistics, issue summaries, podcasts, and video on the Bank's development work. http://www.worldbank.org/

The Millennium Development Goals – The United Nation's gateway site to information on the MDGs. http://www.un.org/millenniumgoals/index.shtml

WORLD SAVVY

MONITOR

Classroom Companion

Classroom Companion

This companion document to the Issue in Focus provides educators with guidance to incorporate the content into classroom teaching. This component is geared towards grade 6-12 teachers, with connections across subjects and disciplines.

Contents of this Classroom Companion include:

- Student Readings
- Discussion Questions
- Lesson Ideas/Curriculum
- Additional Resources
- National Standards

Student Readings:

Below are some links to articles and reports at various reading levels that would be appropriate to use with students to learn more about the issues of global poverty and international development. All the articles discuss newly released global poverty statistics from August 2008. To engage in more in-depth discussion about development with older students, World Savvy recommends looking for articles about the work/research of Jeffrey Sachs or William Easterly.

Advanced:
"World Bank Updates Poverty Estimates for the Developing World," World Bank
http://go.worldbank.org/C9GR27WRJ0

Intermediate:
"Global Poverty Figures Revised Upward," One World News
http://us.oneworld.net/article/357172-global-poverty-figures-revised-upward

Beginner:
"World Poverty More Widespread," BBC News
http://news.bbc.co.uk/2/hi/business/7583719.stm

Background:
Global Poverty – NetAid
http://www.netaid.org/global_poverty/global-poverty/

Info for youth on Millennium Development Goals
http://www.unicef.org/voy/explore/mdg/explore_mdg.php

Possible Discussion Questions:

1. Approximately how many people in the world today live on less than $1.25 a day? What was the previous estimate?
2. According to the data from the World Bank, how has the poverty rate changed over the last 25 years?
3. Which region of the world has been the least successful in addressing poverty? Why do you think this is? Which country has been the most successful in addressing poverty? Why do you think this is?
4. What are the Millennium Development Goals?

5. Do some additional research and find out some of the ways the international community is trying to reduce poverty. What do you think should be done?
6. Do wealthy nations have a responsibility to donate to the poorest countries in the world? How much? In what ways should they help – simply donating money or food, or helping countries create jobs, businesses, educational opportunities and more for their own citizens?

Lesson Ideas/Curriculum

In this portion of the guide are selected suggestions for engaging activities and curriculum to teach students about this issue – across the disciplines. In addition, there are links to recommended curriculum units that are available to download or purchase from the web.

Social Studies/History:

- This edition of the World Savvy Monitor discusses the most impoverished countries in the world – what economists called Least Developed Countries. Most of these countries are in Africa, and especially Sub-Saharan Africa. Research the recent history of Africa. Why are so many countries in this region impoverished?
- Discuss the connection between geography and poverty. In this issue (see "Global Poverty: Why?") Uganda and Pakistan are cited as examples of countries where geography has a distinct impact on the economic potential of the country. What factors affect this and what can a country do to offset this? Pretend you are the finance minister of one of these countries, what recommendations would you make to improve the economy given the geographic challenges you face?
- Discuss the particular impact of poverty on women in the world today, and why this is historically so. Look at the example of the Grameen Bank and how its programs have targeted women. What are other ways that the international community can support women to help lift citizens out of poverty?
- Many of the roots of international development today actually began with the Marshall Plan following WWII. What was the Marshall Plan, and how did it function to help countries rebuild after the devastation of WWII? What aspects of the Marshall Plan do you see in the fight to reduce global poverty today?
- Wealthy nations in the Organization for Economic Co-operation and Development (OECD), which includes the United States, have pledged to donate .7% of their Gross National Income (GNI) each year to fight poverty in the developing world, but so far most have failed to do so. The United States contributed .19% of its GNI in 2007. Do wealthy countries have a responsibility to donate to the developing world? If so, how much? Discuss whether you think the US is contributing its fair share. Also discuss the ways in which wealthy countries should donate: Simply donating money and resources and letting each country decide how best they can be spent? Supporting businesses in poor countries to help provide jobs and investment? Supporting democracy to stabilize fragile countries so that they can support their own citizens? Or other means of support?

English/Language Arts:

- Creative writing – have students step into someone else's shoes and think about what it would be like to be one of the poorest billion in the world today. Write a diary or journal entry from that point of view. High school students can read the journal recommended

below, *The Diary of Ma Yan*, and discuss the aspects of poverty Ma Yan describes in her journals.

- After reading the microfinance section and learning about the Grameen Bank, have students write detailed proposals for their own small business ideas, making sure to describe the reason for the project, details about the project itself, goals and outcomes expected at the end of the project, and how these will be achieved and measured. Students can then evaluates each other's proposals, just as members of the Grameen Bank do.
- Check out the "Free Rice" website: http://www.freerice.com/. This website provides vocabulary quizzes (English language) – for each answer you get right, 20 grains of rice are donated by various sponsors to the World Food Program.
- Research a non-governmental organization (NGO) that is working to fight poverty in the world today. What strategies are they pursuing to fight poverty? Who and where do they help? What are the results of their work? Write a description and profile of this NGO, and have students put on an "NGO fair" for the class or school community.

Science:

- Discuss the connection between climate change and poverty, and how combating climate change can also help fight poverty. One recent recipient of the Nobel Peace Prize, Wangari Maathai, received the prize for her contributions to the environment. Her work in creating what is known as the Green Belt Movement also had a significant impact on economic development and women's empowerment. Find out more about the Green Belt Movement, and how it works.
- Think about the environment and poverty in your own community – do you see a connection? Do you see examples of poor environmental quality affecting the economy of neighborhoods or cities where you live, or vice versa? Design a community project that would address the root causes of these issues and would improve both the environment and the economy.

Mathematics:

- The issue of global poverty provides a wealth of numbers and data that can be used and analyzed in a mathematics classroom in a number of ways. For example, in the Did You Know? section, use the statistics on maternal mortality to teach or review ratios (1 in 16 women in Sub-Saharan Africa and 1 in 3800 women in the developed world die from complications during pregnancy and childbirth). Or think about what it means to live on $1.25 a day – calculate the amount needed to survive in your community each day.
- Read the Microfinance section of this issue. Use the Grameen Bank model described as a real world model for teaching about simple interest, compound interest, and other credit concepts. Put together a simulation of the Grameen Bank in your own classroom, and have the students design plans for small business initiatives they could create in the school or in the community. Or, have students donate or raise funds for a class donation to an entrepreneur from Kiva's website, and have them track the money spent, earned, and paid back from that loan throughout the school year.
- Have students put the facts and data from this issue into comparison with the United States. Have them choose one of the Least Developed Countries cited in this issue, and create a side-by-side comparison with the US or another developed country. Have them create a table showing the comparison and create graphs with some of the statistics from the chart. What does the data show? What similarities and differences do they see between the countries? Were they surprised by any of the statistics? (Note: recommended websites for data beyond what is available in this issue: CIA World Factbook: https://www.cia.gov/library/publications/the-world-factbook/index.html and UN Cyberschoolbus: http://cyberschoolbus.un.org/)
- Refer to the section of this issue titled "Global Poverty: Who?" and especially the portions discussing the difficulty in collecting data and measuring the world's poor. Discuss this idea with students. How can data be manipulated and used in different ways? Have students scour current news stories for additional examples of this phenomenon.

- In addition to evaluating data, collecting data can be very difficult. In August 2008, the World Bank released new poverty statistics and revealed that the count of the world's poor had been undervalued – there are actually 400 million more people living in poverty than the World Bank previously estimated. These new numbers were calculated based on improved methods of collecting data and revisions of the actual cost of living in countries around the world. Read the article here: http://go.worldbank.org/C9GR27WRJ0 and discuss with students. Have students design a survey and collect data in the school or community, and then discuss the process and difficulties they encountered in gathering the data.

Art:

- Using the work of Cuban artist, Kcho as an example, explore the history of poverty and migration in Cuba and how it relates to Cuba's relationships with other countries. Share Kcho's work with youth and have a discussion about how objects can represent poverty or wealth and why. Ask youth to bring in objects that represent different levels or aspects of class systems and build individual or group installations or sculptures. For info and photos of Kcho's artwork, see: http://www.universes-in-universe.de/car/habana/bien7/expo-pa/e-kcho.htm and http://artnews.com/issues/article.asp?art_id=725.
- When reporting on poverty, the media often shows graphic images of the lives of the poor. Discuss the impact and the purpose of such imagery. Have you ever seen photographs where the subjects seem to be exploited by the camera? Or, do you think the photographer is providing evidence of essential information about our world today? What responsibility, if any, does a photographer have to his or her subjects? What have you seen, if anything, that shares the stories of the poor in a comprehensive or "truthful" way?

Recommended Curriculum Units

Oxfam America: Fast for a World Harvest
This annual event sponsored by Oxfam America provides a simulation of poverty and world hunger today, and has been implemented in hundreds of schools around the country each fall. Oxfam provides a full guide for the simulation as well as some curriculum materials. http://www.oxfamamerica.org/whatyoucando/act_now/fast/skip_meal

Educators Guide to the Millennium Development Goals
This complete curriculum, developed by One World Youth Project and TakingItGlobal, teaches about the eight objectives that make up the MDGs and what is being done to achieve them, as well as what youth can do to play a part. http://www.oneworldyouthproject.org/millennium.html

Rethinking Globalization
This is a great resource for teaching strategies dealing with poverty and globalization in our world today. Rethinking Globalization alerts readers to the challenges we face – from child labor to sweatshops, from global warming to destruction of the rainforests – and also spotlights the enormous courage and creativity of people working to set things right. This essential resource includes role plays, interviews, poetry, stories, background readings, hands-on teaching tools, and much more. Available from Amazon. Also see the Rethinking Schools website: http://www.rethinkingschools.org/.

Dilemmas of Foreign Aid: Debating U.S. Priorities, Policies, and Practices
From the Choices Program, this curriculum evaluates the kinds of foreign aid, trade benefits, and other assistance the US provides to other countries. Students are encouraged to debate the prospects for exporting the American values of democracy, free enterprise, and human rights. Includes both teacher and student books. Covers the same topics as earlier editions, but offers updated information, and comparing some of the graphs and foreign aid priorities pre-9/11 and post-9/11 might be really interesting. http://www.choices.edu

Is Globalization a Dirty Word?
This lesson makes use of a 2002 study conducted by the World Bank, titled "Globalization, Growth, and Poverty: Building an Inclusive World Economy," which makes the case for globalization as a method for easing poverty in the world's poor countries. Using the report, and other media related to the report, including video, a PowerPoint slide show, and a press release, students determine the benefits of globalization and also to consider the costs of globalization. http://www.econedlink.org/lessons/index.php?lesson=EM274&page=teacher

Heifer International Curriculum
Heifer provides services and assistance for economic development around the world and is perhaps best known for its program where donors can purchase a goat, cow, or other livestock for families in the developing world.

Its website features an education section, and a children's book is available to illustrate the economic benefits of the livestock purchase program. The educational resources are good for upper elementary and middle school students.
http://www.heifer.org/

Additional Resources

BOOKS

Banker to the Poor: Micro-lending and the Battle Against World Poverty by Muhammad Yunus
It began with a simple $27 loan. After witnessing the cycle of poverty that kept many poor women enslaved to high-interest loan sharks in Bangladesh, Dr. Muhammad Yunus lent money to 42 women so they could purchase bamboo to make and sell stools. In a short time, the women were able to repay the loans while continuing to support themselves and their families. With that initial eye-opening success, the seeds of the Grameen Bank, and the concept of microcredit, were planted. This book tells that story and how the Grameen Bank has grown.

The End of Poverty: Economic Possibilities for our Time by Jeffrey Sachs
Celebrated economist Jeffrey Sachs has a plan to eliminate extreme poverty around the world by 2025, and describes his plan in this popular book. His focus is on the one billion poorest individuals around the world who are caught in a poverty trap of disease, physical isolation, environmental stress, political instability, and lack of access to capital, technology, medicine, and education.

The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good by William Easterly
Easterly, another leading development economist, whose views are often seen as being in opposition to Sachs, contends in this books that today's global poverty has been worsened by failed policies of the West, who assumed they knew what was best for the world.

Globalization and its Discontents by Joseph Stiglitz
His book clearly explains the functions and powers of the main institutions that govern globalization – the International Monetary Fund, the World Bank, and the World Trade Organization – along with the ramifications, both good and bad, of their policies. He strongly believes that globalization can be a positive force around the world, particularly for the poor, but only if the IMF, World Bank, and WTO dramatically alter the way they operate, beginning with increased transparency and a greater willingness to examine their own actions closely.

Development as Freedom by Amartya Sen
Winner of the Nobel Prize for Economics, Sen argues that open dialogue, civil freedoms and political liberties are prerequisites for sustainable development. He tests his theory with examples ranging from the former Soviet bloc to Africa, but he puts special emphasis on China and India.

The Diary of Ma Yan by Ma Yan
This is the real diary of Ma Yan, a 13-year-old schoolgirl from the extremely impoverished Ningxi region in northwestern China. Originally written with a ballpoint pen purchased in lieu of two weeks' worth of food, these diaries detail the day-to-day life of a girl determined to get an education despite crippling poverty. This book was first

published in Europe, after Ma Yan's mother pressed three notebooks containing the diary into the hands of a visiting foreign journalist. With photographs.

Iqbal, A Novel by Francesco D'Adamo
Grade 4 and up: This fictionalized account of the brief life of Iqbal Masih is gripping and illustrates the plight of children bonded into labor as rug weavers in Pakistan, as well as how Iqbal manages to escape, free other children, and inspire so many more.

Beatrice's Goat by Page McBrier
This book, for ages 4-8, is based on the true account of one family who received aid from Heifer Project International, a charitable organization that donates livestock to poor communities around the world.

FILMS

Life and Debt
This searing documentary examines how the policies of the International Monetary Fund, the World Bank and other aid organizations have changed the Jamaican economy over the past quarter of a century, leaving the local people to struggle in poverty and work in sweatshops. Author Jamaica Kincaid narrates. Available from Amazon and Netflix.

Time for School – The Global Education Crisis
This documentary from PBS discusses primary education around the world, and the quest to provide it to all children, per the Millennium Development Goals (MDGs), by 2015. The film follows seven kids in: Japan, Kenya, Benin, Brazil, Romania, Afghanistan, and India as they enter school for the first time. Additional information and accompanying lessons on PBS website. http://www.pbs.org/wnet/wideangle/shows/school/index.html

Commanding Heights: The Battle for the World Economy
This groundbreaking PBS series explores our changing world – the great debate over globalization and the future of our society. It combines stunning film footage with dramatic stories and extraordinary interviews with world leaders and thinkers from twenty different countries. It consists of three volumes: The New Rules of the Game, The Agony of Reform, and The Battle of Ideas. Available from Amazon and Netflix. Has accompanying website from PBS with lessons on economic fundamentals: http://www.pbs.org/wgbh/commandingheights/lo/educators/ed_u1_index.html

Where is the World Going, Mr. Stiglitz?
Simply and eloquently, Nobel Prize-winning economist Joseph Stiglitz explains how the world's economy works. Drawing not only from his academic expertise but also from time spent on the ground in countries around the world, Stiglitz offers fresh thinking about the questions and challenges facing all of us – from well-off Americans to those mired in Third World poverty. This five part series will appeal to experts and non-experts alike, as Stiglitz's clear and concise reasoning about the complexities of globalization is revealed. Available from Amazon and Netflix.

WEBSITES AND MULTIMEDIA

Gapminder
This website features some amazing statistics and interactive graphs about our world today. Choose the indicators you want to see – education, poverty, health, environment, trade, and many more. There are also videos and podcasts that could be good to show in high school classrooms – there is a great video about 'debunking myths of the third world.' http://www.gapminder.org/

Worldmapper
This website features a number of thematic maps, illustrating important global statistics. See the link below to find global maps focused on poverty statistics. http://www.worldmapper.org/textindex/text_poverty.html

One Hen
This interactive website has a story and simulation for kids about microfinance. It's good for upper elementary kids and middle school students, and has a lot of ideas for related teaching activities, and games/quizzes.
http://www.onehen.org

Kiva

Kiva is the world's first person-to-person microlending website, enabling individuals to lend directly to entrepreneurs in the developing world. Kiva links potential lenders with existing microfinance institutions who have access to micro-creditors seeking small business loans. Through the internet, a personal and transparent connection is established, and the individual lender can see how funds are being used and the impact of their dollars on the ground. ttp:// www.kiva.org

YouthGive

YouthGive is a non-profit organization that works to engage children and youth in philanthropy, and to instill lifelong habits of generosity and civic engagement. Parents can open a youth account online for any amount – $1, $20, or $100 – and then from a menu (written by youth participants themselves who map, interview, and profile organizations), the youth donor can explore issues and connect with non-profit organizations working around the world. http:// www.youthgive.org/

In My Name – YouTube

This new channel from YouTube focuses on global poverty and the Millennium Development Goals, and invites viewers to upload their own videos joining the call to end poverty. http://www.youtube.com/inmyname

Standards

Activities described in this Classroom Companion correspond to the following national standards from McREL (Mid-Continent Research for Education and Learning).

Social Studies

World History Standards:
Era 9: The 20th Century Since 1945: Promises and Paradoxes

- Understands how post-World War II reconstruction occurred, new international power relations took shape, and colonial empires broke up
- Understands the search for community, stability, and peace in an interdependent world
- Understands major global trends since World War II

World History Topics:

- Economic conditions and society
- Economic development and growth
- Global economic interdependence and human society
- International diplomacy and relations
- Tension and conflict in the contemporary world

Historical Understanding:

- Understand and know how to analyze chronological relationships and patterns
- Understands the historical perspective

Civics Standards:

- What is Government and What Should it Do?
- Understands the sources, purposes, and functions of law, and the importance of the rule of law for the protection of individual rights and the common good

Civics Topics:

- Impact of world economic, technological, and cultural developments
- Impact of world political, demographic, and environmental trends
- International diplomacy and relations

Geography

2. Knows the location of places, geographic features, and patterns of the environment
4. Understands the physical and human characteristics of place
6. Understands that culture and experience influence people's perceptions of places and regions
7. Knows the physical processes that shape patterns on Earth's surface
13. Understands the forces of cooperation and conflict that shape the divisions of Earth's surface

English/Language Arts

Writing:

- Uses the general skills and strategies of the writing process
- Gathers and uses information for research purposes

Reading:

- Uses the general skills and strategies of the reading process
- Uses reading skills and strategies to understand and interpret a variety of informational texts

Science

Earth Sciences:

- Understands Earth's composition and structure

Life Sciences:

- Understands relationships among organisms and their physical environment

Topics:

- Environmental Issues
- Populations and Ecosystems
- Science, Technology, and Society

Mathematics

3. Uses basic and advanced procedures while performing the processes of computation
6. Understands and applies basic and advanced concepts of statistics and data analysis
9. Understands the general nature and uses of mathematics

WORLD SAVVY

MONITOR

World Savvy Salon Guide

World Savvy Salon Guide

Why Host a World Savvy Salon?

In a world where media tends to focus more on celebrities than on pressing global issues, it is challenging to find reliable sources of quality international news coverage and opportunities to discuss the meaning and impact of global events and trends.

This is ironic, given that we are at a time in which our lives are inexorably connected to the lives of people around the world in ways previously unimaginable. Even so, American mainstream media coverage of international affairs has declined. The result is a public which lacks the capacity to meaningfully discuss world affairs around the dinner table and, by extension, around the negotiating table in halls of power as global problem solvers.

The World Savvy Salon is a forum for individuals to convene and discuss these pressing issues. Salons are Book Clubs for the 21st Century. World Savvy's Monitor provides you with the content, context and tools to organize a Salon in your school or community. By focusing on one global issue or region each month, the Monitor and Salons are designed for participants to:

- Inform themselves about critical world affairs
- Gather with a group of curious global citizens to discuss the issues, challenges and solutions on the world stage and in your own backyard.
- Host a dinner party with a purpose: to educate, to inspire, to promote global citizenship.

Salon participants bring diverse perspectives and backgrounds– from history, science, technology, psychology, law, finance, art, education, politics, community action, and parenting – to bear on each conversation. All sides of important global issues can be dissected; films and books are recommended; future collaborations are devised, from work and travel to philanthropy and activism. Salons can spark brainstorming and debate over how to talk to others and our children about the world.

Getting Started

Be part of a new movement: the book club, reinvented. Start a World Savvy Salon today using the World Savvy Monitor:

- Each member of your Salon subscribes online to the World Savvy Monitor. Individual subscriptions are $75/year. We encourage you to register your Salon with World Savvy so we can provide support and follow progress this year.
- Members receive and read the monthly edition (available monthly from August-November and January-May) and convene for a World Savvy Salon to discuss the latest Monitor issue.
- Use the World Savvy Monitor website for Salon Guides with discussion questions to spark conversation.
- Invite speakers with expertise in various areas relevant to Monitor topics to present to the group – these could be experts, photographers, activists, or just people who have traveled worldwide or are

particularly passionate or well-informed about world affairs.

- Engage in community education, advocacy, volunteerism, activism, and/or philanthropy around the issues raised.
- Find ways to bring your children into the discussion and engage their peers.
- Communicate with your schools and workplaces about how global citizenship can be nurtured and expressed in these settings.

Why the World Savvy Monitor and Salons?

Consider The Following Statistics:
From the 2006 National Geographic Society Geographic Literacy Study Among Americans, Age 18-24

- 6 in 10 could not find Iraq or Saudi Arabia on a map of the Middle East. 9 in 10 could not find Afghanistan. 75% could not find Iran or Israel.
- 75% did not know that Indonesia is a predominantly Muslim country; half thought India is predominantly Muslim (suggesting maybe they are mixing up the two?)
- Over half could not put Sudan or Rwanda in Africa.
- Only half knew the Alps are in Europe; just over half knew the Amazon Rain Forest is in South America. 20% could not find the Pacific Ocean and 65% could not find Great Britain.
- They generally had no idea of how the US and China compare: 75% thought English is the most spoken native language in the world (when it is Mandarin); 71% named China, not the US, as the largest exporter of goods and services; most thought China's population is only double that of the US (when it is actually quadruple).
- Only 25% thought it was important to know where countries in the news are located; only 60% thought knowledge of a foreign language was important.

http://www.nationalgeographic.com/roper2006/findings.html

From 2007, 2008 Pew Research People and the Press Among Americans, Age 18-65 (Note: these were multiple choice questions!)

- Only 69% could name the Vice President of the US (down from 74% in 1989).
- Only 36% could name the President of Russia.
- Only 32% could come up with Sunni as the rival Muslim sect of Shia.
- Only 50% could match Hugo Chavez with Venezuela.
- Only 46% knew it was Kosovo that recently declared independence from Serbia.
- Only 28% could estimate the number of US troops killed in Iraq by the fifth anniversary of the invasion in March 2008 when given the choices 2000, 3000, 4000, and 5000 (it is 4000).

http://people-press.org/reports/display.php3?ReportID=319

Global Poverty and International Development

1. What factors do you believe are most important in determining the relative wealth or poverty of a nation? For example, to what extent are Sub-Saharan African nations hindered by geography and to what extent are poverty rates a result of their colonial past?

2. Are wealthy nations obligated to provide development assistance to poor nations? Why or why not? What factors should be used when determining their level of responsibility? For example, do nations with colonial pasts have a greater obligation than those without such a history?

3. Which type of development assistance described in this edition of the Monitor do you believe has the most potential for reducing poverty levels? Which do you believe has the most potential for growing the economies of developing countries? If your answers to these questions are different, why? If they are the same, why are they the same?

4. If you had to choose either a macro or a micro approach to development assistance, which would you choose? Why?

5. What factors do you think lead some nations to place a high priority on development assistance? For example, why is the Netherlands ranked at the top of the Commitment to Development Index while the United States is ranked 14th?

6. To what extent do you believe developing nations are disproportionately affected by natural disasters and climate changes? How does geography affect this? How do technology and general infrastructure affect outcomes?

7. If you were the head of a multilateral development agency, and money was not an issue, what would your ideal development package look like?

8. Consider the Conflict Prevention section of this issue. What role should the US play in conflict prevention? What role should it play in conflicts that have already reached a large scale, such as in Sudan? What role should multilateral organizations such as NATO and UN peacekeepers play? Should an individual country ever act without the support of these multilateral organizations?

9. Discuss the increasing role that India, and especially China, are playing in providing development assistance. What are the positive and negative aspects? Are there any ways that the rest of the world could influence China's unconditional aid to poorly governed nations, such as Sudan?

10. What realistic steps, if any, do you think should be taken to create a more equal global marketplace? Are large-scale, comprehensive agreements in order, or should the global community focus on smaller, bilateral and regional agreements?

11. How should developed countries be held responsible for reneging on trade policies agreed to in the WTO? For example, is there a mechanism by which the US could be punished for refusing to abolish its agricultural subsidies? Conversely, should developing nations be asked to remove all protectionist policies? Why or why not?

12. Things to watch for in the coming year:

- How will the global financial crisis affect aid levels? Will the developing and developed worlds feel its effects in different ways?
- Will there be any new trends in development assistance? Will microfinance continue to gain momentum as a popular form of development?
- In what ways, if any, will the newly-elected US president change the trajectory of US development assistance?
- What progress, if any, will be made toward the MDGs?

Additional Resources

Books

Banker to the Poor: Micro-lending and the Battle Against World Poverty by Muhammad Yunus
It began with a simple $27 loan. After witnessing the cycle of poverty that kept many poor women enslaved to high-interest loan sharks in Bangladesh, Dr. Muhammad Yunus lent money to 42 women so they could purchase bamboo to make and sell stools. In a short time, the women were able to repay the loans while continuing to support themselves and their families. With that initial eye-opening success, the seeds of the Grameen Bank, and the concept of microcredit, were planted. This book tells that story and how the Grameen Bank has grown.

The End of Poverty: Economic Possibilities for our Time by Jeffrey Sachs
Celebrated economist Jeffrey Sachs has a plan to eliminate extreme poverty around the world by 2025, and describes his plan in this popular book. His focus is on the one billion poorest individuals around the world who are caught in a poverty trap of disease, physical isolation, environmental stress, political instability, and lack of access to capital, technology, medicine, and education.

Common Wealth: Economics for a Crowded Planet by Jeffery Sachs
Sachs argues that the crises facing humanity today are daunting, but solvable. He focuses on four challenges for the coming decades: climate change and environmental destruction; population growth; extreme poverty; and the political logjams that hinder global cooperation on these issues.

The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good by William Easterly
Easterly, another leading development economist, whose views are often seen as being in opposition to Sachs, contends in this books that today's global poverty has been worsened by failed policies of the West, who assumed they knew what was best for the world.

Globalization and its Discontents by Joseph Stiglitz
His book clearly explains the functions and powers of the main institutions that govern globalization – the International Monetary Fund, the World Bank, and the World Trade Organization – along with the ramifications, both good and bad, of their policies. He strongly believes that globalization can be a positive force around the world, particularly for the poor, but only if the IMF, World Bank, and WTO dramatically alter the way they operate, beginning with increased transparency and a greater willingness to examine their own actions closely.

The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It by Paul Collier
Collier argues that the fifty failed states that are home to the majority of the world's poorest one billion people pose the central challenge of the developing world. Collier

analyzes the causes of failure and points to a set of traps that ensnare these countries. He points to the fact that standard solutions do not work in such failed states and proposes new strategies for lifting the 'bottom billion' out of poverty.

Global Development 2.0: Can Philanthropists, the Public, and the Poor Make Poverty History? edited by Lael Brainard and Derek Chollet
An unprecedented explosion of development players heralds a new era of global action on poverty. This collection of essays contains analyses of this phenomenon, and in particular whether it will be able to truly improve the lives of the world's poorest citizens.

Development as Freedom by Amartya Sen
Winner of the Nobel Prize for Economics, Sen argues that open dialogue, civil freedoms and political liberties are prerequisites for sustainable development. He tests his theory with examples ranging from the former Soviet bloc to Africa, but he puts special emphasis on China and India.

Films

Life and Debt
This searing documentary examines how the policies of the International Monetary Fund, the World Bank and other aid organizations have changed the Jamaican economy over the past quarter of a century, leaving the local people to struggle in poverty and work in sweatshops. Author Jamaica Kincaid narrates. Available from Amazon and Netflix.

Time for School – The Global Education Crisis
This documentary from PBS discusses primary education around the world, and the quest to provide it to all children, per the Millennium Development Goals (MDGs), by 2015. The film follows seven kids in: Japan, Kenya, Benin, Brazil, Romania, Afghanistan, and India as they enter school for the first time. Additional information and accompanying lessons on PBS website. http://www.pbs.org/wnet/wideangle/shows/school/index.html

Commanding Heights: The Battle for the World Economy
This groundbreaking PBS series explores our changing world – the great debate over globalization and the future of our society. It combines stunning film footage with dramatic stories and extraordinary interviews with world leaders and thinkers from twenty different countries. It consists of three volumes: The New Rules of the Game, The Agony of Reform, and The Battle of Ideas. Available from Amazon and Netflix. Has accompanying website from PBS with lessons on economic fundamentals: http://www.pbs.org/wgbh/commandingheights/lo/educators/ed_u1_index.html

Where is the World Going, Mr. Stiglitz?
Simply and eloquently, Nobel Prize-winning economist Joseph Stiglitz explains how the world's economy works. Drawing not only from his academic expertise but also from time spent on the ground in countries around the world, Stiglitz offers fresh thinking about the questions and challenges facing all of us – from well-off Americans to those mired in Third World poverty. This five part series will appeal to experts and non-experts alike, as Stiglitz's clear and concise reasoning about the complexities of globalization is revealed. Available from Amazon and Netflix.

Websites and Multimedia

Center for Global Development
This website includes articles and research about poverty and development throughout the world. http://www.cgdev.org/

Gapminder
This website features some amazing statistics and interactive graphs about our world today. Choose the indicators you want to see – education, poverty, health, environment, trade, and many more. There are also videos and podcasts that could be good to show in high school classrooms – there is a great video about 'debunking myths of the third world.' http://www.gapminder.org/

Worldmapper
This website features a number of thematic maps, illustrating important global statistics. See the link below to find global maps focused on poverty statistics. http://www.worldmapper.org/textindex/text_poverty.html

Women's World Banking

The idea for Women's World Banking was conceived during the first United Nations World Conference on Women in 1975. Today, WWB provides support, advice, training and information to a global network of 54 microfinance institutions and banks in 30 countries worldwide. http://www.swwb.org

Kiva

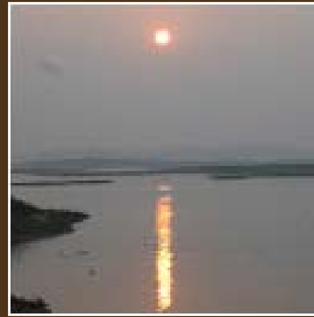
Kiva's mission is to connect people through lending for the sake of alleviating poverty. It is the world's first person-to-person micro-lending website, empowering individuals to lend directly to unique entrepreneurs in the developing world. http://kiva.org/

YouthGive

YouthGive is a non-profit organization that works to engage children and youth in philanthropy, and to instill lifelong habits of generosity and civic engagement. Parents can open a youth account online for any amount – $1, $20, or $100 – and then from a menu (written by youth participants themselves who map, interview, and profile organizations), the youth donor can explore issues and connect with non-profit organizations working around the world. http://www.youthgive.org/

WORLD SAVVY

MONITOR



Update: Democracy Around the World

World Savvy

Update: Democracy Around the World

It would be beyond the scope of this brief update to include every democracy-related development that has occurred in the months since the "Democracy Around the World" issue of the World Savvy Monitor was published. As discussed in that issue, there are a wide variety of factors that affect the degree to which a society is democratized.

For this update we have tried to highlight a variety of developments, including high-profile happenings that directly affected the state of democracy, such as the ongoing political dealings in Zimbabwe, in addition to lower profile cases, such as the military coup in Mauritania. Additionally, we have brought you case studies indirectly related to changes in democratic tendencies, such as the effects of the Olympic Games on freedoms of expression in China.

Zimbabwe

Zimbabwe's President Robert Mugabe and opposition leader Morgan Tsvangirai signed a power-sharing deal on September 15, 2008, after months of uncertainty as to what role, if any, Tsvangirai would play in the government.

In March, general elections had been held in Zimbabwe and, though Tsvangirai received a majority of the vote, he did not receive the 50% minimum required to win. A run-off election was scheduled for June. However, due to credibly-documented, widespread instances of violence and intimidation of Tsvangirai's supporters, Tsvangirai withdrew from the election, citing concerns that more lives would be lost if he continued to stand in the elections.

In late July, power-sharing talks officially began between Mugabe and Tsvangirai, mediated by former South African President Thabo Mbeki (Mbeki subsequently resigned the South African Presidency on September 25, 2008) and supervised by the United Nations and African Union.

The negotiations stalled several times throughout August and early September. In late August, Parliament convened under the leadership of Tsvangirai's party, the Movement for Democratic Change (MDC) and a member of the opposition was elected to the position of Speaker of Parliament, the first time in the country's independent history.

On September 11, 2008, it was announced that an agreement between the two leaders had been reached, and on September 15, the power-sharing agreement was signed. The main tenets of the agreement are as follows:

- Both Mugabe and Tsvangirai will exercise executive authority: Mugabe as President (after 28 years in the position) and Tsvangirai as Prime Minister;
- Mugabe will oversee the National Security Council, which includes army, police, and secret services and will chair the cabinet;
- Tsvangirai will oversee the Council of Ministers and be the deputy chairperson of the cabinet;
- Tsvangirai's MDC will appoint 16 cabinet ministers while Mugabe's Zimbabwe African National Union – Patriotic Front (ZANU-PF) will appoint 15 cabinet ministers; and

- A new constitution will be drafted.

At present, the two leaders are still in disagreement about the appointment of cabinet members. While the agreement allocates the number of appointments each leader can make, it doesn't specify which cabinet positions each leader can appoint. The disagreement centers on who will appoint the finance, foreign affairs, and home affairs ministers. The finance minister is of particular importance as Zimbabwe has been in the midst of economic turmoil, with inflation at an astonishing 11 million percent.

While many analysts praise the power-sharing agreement as a vital first step toward democratic reform in Zimbabwe, they also acknowledge that the truce between Mugabe and Tsvangirai is fragile and that the agreement fails to address key issues, such as freedom of the press, guidelines for new elections, and transitional justice issues (ranging from incidents involved in the country's independence movement to recent electoral violence).

Mauritania

On August 6, 2008, a bloodless military coup ousted Mauritania's first democratically elected president, Sidi Mohamed Ould Cheikh Abdallahi, after Abdallahi fired a group of high-ranking generals. The coup was led by one of the fired generals, General Mohamed Ould Abdel Aziz.

Most nations around the world condemned the coup; the United States suspended all non-humanitarian aid on August 8, 2008, while the World Bank suspended US $175 million in aid on August 22. On September 2, the United States announced it would not recognize the government and said it was "actively exploring" imposing financial sanctions and travel restrictions.

Nearly two weeks after the coup took place, most of Mauritania's parties pledged to back the coup in order "to preserve the stability of the country and its democratic institutions." However, on September 26, three opposition parties boycotted government, largely as a result of the fact that they had not been assured that junta members would not run for president in future elections.

On September 14, Mauritania's national assembly voted to delay presidential elections by "12 to 14 months," though it should be noted that only 52 of 95 deputies were present as many were reportedly boycotting Parliament. The delay is purportedly to establish constitutional order. The resolution clears the way for Aziz to run for president if he quits the military.

On September 20, the beheaded bodies of 12 Mauritanian soldiers were found after an attack for which al-Qaeda has claimed responsibility. Colonel Ahmed Bemba Ould Baya said the attack illustrated the country's need for international help to fight extremism. Many speculate that further al-Qaeda attacks could be used by the junta to gain support from the international community as a part of its global fight against terrorism.

Ousted president Abdallahi remains under house arrest.

Ecuador

On September 29, 2008, Ecuadorians approved a new constitution that increases presidential powers, as well as introducing other social and economic measures, intended to stabilize the economy and help Ecuador's poor. Sixty-five percent of voters backed the charter, which will allow President Correa to run for two, new consecutive terms. While some cite concerns that the new constitution gives the president too much power, Correa hopes that this power will allow him to offer more political say to women, the poor, and Ecuador's large indigenous community.

Belarus

European monitors have said that Belarus' parliamentary elections on September 28, 2008, "fell short" of international standards. In the elections, the opposition party failed to win a single seat. President Alexander Lukashenko, who has been described as Europe's last dictator, claimed the elections were free and fair. President Lukashenko has been in power since 1994 and is currently attempting to rebuild ties with the West after his nation's relationship with Russia has cooled.

China

While many hoped that the 2008 Beijing Olympics would increase international pressure on China's political repression and some wondered whether protests might disrupt the Games, no major political changes or protests were observed. The Chinese government did set aside a protest area and allowed for individuals to apply to protest,

as per earlier agreements with the International Olympic Committee (IOC), but no petitions were granted and some of those submitting petitions were arrested. The Chinese government maintained tight control throughout the Games, increasing security, restricting web access, even for journalists, and tightening visa restrictions for foreign visitors.

Response from the international community over these reneged promises to the IOC has so far been minimal. With new challenges facing the Chinese government (an increase in local protests by Chinese residents now that the Games have concluded and a growing scandal involving tainted milk), only time will tell if Chinese citizens will be emboldened by their Olympics encounter, or if the greatest impact of the 2008 Beijing Olympics might simply have been in allowing China a chance to boost nationalist pride and showcase its cultural creativity to the outside world.