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SCALING UP: A DEVELOPMENT STRATEGY FOR THE NEW MILLENIUM

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The scaling up of development policies, practices and partnerships is a strategic challenge. The upgrading of development ambition from investment operations and country strategies to global policies would extrapolate a secular trend that has propelled the development business from the pioneering phase of projects conceived as "privileged particles of development"; to the neo-classical phase of macro-economic adjustment; to the advent of environmentally and socially sustainable development and most recently to the adoption of country based comprehensive development frameworks. Because the global economy is increasingly interconnected, the development enterprise must be reshaped to reflect shared objectives, distinct accountabilities and reciprocal obligations between rich and poor countries. Because development is a social transformation process, the development paradigm must become holistic. Because incentives matter, development metrics must be reconsidered to emphasize results. The universal endorsement of the millennium development goals has helped to reverse a decline in the share of national incomes allocated to aid. But it has yet to generate binding commitments or concrete plans. Halfway to the 2015 deadline, progress is partial, halting and insufficient to meet most goals. To accelerate progress, scaling up is needed. Capacity building should strike the right balance between hierarchical, individualistic and relational conceptions of development. Projects should be used to experiment, innovate, learn and evaluate what works and does not work. To trigger an accelerated and self-sustaining reform of the global policies that shape development, new partnerships will be needed to mobilize skills and resources; to generate new ideas; to mobilize public opinion; to trigger judicious standard setting and to implement scaled up development programs. These new development coalitions are likely to take the form of global networks combining the legitimacy of governments, the ethics of the civil society and the innovative energies of the private sector.

Introduction

Scaling up is an elusive concept. The dictionary (Webster's 1962) provides definitions for the verb and for the noun but it is silent regarding the verb-adverb combination. This may be because, originally, scale meant ladder and, by extension, any means of ascent (which would make the adverb redundant). Later new layers of meaning accumulated so that currently, to scale is to climb, measure, regulate, make or arrange according to a predetermined or required scale.

Hence, scaling up means: (i) moving to a higher plane; (ii) assembling resources to increase the size of an object; or (iii) calibrating an activity so that it "measures up" to a given challenge. These definitions emphasize size and scope rather than simply height. They suggest that scaling up means not only climbing up but also reaching out and drilling down: as a tree grows, its branches spread and its roots deepen.

Notions of care, precision and artistry also characterize current usage since scale evokes the equidistant marks on a measurement instrument; the proportion that a map or a model

bears to the thing it represents; a system of classification according to a standard of relative size; or a system of notation; e.g. in music, a set of tones arranged in regular sequence of rising or declining pitches. Thus, scaling up also has to do with discovering the exact size or the precise sequence appropriate to the function to be served or the task to be accomplished.

Given these multiple and complementary meanings it is not surprising that the notion of scaling up has become so popular in development circles. All aspects of the concept are highly relevant to the achievement of the millennium development goals. Specifically, the overwhelming preoccupation with projects in development assistance is ascending to the higher level of country strategies and global policies. The adoption of the Millenium Development Goals (World Bank 2002a) favors the design of global public goods delivery programs. The focus on results necessitates a reshaping of development metrics.

An evolving development paradigm

The proposed expansion of the development agenda would extrapolate a secular trend. A gradual scaling up of ambition characterizes the history of development. In the pioneering years, craftsmanship was highly valued and individual projects were dominant. Conceived as "privileged particles of development" (Hirschman 1967), they combined "modesty with respect to generalized evaluation and quantification" with "large and free-swinging ambitions" and "a contribution to progress that goes far beyond their immediate production tasks".

Paradoxically, imaginative experimentation in development operations was combined with a conception of development in which the "production function" was the prevailing development metaphor (Tinbergen 1984). Planning held sway over policy and aid was directed towards the achievement of spending targets. Aid volumes were related to "gap filling" objectives derived from input-output models and macroeconomic projections. Economic analysis concentrated on shadow pricing to compensate for deliberate market distortions.

From this perspective, "scaling up" was largely a matter of increasing the volume of aid and raising the capacity of public agencies to absorb resources. This approach was reconsidered in the early eighties when the debt crisis erupted and highlighted the limits of the state. By then the neo-classical resurgence had permeated development economics. The massive macro-economic imbalances that prevailed in developing countries were no longer taken for granted and aid givers undertook to reform the underlying domestic policies that created them. To this end, quick disbursing assistance instruments were forged to connect resource transfers to the quality of economic management.

Through adjustment lending, development assistance ascended to the policy level so as to address structural development obstacles and dysfunctional macroeconomic management practices. Initially, imperfect commitment to reform objectives by recipient governments (combined with pressures to lend) led to a disappointing performance record (Kapur, Lewis and Webb1997). But in time, the credo of market friendliness spread throughout the developing world, country ownership replaced ex-ante conditionality and the results associated with policy based lending gradually improved (World Bank 1999), albeit not

its image, tarred by the coercive and burdensome conditionality of the earlier adjustment period.

The late eighties witnessed a different kind of scaling up: the development agenda expanded to encompass the social and environmental concerns promoted by an emerging civil society (Wade 1997). This led to the incorporation of safeguard policies and participatory processes into the project cycle. More demanding and complex operations resulted along with higher potential benefits but also higher transaction costs (World Bank 2002c). In response, internal management practices were put in place to administer development risks and streamline business processes while the move towards the higher plane of national policy dialogue was consolidated as evaluation evidence confirmed the close correlation between investment project outcomes and the quality of the policy and institutional environment.

In the early nineties, the very cycle through which projects were designed and processed was reconsidered (Picciotto and Weaving 1994). Hirschman's original insights snatched from casual but piercing observations of development projects finally achieved widespread recognition and adaptable project instruments were introduced to promote learning and innovation as well as facilitate the scaling up of promising project initiatives into adaptable nationwide programs. Sector-wide and programmatic operations became more frequent and development operations increasingly focused on knowledge transfer, capacity building and governance reform. By the turn of the century, the scaling up process had culminated in the promotion of country based poverty reduction strategy papers and associated debt relief for deserving highly indebted poor countries (World Bank 2002b)

These shifts in development practice were accompanied by a partial retreat of neo-classicism and a surge of interest in the new institutional economics. Whereas market failure dominated development thinking in the pioneering years, the risks of government failure emerged as a major concern of decision makers by the eighties. In the nineties, the scaling up challenge was revisited to take explicit account of the complementary roles of the state, market and voluntary sectors. By the time the millennium development goals were framed, the doctrinaire views of market fundamentalists and anti-capitalist protesters had been set aside and a pragmatic mix of market-friendly, people-friendly and environment-friendly policies had laid the foundations for a new development consensus.

The Scaling Up Challenge

Ownership, partnership, results orientation and holistic development characterize the new development paradigm (World Bank 2001). The Millenium Development Goals (MDGs) elevate these principles of effective development aid to the global level. The agreed goals embody universal aspirations (poverty reduction, social development; environmental regeneration). Their legitimacy is unrivalled. The millennium guideposts synthesize the outcomes of numerous international conferences and they evoke the major themes of a Millenium Declaration signed by heads of state in September 2000 and subsequently approved by all 189 states of the United Nations General Assembly (United Nations 2001). The global agreement to track human progress through 18 targets and 48 indicators is unprecedented in development history.

Already, the MDGs have helped to strengthen development coalitions and to articulate a compelling rationale for aid to a largely skeptical public. The World Bank, the International Monetary Fund and the Organization for Economic Cooperation and Development have rallied behind the MDGs. For the first time in over a decade, aid levels are rising. But the agreed goals symbolize strategic intent rather than concrete action plans. The road map towards the implementation of the Millenium Declaration does not lack specificity. It includes 56 goals (United Nations 2001) while the UN Secretary General's report to the Preparatory Committee of the Monterrey Conference included 87 recommendations (United Nations 2002a).

However, the final communiqué of the Conference, negotiated in advance, did not include binding government undertakings. Each country was left free to set its own course and formulate its own benchmarks. To be sure, national development potentials and constraints are highly differentiated and hard won experience has consigned standard policy blueprints to the dustbin of development history. But size matters in development and global goals will not be achieved without concerted action, adequate means.

Scaling up of ambition must be matched by scaling up of mechanisms and adequate mobilization of scattered energies and resources. The fates of developed and developing countries have become inextricably interlinked. Development can no longer be conceived as something that happens "out there." The problems of the global poor (lack of security; opportunity and representation; a fractured and inequitable social order; a stressed physical environment) have become everyone's problems.

In the words of Kofi Annan, "we are all influenced by the same tides of political, social and technological change. Pollution, organized crime and the proliferation of deadly weapons likewise show little regard for the niceties of borders; they are problems without passports." Equitable, sustainable, inclusive development cannot be captured fully in a scorecard. Reduced child mortality is important but so is adult health status. Increased enrollment matters but it does not guarantee learning. Income poverty reduction is critical but so are the other freedoms that constitute human development (Sen 2000).

This explains the broad sweep of the Millenium Declaration and confirms the relevance of the global compact consecrated by the United Development Financing for Development Conference in Monterrey under which poor countries have undertaken to improve governance, policies and institutions and rich countries have committed to increase aid, open up market access and support capacity building.

These reciprocal obligations transcend the specific targets and indicators crystallized by the MDGs. They amount to a shared responsibility to achieve results consistent with common development values. But vision without reality is hallucination. The promise of comprehensive development embedded in the Monterrey compact (let alone the enhanced formulations of sustainable development that were unveiled in Johannesburg) will not be met simply because goals and performance indicators have been announced with great p fanfare. Only results matter and early experience suggests that implementation is seriously lagging (ActionAid 2002)

Worrying Trends
The past development record is not all bleak. Average life expectancy has increased by 20 years in the last forty years. Illiteracy has been halved in the last thirty years. During the 1990's the share of people living on less than $1 a day has been reduced from 29% to 23%. This means that 125 million fewer people are living in abject poverty. Almost 80 countries have created the capacity to educate all their primary school age population. Seventy-two countries (with 58% of the world's population) are on track to eliminate gender disparities in schooling. There has been progress in reducing maternal deaths in all regions except Sub-Saharan Africa. Eighteen developing countries have halved the proportion of people without access to safe water and another 32 are on track to meet the target.

Such successes demonstrate that a lot can be achieved but warning signs are flashing: actual progress has stalled in many countries. Urgent steps must be taken to broaden and accelerate the pace of development. The baseline for all the MDGs is 1990 and most of the goals have been set for 2015. We are halfway to the 2015 deadline and on current trends most MDGs will not be met (World Bank 2003). Only a third of developing countries are on track to meet most of the goals. Regional differences are striking. The regions of the world most in need of development (Sub-Saharan Africa and large parts of South Asia) are lagging.
[1]

At current growth rates, East Asia alone is likely to achieve the agreed income and poverty reduction objectives and this assumes that it will recover quickly from the consequences of the SARS epidemic. In Africa, the number of poor people and the rates of infant and child mortality rates have gone up instead of down. Progress towards the achievement of primary education for all has been lagging in three regions (Africa, South Asia and the Middle East). If present trends continue, there will be 140 million underweight children in 2020 and 75 million children will be out of school in 2015. To reach the income-poverty goal, growth in developing countries would have to be twice the levels achieved in the 1990's for the next fifteen years.

The Logic of Scaling Up
Scaling up is consistent with a conception of development that recognizes the inter-linkages involved in social transformation (Stern 2002). It gives pride of place to experimentation, innovation, learning and objective evaluation of what works and does not work. It is knowledge about what is taking place in the real world that shape customs, incentives and policies. Mental constructs are critical to the creation and adaptation of rules, norms, conventions and organizations. They set the standards that ultimately define human interactions, determine economic performance and define who the losers and the winners will be.

For development to be sustained, cultural preservation must be combined with cultural transformation. Values that promote competition must be combined with values that enhance cooperation. Dissent must be restrained by loyalty. By definition, policy and program development involve choices. Choosing one road to progress may imply that a more efficient trajectory has been blocked off (what institutional economists call path

dependence). But a free press, an open society and policy research based on reliable data and objective evaluation can help correct the course. The true of object of development assistance is to facilitate social learning and scaling up implies that the lessons of experience are heeded and applied on a scale appropriate to the challenges the society faces.

All development operations involve substantial transaction costs. The feedback process associated with their implementation is central to their economic justification. Careful design is needed to ensure that they contribute to the learning dimension of organizations and societies. Accountability, participation and evaluation lie at the core of sustainable change. Values and beliefs evolve slowly but the process can be accelerated through systematic feedback so that lessons drawn are quickly learnt and applied. This is what the institutional design of development operations is about.

Specifically, scaling up through societal learning involves choices between three complementary conceptions of development (Granovetter and Swedberg 1992). The first is *hierarchical*. Originating in sociology and promoted by business school case studies, it stresses the value of charismatic leadership and perceives human beings as highly pliable and responsive to authority. It is consistent with Hobbesian theory according to which a chaotic and violent state of nature must be domesticated by a sovereign authority, e.g. a dictator, a CEO or the manager of a project implementation unit.

The second conception is *individualistic*. Favored by economists, it perceives social systems as atomized and made up of individuals motivated by self-interest. According to this conception of development, scaling up largely hinges on creating the right incentives framework. It points to agency problems, information asymmetries and collective action dilemmas as obstacles to effective scaling up. The third conception is *relational*. Articulated by economic sociologists, it views human interactions as embedded in a web of information networks, social links and informal groupings. This view of the world is consistent with scaling up strategies that rely on decentralization, participatory methods and empowerment techniques. They are geared to the nurturing of trust and the accumulation of social capital.

Development experience suggests that replicability and sustainability (acid tests of effective scaling up) call for judicious calibration between these three rival concepts so as to achieve the right mix of competition, cooperation and hierarchy and ensure harmony between private interests and societal goals. The admixture varies depending on the country context and the nature of the development intervention (Picciotto 1997). Where the production of private goods is concerned, exit is the option of choice and competition must be favored. For activities reliant on common pool resources (pastures, irrigation water, etc.) competition leads to tragedy, cooperative scenarios are recommended and voice is the key parameter.

The delivery of pure public goods (a new tax policy or a traffic signaling scheme) requires policing as well as cooperation. Hence, it calls for a combination of hierarchy and participation so that exit is restrained and adequate scope is given to the recuperative benefits of voice. By contrast, toll goods (power, water supply) are best delivered through organizational options that combine market and hierarchy. The balance to be struck

(ranging from regulated private companies, concessions, contracting or autonomous public agencies) depends on technological characteristics (e.g. network features) and on the administrative environment (e.g. reliability of judicial structures and the predictability of regulations).

Scaling up requires experimentation and concurrent evaluation because the precise mix of standards, rules and protocols involved in changing behavior an operating environment permeated with uncertainty cannot be defined in advance. Success at one scale of operation (or in one particular location) may not be replicable on a larger scale or in a different context. Yet, change must achieve sufficient coverage to become self-sustaining. This requires a peculiar combination of knowledge, persuasion and dissemination so that mainstream opinion shifts and the new idea becomes the general consensus.

According to the "tipping point" theory (Gladwell 2000), three types of social actors are needed to trigger large scale social transformations: *mavens* who screen and accumulate relevant ideas and knowledge; *connectors* who inject them within organizations or the society at large; and *salesmen* who have the intuition, the charm, the energy and the motivation to persuade, cajole and induce decision makers to act. But at the root of their common success lies proven innovation and judicious experimentation. Thus, scaling up requires a gathering of diverse skills and an orderly sequence of listening, piloting, learning, demonstrating and mainstreaming.

A classical development example of scaling up is the expansion of the dairy cooperative movement in India funded by a coalition of donors and the World Bank[2]. It started in a single district of Gujarat but gradually turned into a nationwide program benefiting small producers by offering them access to modern milk processing facilities and businesslike marketing networks (World Bank 1998). A combination of market discipline, social capital creation and strong leadership yielded a nationwide movement that has benefited thousands of poverty stricken communities. This development success illustrates the frequent combination of vertical scaling up (involving local, state and national actors) with horizontal mainstreaming (geographical spread and integration of various production, marketing and community development functions each requiring its own institutional design).

Global Scaling Up

The disappointing results observed at the global level suggest that the exit option may have been overemphasized. It is not enough for developing countries to adopt outward oriented policies in order to create a sustainable enabling environment for private enterprise, innovation and investment. Such policies must be backed by organizational structures and behavioral norms that facilitate business transactions and protect property rights, promote competition and open up opportunities for the poor to participate in the market economy. Hence, the hierarchy of the state needs strengthening. Equally, human development programs and pro-poor organizations must be promoted to implement people friendly and environmentally sustainable policies. To this end, the voice option

[2]Numerous other examples are available in the database of the World Bank' Operations Evaluation Department.

needs to be energized. A balance is needed lest adjustment create dislocation in social bonds, provoke cultural resistance to reform and induce civil strife by accentuating regional imbalances and increased income inequality.

The risk of social polarization is considerable. Lacking the exit option available to capital and knowledge, labor has seen its competitive advantage eroded while high rewards have accrued to finance and skills (Rodrik 1997). As a result, the poor have borne the bulk of the costs associated with the financial crises that have accompanied globalization. They have also suffered disproportionately from natural disasters, civil strife and regional conflicts. Without access to basic health care and other social services, socially disadvantaged groups have fallen prey to new diseases and old ones as well. Furthermore, the environmental stress associated with wasteful patterns of consumption in rich countries has undermined the common property resources on which sustainable livelihoods for the poor depend.

A high premium to market activities has been combined with greater inequality within most societies. The reduced role of the state associated with globalization has unleashed the civil society and domestic entrepreneurship. But it has also let loose previously repressed ethnic forces and empowered sub-national actors and community leaders. According to Professor Ali A. Mazrui, "as we witness the enlargement of economic scale in the world, we are also witnessing cultural revivalism" and globalization has been associated with a return to primordial values and identities, or "re-tribalization" (Mazrui and others 2002). Francis Fukuyama strikes a similar theme when he relates the extraordinary economic expansion of the industrial democracies with a "great disruption" in religious and community values that has lasted for more than three decades (Fukuyama 1999).

This suggests that over and above the enhancement of financial, physical, human and natural capital, sustainable development calls for the preservation of social capital. According to Lester M. Salamon, the explosion in the number of non-governmental organizations in the developing world could "prove to be as momentous a feature in the late 20th century as the rise of nation state was in the late 19th century"(Salamon 1999). On the other hand, social capital has not accumulated in a commensurate fashion since other forms of self-organization and scarce cultural assets have been allowed to deteriorate. Furthermore, the dark side of the associational revolution can also be discerned in the emergence of exclusionary groups and the spread of international crime.

The Need to Scale Up

Thus, dealing effectively with the social consequences of globalization means striking a fair balance between market transactions, the workings of the civil society and the hierarchy of the state (Stiglitz 2002). Through the fusion of markets and the freer movement of goods and capital across borders, the territoriality on which the nation state depends for control has lost a great deal of relevance for a wide range of economic decisions. The imperative of scaling up is linked to economics that are increasingly global and politics that have remained local and national. Global activities are needed to deal with the institutional fault lines and the governance gaps that have become starkly visible in the global development process.

Scaled up ambitions have not been matched by scaled up results. Fundamental institutional reform is needed. New rules of the game are needed not only at local and country levels but also at the systemic global plane. The disappointing progress towards the MDGs is connected to rapid and irreversible technological change and increased economic integration combined with inadequate policy reform by a distorted system of global governance (McGrew 2001). Whereas business corporations, voluntary associations and, alas, terrorist and criminal organizations have adapted to the new economic geography, governments have had considerable difficulty keeping up with the historic shift (Reinicke 1997). Large mismatches between economic and political organization have emerged at community, national and transnational levels. In particular, countries endowed with weak governments, limited skills and fragile market institutions have been marginalized due to civil strife, policy weaknesses, adverse terms of trade and excessive debt.

The predicament of hundreds of million of people living in highly indebted, failed and failing states has been aptly described by Jeffrey Sachs as "a combination of extreme poverty and financial insolvency which marks them for a special kind of despair and isolation". To be sure, much of the world is seeking to adopt market friendly policies. But relatively few developing countries have been able to nurture the norms and the complementary institutions needed to achieve harmonious connectivity to the global economy. The chronic instability associated with economic interdependence, floating currencies and volatile exchange markets (that account for sixty times the volume of trade and investment flows) has favored continental economies and countries with well-established market institutions.

In order to accelerate progress towards the MDGs, the development system will have to be re-engineered. If severe financial crises persist it is because of inadequate global mechanisms to prevent and mitigate them. If massive deficits in global public goods delivery continue to prevail, it is simply because collaborative programs are poorly structured, managed or funded. If global environmental problems go on unattended it is not because of a deficit in beliefs and values (opinion surveys among the rich and poor alike regularly highlight the popularity of environmental protection) but because of a lack of far-sighted leadership.

The experience of high performance developing countries confirms that achievement of the MDGs would be entirely feasible. But broadening and deepening the development process calls for institutional adjustments local, national and global levels. Victory in what Jim Wolfensohn calls "the other war" (i.e. the war on global poverty), lies in articulating new concepts, deploying new instruments and forging new partnerships. To implement the MDGs, the world needs scaled up metrics, scaled up instruments, scaled up resources, scaled up policies and scaled up partnerships.

Scaled Up Metrics

The disappointing progress towards the MDGs conflicts with recurrent claims that aid effectiveness is satisfactory and improving. To be sure, aid evaluation processes are not always rigorous or independent. But massive evidence from development evaluations points to substantial improvements in the alignment of operational results with the goals set for individual operations (World Bank 2002d). In parallel, a burgeoning academic

literature has produced robust conclusions regarding the positive link between aid, growth and income poverty reduction (Stern and others, 2002). Much less clear are the linkages between project level ratings, aid flows and other MDGs.

To forge such linkages, the metrics of the development business need to be adjusted. The adoption of results based management principles, performance based aid allocations and country based poverty reduction strategy papers (monitored by the IFIs) signal the importance that donors attach to "scaled up" results. Strengthening the connection between measures of project level success and MDGs is critical from an accountability perspective. Rather than simply adding up the success rates of individual projects measured against their original objectives, it has become necessary to judge development effectiveness in terms of the contribution that country assistance programs make to the MDGs.

To the extent that projects are conceived as building blocks of country assistance strategies and provided that project objectives are properly aligned with MDG objectives, a close correlation between project level success and MDG implementation can be deemed to exist. Unfortunately, the MDGs still do not figure prominently in country assistance strategies (World Bank 2002d). Furthermore, transparent linkages between MDGs and the design features of individual projects are not easy to demonstrate. Whereas sectoral ministries hold sway over the public expenditures programs within which investment operations are nested, the MDGs are thematic and crosscutting.

Thus, the first and most prominent millennium development goal (that aims at eventual eradication of extreme poverty and hunger) requires improved opportunities for economic advancement through broad-based economic growth, equitable access to social services, empowerment of poor people and social protection. Four other goals (MDGs 2, 4, 5 and 6) relate to health and education. Their achievement hinges not only on properly targeted expenditures but also on infrastructure development (water and waste disposal; power; transportation; etc.) and the quality of service delivery. Two more goals address gender equality and environmental sustainability. Their realization implies policy measures that cut across all sectors of the society.

There is no escape from the proposition that development, a comprehensive process of social transformation, is holistic, comprehensive and country specific. Hence, the time has come to track and evaluate development results at the country level rather than one project and one donor at a time (Picciotto 2002). Conversely, monitoring and evaluation of the impact of rich countries' policies on global poverty reduction needs to be introduced[3]. A variety of civil society initiatives are emerging. In particular, the Center for Global Development in Washington D.C. has published an index that rates the

[3] Over and above tracking the performance of developing countries and the effectiveness of aid, monitoring of progress towards the Millenium Development Goals by the United Nations as well as regular reporting by the World Bank to its Governors on the quality and quantity of external assistance to developing countries will address the aid and trade dimensions of rich countries' policies (as prescribed by MDG8). More comprehensive monitoring will be needed.

relative commitment to development of rich countries' policies (Birdsall and Naim 2003)[4].

Scaled Up Instruments

Scaled up metrics would provide incentives for better coordination and more efficient aid delivery. This also calls for increased reliance on scaled up aid instruments. Most aid is still delivered through projects. They are the workhorses of the development business. Often derided by economists, the project concept was a brilliant institutional innovation that has demonstrated remarkable resilience. It consists of a bundle of contracts linking principals and agents – i.e. owners, employees, contractors, consultants and beneficiaries. It aims at finite, specific, verifiable results and provides fiduciary guarantees that the resources allocated are used for the purposes intended. It also provides comfort to politicians as well as accountants that development funds are used for the purposes intended.

As an institution, the project instrument meets many of the precepts of economic organization favored by business economists (Milgrom and Roberts 1992). An overarching contract links the country with the development assistance agency in the form of negotiated agreement that incorporates rewards and penalties. Standard clauses define rules of the game for procurement, disbursement, auditing and evaluation. Tailor made legal provisions raise the cost of non-compliance with respect to performance objectives. Thus, from the perspective of individual donors, projects have a lot of advantages. They can be adapted to very diverse circumstances. Their design can be shaped by realistic implementation prospects, taking account of the diverse competencies and incentive frameworks of participants.

The very same pressures towards results orientation that underlie the public appeal of the MDGs help to explain the prevalence of projects in aid delivery. "Attribution", i.e. tracing the development impact of individual donors' commitments, is not practical when aid funds are commingled. Hence, it is not surprising that donors have a predilection for generating "their own projects" and flying their national flags over them. On the other hand, the proliferation of projects adds to transaction costs and stresses the domestic administration of recipients (World Bank 2002b). Fungibility arguments advanced by proponents of policy based, quick disbursing aid vehicles apply with great force to old style, "brick and mortars" investment projects. Greater resort to pool funding (Kanbur and Sandler 1999) and other flexible funding vehicles (program lending; sector-wide approaches, budget support; etc.) is essential both to encourage country ownership of poverty reduction programs and to enhance efficiency of aid delivery. But given widespread fiduciary concerns, intensified capacity building efforts towards improved management and evaluation of public expenditure programs has high priority.

More Aid

Aid reached $57 billion in 2002. This represents a 5% increase in real terms and it signals a recovery from the all times low of the prior three years. Assuming the commitments

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[4] Surprisingly, the index does not take account of the relative importance for poverty reduction of each of its policy components (aid, trade, migration, foreign investment, peacekeeping and global commons).

announced at the United Nations Financing for Development Conference in Monterrey are met, aid will grow by 31% in real terms by 2006 (about $16 billion). This is good news for developing countries. However, even with the planned increments, aid volumes will remain inadequate and there is little doubt that increased aid volumes would help in the "scaling up" process. More aid is needed along with better quality aid.

Aid flows now account for only about 0.90% of the national income of developing countries and 0.23% of the national income of developed countries. This is well below the ratio of 0.33% consistently achieved until 1992. It is about half the level achieved in 1967 (0.65%). Only five out of 21 OECD countries currently meet the United Nations target of 0.7%. Another three have given a firm date by which they will reach the target. But this will not be sufficient to achieve the MDGs. Conservative World Bank estimates suggest that even if improved policies have been adopted by developing countries and growth is accelerated, a doubling of current aid levels will be needed[5].

Thus, aid advocacy retains a high priority. But sustaining, let alone increasing, aid flows will ultimately hinge on the progress actually made towards the MDGs. A central premise of the global compact consecrated by the Financing for Development Conference in Monterrey is that the main responsibility for poverty reduction lies with developing countries. Aid can only help those who help themselves. Performance based aid allocations geared to domestic policy reform and improved governance are critical to the scaling up process. They help deliver more for less and should continue to provide the rationale for increased resources allocated to aid and debt reduction.

Better Aid

Aid reflects policy performance somewhat better than it used to but geopolitical calculations remain highly influential (Shetty 2003). The war on terrorism has replaced the cold war as a major determinant of aid allocations. The share of aid going to the poorest countries has declined. Asia where most of the poor live has seen its share drop [1]from 25% to 10%. The share of aid going to Sub-Saharan Africa has also come down from a peak of 35% to 29%. Aid to least developed countries has declined from $33 per capita in the 1980's to $10 today. This is a meager 0.07% of the per capita income of rich countries.

Tied aid adds 20% to the cost of goods and services procured. Yet it still accounts for over half aid flows. Technical assistance of dubious utility still accounts for 28% of aid flows. As a result, more is spent on technical assistance than on the entire civil service of such aid dependent countries as Tanzania. The proliferation of aid channels and the fragmentation of aid across hundreds of projects impose high transaction costs[6]. Aid coordination is still a major problem. Harmonization of aid practices has proceeded at a snail's pace.

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[5] According to Nicholas Stern, World Bank Senior Vice President and Chief Economist, "the cost of achieving the goals is likely to run at least an additional $50 billion from rich countries" (Development Committee Spring Meeting Press Conference, April 14, 2003)

[6] Donor fragmentation has risen by over 25% according to a background note prepared by Knack, Stephen and Rahman for the *World Development Report 2004* . Thus, the Development Gateway now includes records about 340,000 projects. Tanzania alone has nearly 7,000 projects funded by 80 donor organizations.

The current practice of channeling of aid through hundreds of small, donor-driven operations, geared to diverse and incoherent agendas, saddled with diverse and onerous reporting and fiduciary mechanisms and managed by project entities that lie outside the regular public administration should be abandoned. So should the excessive resort to expatriate technical assistance and restrictive practices regarding procurement of goods and services. This confirms that the quality of aid is a responsibility shared by aid donors and recipients alike. In particular, aid coordination, untying of aid, harmonization of procurement, disbursement and reporting requirements, reform of technical assistance practices and judicious choice of aid instruments to minimize transaction costs and build domestic capacities form an integral part of the "scaling up" challenge.

Common pool funding of priority programs managed competently in the context of poverty reduction strategies is the future of aid. But projects are still fully justified where overall public expenditures management is below acceptable standards (e.g. in failed or failing states). They can also play a very useful role in good policy environments where they are designed, implemented and evaluated to pilot new approaches, as observatories of innovative development practices and as social learning instruments upstream of sector wide programs funded by donors' coalitions. Projects designed as policy experiments, learning partnerships or transmission belts for technology and skills remain instruments of choice for achieving quality programs and effective scaling up of proven development interventions.

Scaled Up Policies

Thus, improved aid effectiveness must be combined with greater flows of aid. But aid is only one of the policies that must reform to help deliver on the MDGs. In an integrated global economy, it is the aggregate of rich and poor countries' policies that should be judged by results. Yet, the "results chains" normally associated with development evaluations relegate rich countries' policies to the status of exogenous factors or boundary conditions. The unintended consequence of such aid-centered assessments has been a mistaken attribution of poverty reduction shortfalls vs. goals to poor aid performance. This has contributed to the obstacles faced by advocates of aid just at a time when aid flows should be expanded.

Accordingly, to accelerate progress towards the MDGs, the development paradigm should be scaled up well beyond aid to cover the major transmission belts of globalization. A comprehensive development framework is needed at the global level just as urgently as it is required at the country level. Development cooperation is a two way street. Partnership implies shared objectives and this is why the millennium development goals represent a historic achievement. But partnership also assumes distinct accountabilities and reciprocal obligations. And this is where the current development consensus has been flawed. It has focused on policy and governance weaknesses in poor countries while neglecting the impact of rich countries' policies on developing countries.

Yet, it is rich countries that exercise control over the institutions that oversee the global economy. It is their rules and standards that regulate the flows of capital, people and ideas. And it is their production and consumption patterns that pose the greatest threat to the physical environment. If the heady promises of globalization have not been fulfilled it

is in large part because policy reform has been asymmetrical. Unless the balance is redressed, the current global transformation (and the volatile market conditions that characterize it) may well continue to generate economic and social dislocation instead of improved living standards for a majority of middle and low-income countries.

Just as project level results cannot be explained adequately without reference to the quality of country policies, country level evaluations are incomplete without reference to the international enabling environment. Given globalization, rich countries' policies matter just as much if not more (given their relative weight) than poor countries' policies. Currently, almost three fourths of the MDG performance indicators point south. Substantial resources have been mobilized to track the progress of developing countries towards the goals and to evaluate the development effectiveness of developing country policies and programs. In all low-income countries, country based poverty reduction strategy papers are mandated to guide the allocation of aid resources. These strategies are subject to public disclosure and to systematic review by the World Bank and the IMF (World Bank 2002b).

No similarly integrated effort is underway to evaluate the development effectiveness of rich countries' policies. They have escaped systematic scrutiny even though they determine the amount and quality of aid, debt reduction, foreign investment, trade, migration, access to intellectual property and global environmental trends on which sustainable development depends. Noisy anti-capitalist street protests have mobilized the attention of the media. Instead of evidence-based policy research, idiosyncratic domestic political considerations have shaped global policy-making.

Foreign Investment

World inflows of foreign direct investment (FDI) to developing countries and transition economies stood at about $227 billion in 2001, about a third of the total (UNCTAD 2003). Compared to other private flows, they have remained fairly resilient despite the world economic slowdown. On a net basis (inflows minus outflows) they are currently the only positive element of private flows to developing countries (about $31 billion in total).

The distribution of foreign direct investment (FDI) is skewed. Least developed countries collectively receive only 0.5% of global FDI flows. Of this, 86% is concentrated in 10 countries, of which over half goes to four oil-producing countries. Africa as a whole is a marginal recipient, receiving less than 2%. Within Africa, as elsewhere in the developing world, the distribution of FDI inflows is limited to a handful of countries and it is mostly directed to natural resource extraction.

FDI can promote a more competitive business environment and generate domestic and enterprise development. On the other hand, FDI may create limited benefits to host countries when associated with capital-intensive development; corrupt use of royalties; limited linkages to the local economy; negative environmental impacts or deleterious social consequences for local communities. Independent verification is needed to help enhance the quality and the distribution of foreign direct investment.

The quality of investment flows is shaped by the corporate policies and operating practices of multinational companies and, in turn, these are responsive to public opinion and the policy stances adopted by export credit and investment guarantee agencies. A network of private companies, labor groups, international agencies, academic institutions and non-governmental organizations (the UN business Global Compact) has been launched to promote business compliance with core values in the areas of human rights, labor standards and environmental practice (United Nations 2002b).

Trade

On a per capita basis, exports from developing countries generate over thirty times as much revenue as aid – twelve times in the case of the least developed countries (Vitalis 2003). Developing countries suffer from high tariffs precisely where they are most competitive, including cereals, sugar, fish, fruits and vegetables, clothing and footwear. The social consequences are highly detrimental too since these products are produced largely by subsistence farmers and relatively small enterprises. A 40 percent reduction in tariffs on manufacturing goods would generate an expansion in the volume of global trade of US $380 billion, with nearly 75 percent of the gains accruing to developing countries. Tariff-rate quotas are another area of concern.

Agricultural subsidies in OECD countries are equivalent to the entire gross domestic product of Sub-Saharan Africa. The New Zealand government has estimated that the resources allocated for agricultural subsidies would allow first class travel one and a half times around the world to all 41 million cows of the European Union with 1,000 Euros still left over for their hotels and meals. Consumers in the US pay 58% more (a markup of $27 billion) for textiles and clothing than they would under a free trade regime.

Even as tariff barriers have declined, the impact of non-tariff restrictions has created significant distortions. In particular, incompatibilities between standards and methods of conformity assessment between developed and developing countries disrupt trade and provide implicit protectionism for domestic industries. Similarly, voluntary eco-labeling favor processes and technologies that may be unavailable, unsuitable or prohibitively expensive for developing countries.

Finally, the protection of intellectual property rights is being strengthened under WTO rules without adequate consideration of basic human needs in developing countries. Trade-related intellectual property regimes have restricted access to essential drugs and other knowledge intensive products and services. There is increasing pressure on developing countries to increase intellectual property protection based on the current practices of developed countries. Yet, standards that may be suitable for developed countries produce more costs than benefits in poor countries that are large net importers of technology (Commission on Intellectual Property Rights 2002).

Migration

The importance of migration to the economic prospects of developing countries is rising. Given that goods, capital and ideas have become more mobile, migration makes eminent economic sense and it is proceeding apace. Remittances are five times the amounts of aid to Latin America and the Caribbean. They account for a fifth of Jordan’s national income.

They are the largest foreign exchange earner of El Salvador, Honduras and the Dominican Republic.

An abrupt demographic transition has triggered a pent-up demand for migration in OECD countries (Newland 2003). Some migration is due to war, civil conflict or political persecution. Cultural considerations also intervene. But primary migration is mostly driven by economic factors and from the secondary effects (such as family reunification) that flow from it.

Between one-quarter and one-third of migration flows move through illegal channels. Tacit tolerance of illegal migration is widespread, as it fills genuine labor needs in destination countries. However, it induces petty corruption, opens up profitable smuggling opportunities for criminal networks, perpetuates unfair treatment of migrants and discourages their integration into the fabric of the host country.

Despite the rhetoric of populist politicians, neither the United States nor Europe can be considered “full”. There a[ii]re more deaths than births in 43% of the 211 regions that make up the European Union. Even if immigration is taken into account, one out of four regions in Europe has seen its population decline in 2001. Many towns and villages in eastern Germany, the southwest of France, Italy and Spain are shrinking or even disappearing altogether.

Current immigration policies obstruct the entry of asylum seekers; interdict entry by unskilled migrants and ration immigration deliberately towards well-trained professionals and skilled workers in high demand. Such discriminatory immigration policies are cumbersome to implement and deliberately induce a “brain drain” and a “skill drain” from poor to rich countries. Thirty percent of Mexico’s PhDs and three quarters of Jamaicans with higher education live in the United States. Albania has lost a third of its qualified people.

Environmental Policy

Last but not least, the policies of rich countries (emulated by poor countries) are inducing unprecedented pressures on the physical environment. Industrialized countries dominate global environmental management through the heavy ecological footprint of their production and consumption patterns, and indirectly through their influence over global regimes governing trade, investment, and the global commons (Seymour 2003).

For example, industrialized countries (home to 20% of the world’s population) account for 63% of carbon dioxide that has accumulated in the atmosphere since 1900. The United States with a population of 288 million is responsible for more emissions than 151 developing countries with a population of 2.6 billion people. Climate change threatens the most severe and widespread impacts. A doubling of CO2 emissions is likely to cause economic losses of 1.6-2.7% of GDP for developing countries. Small island economies are especially vulnerable. Africa’s food security is likely to be set back. Severe flooding threatens in many parts of Asia.

Equally, fisheries resources are being depleted due to massive subsidies by rich countries ($15-20 billion a year) and rich country dominance within governance regimes tends to

impede the "development friendliness" of policies and programs. Both within and between countries, the poor suffer most from perverse rich country environmental policies. For example, the poorest countries are least well positioned to adapt to climate ch[7]ange and artisan producers are least well positioned to take advantage of market opportunities created by eco-labeling schemes.

The Case of Bangladesh

Bangladesh illustrates the importance of market oriented and people friendly policy reforms in achieving growth and poverty reduction. It also illustrates the need to shift towards a development cooperation paradigm that goes beyond aid and addresses a wider range of rich countries' policies (Rahman 2003). Ten years ago Bangladesh earned $1.6 billion from foreign aid, $2 billion from exports and $0.8 billion from remittances. By 2001, aid had shrunk to $1.4 billion; exports had gone up by more than six times (to $6.5 billion) despite eroding terms of trade (10% over the past two decades). Remittances have gone up by more than twice to $1.9 billion. Foreign direct investment is still low ($222 million) but this is seven times the volume of ten years ago.

Growth over the period has averaged 5% a year. As a result, the incidence of absolute poverty has declined from 50% to 40% of the population. Pro-poor activities by a burgeoning civil society have played a significant role in enhancing the status of women and improving socio-economic indicators. Literacy levels have increased from 35% to 41% and life expectancy has increased from 52 years to 59 years. The rate of population growth has declined from 2.7% to 1.6%. Access to safe water has improved from 38% to 56%.

Looking ahead, trade protectionism by rich countries is the largest single stumbling block to further poverty reduction in Bangladesh. Average tariff protection against Bangladesh exports to the United States is 14% compared to 1% for France. As a result, Bangladesh pays the United States $331 million in tariffs every year compared to $330 million by France even though Bangladesh exports $2.3 billion to the United States compared to $24.2 billion of French exports.

Extension to Bangladesh of trade concessions already provided to thirty-four African least developed countries and Haiti would yield increased annual exports of $850 million from Bangladesh. Equally, more foreign investment and migration, freer flows of basic medicines and adapted agricultural technologies and controls over climate change have fundamental importance to the long term prospects for poverty reduction in Bangladesh.

Scaled Up Partnerships

The extent and speed with which new metrics, scaled up instruments, more and better aid and more comprehensive policy reforms are introduced will determine the prospects for accelerated progress towards the MDGs. But how will such necessary and urgent but highly complex, politically sensitive and administratively demanding decisions actually come about? The globality and publicness of the actions at stake mean that complex dilemmas of collective action have to be resolved to move ahead and achieve results.

In addition to the peculiar difficulties associated with the financing of public goods, a unique characteristic of global public policies and programs is that the people who stand to benefit the most from reforms do not belong to the same political constituency or even live in the same country as those that have the authority to decide. This means that the normal feedback loops associated with democratic governance do not come into play to produce accountability for results (Martens and others 2002).

Formal global governance mechanisms, when they exist at all, reflect simpler times when the only protagonists were a score of sovereign states and the international organizations that they controlled (Simmons and de Jonge Oudraat 2001). Today, a galaxy of business associations, voluntary agencies, epistemic communities and other groups insist on participation given their specialized knowledge and their growing influence. They contribute indispensable data, skills and energies and act as a useful counterweight to short term political interests. But their involvement often implies cumbersome negotiations, ineffective decision-making and weak follow up.

In particular, the processes for negotiating, implementing and monitoring inter-governmental agreements urgently need to be modernized. More than 40,000 treaties and agreements have been registered with the UN Secretariat, and more than 500 multilateral instruments—covering matters such as human rights, disarmament, commodities, refugees, environment, and the Law of the Sea—have been deposited with the UN Secretary General. But such agreements are years in the making, of varying quality and, in most cases, lack independent monitoring, verification and enforcement mechanisms.

Rich and powerful interests tend to dominate since the poor in developing countries – as well as poor countries within the global system – are numerous, weak, dispersed and diverse in interests. Special networking arrangements are needed to gather their scattered energies, amplify their voice and give them a seat at the table when global issues are prioritized, policies discussed and solutions identified – whether within or outside established international organizations.

A wide variety of partnerships will have to be created to scale up the development effort (Rischard 2002). Generic conditions for success include organizational strategies grounded in expertise, reciprocity, cooperation, inclusiveness, transparency and results orientation. Flexible, issue oriented global networks involving state and non-state actors have already demonstrated their utility in standard setting and mission-oriented global activities. They offer a promising organizational alternative (or a useful complement) to the bureaucratic systems currently associated with treaties and conventions, nation state groupings and multilateral organizations (Kaul and others 2003).

Development partnerships are likely to be most effective when characterized by judicious membership rules, reliable information, independent verification, nimble decision-making, reliance on modern information technologies and effective media relations. The logic of scaling up applies to them as well. Depending on their objectives, they emphasize exit, voice or hierarchical features. They face many of the dilemmas associated with aid delivery mechanisms – high transaction costs, fragmentation and

variable responsiveness to priority social needs. They should bring together mavens, connectors and salesmen to overcome these dilemmas and achieve a global impact.

Finally, global security is inconceivable without global development. The "demand side" of international terrorism and organized crime is powerfully boosted by social neglect and lack of economic opportunity. Hence, systematic reforms in the economic, social and environmental policies of rich countries, and not just pious statements of intent and paltry aid allocations, are urgently needed both to promote international security and to improve human welfare. For globalization to have a human face, rich countries must level the development playing field and practice what they preach.

Ultimately, the development impact of development actors should be judged not only on their efficacy and efficiency in service delivery measured by score cards but also on their capacity to learn from experience; their performance in mobilizing public opinion behind the tough policy reforms that rich countries should adopt and their effectiveness in implementing the scaled up country and global programs that are urgently needed to accelerate progress towards the MDGs.

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