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**The Financial Times | August 26, 2002**  
**By Dennis Whittle and William Easterly**

The United Nations World Summit on Sustainable Development, which begins on Monday in Johannesburg, may represent a turning point for the international aid bureaucracy. Thousands of people will be there and yet almost none of them expects any concrete outcomes. The summit will address many of the same issues that were left unresolved 10 years ago at a previous UN World Summit held in Rio de Janeiro.

The current summit is strong on laundry lists and short on focus. Exactly what "sustainable development" means seems to be a well-kept secret. The original idea was protecting the environment, but the official documents for the summit say that sustainable development also involves such concepts as poverty relief, dialogue among civilisations, democracy, corporate accountability, "equitable globalisation" and world peace.

The corporate executives at the summit could make a big contribution by explaining to the other delegates a principle of efficient management: in trying to solve everything you solve nothing. Is there a better way to meet the needs of the desperately poor billions?

The problem with the summit approach is that it tries to help the poor through a group of centralised, only loosely accountable, international bureaucracies. Contrast that with the mechanism that meets the needs of the rich: the free market, which is decentralised and yet accountable to customers. A rich person can order in less than five minutes on the internet a \$382 tin of Beluga caviar and, with overnight delivery, serve it to his guests the next day. What a tragedy that wants for such luxuries are satisfied so easily, while the more critical needs of the poor are lost in an endless cycle of world summits.

The official agencies are not as important as they used to be. Today, money flowing into developing countries from private and charitable sources is four times the amount flowing from official aid bureaucracies. In fact, private individuals in the US give more than \$30bn a year to overseas causes. That is three times more than the US's official aid budget.

The official agencies have been trying hard to evolve but they must transform themselves instead. We challenge the agencies to use the power of markets and technology to reinvent the aid process. That would allow resources to flow more efficiently to where they have the greatest impact.

Fortunately, some promising experiments are under way. The World Bank has begun to allocate money on a small scale through a series of open competitions, allowing qualified groups outside the official aid structure to apply for funding. Since 1998, more than 3,800 teams from 122 countries have submitted proposals. The winners included two Ugandan women entrepreneurs who had never left their home province until they went to Washington to promote their micro-credit scheme.

The scope of these competitions could be dramatically expanded. A salutary example is the new Global Fund to Fight Aids, Tuberculosis and Malaria, a multibillion dollar facility with very few staff that solicits proposals worldwide. Two influential Georges - Bush and Soros - have separately proposed the competitive submission of projects to aid funds. Michael Kremer of Harvard has proposed a fund to reward whoever discovers a vaccine for malaria.

One of us [William Easterly] has proposed setting aside a part of aid funds to give vouchers to poor communities. The communities could give the vouchers to any agency in return for any development services they choose. Letting communities choose the providing agency, which could in turn cash in the vouchers for money, might induce some healthy competition between aid agencies. A recent paper for the board of the World Bank proposed opening competition even to private providers of development services, who would only get paid upon certification of the completed work.

A further step would be the creation of markets in development assistance, allowing funders and project sponsors from different countries, sectors and agencies to interact with each other. These could exist in both physical and virtual forms. By increasing access, competition and transparency, they would improve efficiency, innovation and, ultimately, the degree of impact. Several such initiatives are already under way.

These market-based mechanisms are not panaceas - like all experiments, they should be treated as pilots that are carefully evaluated at each stage. They will work better for some development services than others. But, as part of their transformation, official aid agencies must increase their support for such experiments. They can use the money and expertise that, whatever their other problems, the official agencies have in abundance.

William Easterly is a senior fellow at the Center for Global Development in Washington DC. Dennis Whittle is chief executive of DevelopmentSpace.com, which matches donors and projects online.

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