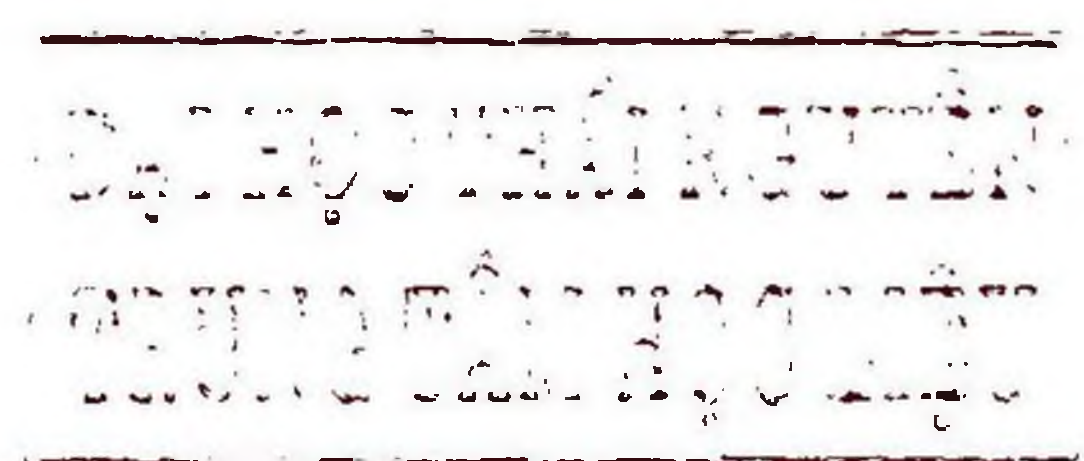


# **Toward Pro-Poor Policies**



**Annual World Bank Conference on  
Development Economics—Europe  
2003**

**Toward Pro-Poor Policies  
Aid, Institutions, and  
Globalization**



*Edited by*  
**Bertil Tungodden,  
Nicholas Stern, and Ivar Kolstad**

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# Toward Pro-Poor Policies: An Overview

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BERTIL TUNGODDEN, IVAR KOLSTAD, AND NICHOLAS STERN

The fourth Annual Bank Conference on Development Economics in Europe took place in Oslo in June 2002, with more than 350 researchers from some 50 countries gathering for three days of discussion and debate on how best to combat poverty and promote development. In plenary sessions and workshops, the conference covered a range of important topics that varied from general questions on the causal links between poverty, inequality, and growth to specific debates about the value of the recent Heavily Indebted Poor Countries (HIPC) Initiative for debt relief.

Given the strength of the papers presented at the conference, selecting papers for this volume required making hard choices. We based our editorial decisions on two main criteria. First, we wanted to give the selected authors the room and opportunity to develop their arguments further. Second, we wanted a coherent book that would cover important topics in greater detail. In the end we chose papers that would illuminate three themes—aid, institutions, and globalization—that are central to the development debate.

On the subject of aid, during the past decade a wealth of research has shed new light on the debate about the role and effectiveness of development assistance to poor countries. That debate has been fueled by some well-publicized failures and by shared frustration with the huge poverty challenges that remain. These setbacks are undeniable. They stem in part from political factors; in part from ignorance; and in part from the simple fact that aid must involve risk taking, and hence some failures are inevitable. The research recognizes that rather than relying on anecdotes, we should look at both

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the trend of aid contributions and the potential for improvement. Has aid worked better in recent years? What can we learn from past mistakes and successes? The contributions to this book do exactly this, and we believe they provide a fresh guide to the future of aid policies.

Whatever we learn from the aid debate, we already know that aid alone will not solve the poverty problem. The quality of the recipient country's own institutions is a fundamental driver of development, a lesson that the development community has relearned in recent years. The recent work on institutions goes far beyond the issue of the state versus the market, which in many cases is not a fruitful question for discussion, because the two have complementary roles. It has moved on to the more rewarding pursuit of understanding how particular economic and political institutions (such as property rights, governance and accountability structures, and tax systems) measure up from the perspective of efficiency and distribution and their effect on values. Recent years have seen an increased focus on understanding the political processes driving the development of institutions, which is essential for those striving to improve institutional structures. We believe that the papers presented in this book add important insights to this debate.

Finally, discussing development policies without taking globalization into account is impossible under current circumstances. Integration is increasing steadily, for good and ill, as we are reminded not only by increasing international trade, capital, and technology flows, but also by the September 11 terrorist attacks on the United States and the severe acute respiratory syndrome (SARS) epidemic. Accelerating development requires setting policies and establishing institutions, in donor and recipient countries alike, that will allow poor countries to reap more of the gains of globalization. We also need careful analyses of how to cope with the risks involved in the process of international integration. The contributions in this volume examine these questions, focusing on how increased international labor and capital mobility present both opportunities and challenges for poor countries.

We recognize that the three themes are closely interrelated. For example, it is difficult to imagine a thorough discussion of aid that does not touch on the nature of national institutions and the effects of globalization on development. Nevertheless, we believe that the thematic structure provides a useful framework for presenting these papers. The following sections offer short summaries of the papers in each section.

Beyond the themes presented here—aid, institutions, and globalization—the Oslo conference included workshops on socially inclusive development, new approaches to public management, education, labor standards, innovation and entrepreneurship, and the ethics of development. We invite readers to study these contributions as well, and provide a complete program in the appendix.

## Aid

The recent debate on aid and development has been strongly influenced by cross-country econometric studies showing that aid is effective in spurring growth and poverty reduction in countries with good policies, though not in those with poor