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## 4 Ways To Spend \$60 Billion Wisely

By William Easterly  
Sunday, July 2, 2006; B02

What's the best way to give away \$60 billion?

In the world of philanthropy, development and foreign aid, it's not as easy as it sounds. So here are some humble bits of advice for the new Bill and Melinda Gates/Warren Buffett Axis of Altruism:

*1 The business world and the developing world are worlds apart.* Your success in business may make you underestimate the challenges of helping the world's poorest populations. Just remember, you've thrived in the United States, the world's most dynamic capitalist economy, where people face clear market incentives to invest in your companies and to deliver your products to paying customers. Now, however, you are one of the biggest players -- bigger than the generous foreign aid programs of Denmark and Finland combined -- in the development business, which is one of the world's most dysfunctional and bureaucratic industries, and one aimed at helping some of the most dysfunctional and bureaucratic economies.

Unmotivated foot soldiers in aid agencies churn out scads of reports for every gallon of clean water delivered to poor consumers, while civil servants in low-income nations divert life-saving medicine to the black market. That is your new marketplace -- a thought that should induce if not despair, then humility about your limitations. Remember, for all his basketball prowess, even Michael Jordan batted a mere .202 for the Birmingham Barons.

*2 It's not about the money.* The misguided media reaction to the Gates-Buffett union was, quite predictably, all about numbers: Warren's \$31 billion gift, which roughly doubles the size of Bill's foundation to about \$60 billion. Welcome to foreign aid wonderland, where it's always about the spending, never about the impact. "Double" has a venerable history; whenever anyone starts worrying about the world's poor, they almost always call for exactly doubling foreign aid -- from John F. Kennedy to last year's Group of Eight (G-8) Summit agreeing to double aid to Africa.

Alas, aid flow reflects the cost of providing services for the poor, not the value of those services. Would Microsoft Corp. promote an executive who bragged about setting a record for costs? Would Berkshire Hathaway invest in a business that headlined its remarkably high spending on office supplies? Unfortunately, the foreign aid business has a sad history of bureaucrats under heavy pressure to spend money on foreign consultants and four-wheel-drive vehicles but with zero pressure to find out whether that spending translates into the forever elusive "technical assistance," "capacity building" and "civil service restructuring" that are supposed to help the poor. Your challenge -- much harder in foreign aid than in business -- is to find out if your final customers are satisfied.

*3 Beware of technological quick fixes.* New technologies always make for great development storylines, whether they are new vaccines, or bed nets, or miracle drugs, or Internet connections that will bridge the "digital divide." Naturally, you may feel tempted to seek new technological solutions to poverty, given your success as investors and innovators in the New Economy. Regrettably, the experience of aid is that plenty of promising technologies exist but never reach many poor people. Even the aid-happy United Nations reported last year that "a safe and inexpensive [measles] vaccine has been available for over 40 years . . . [yet] about a

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third of all children are still unprotected." And the World Bank noted this year that more than 10 million children die annually from diseases that are readily preventable with current remedies and technologies.

Money plus technology is 5 percent of the solution; the other 95 percent is delivery and implementation. By all means, invest in developing those new vaccines. But more imagination is desperately needed in creating incentives for the delivery of such products to the poor.

4 *Don't believe your own press.* An "extraordinary gift of altruism" . . . "jaw-dropping generosity" . . . "egoless" and "revolutionary" . . . "a charitable foundation unlike any the world has seen." The media's adulation of your work and largesse may prove addictive. But don't toss away your one big advantage: You are spending your own money, and therefore don't need to play to the gallery to attract funding. What appeals to the public in the United States or other rich nations and what works for the poor are often at opposite poles of the known universe. Last year's G-8/Live 8 celebrity extravaganza for saving Africa is now mostly forgotten; Africa doesn't even rate a mention on the agenda for the upcoming G-8 meeting in St. Petersburg. Another publicity spectacle is the U.N. Millennium Villages -- development Disneylands designed to end poverty on one tiny speck of the map, where the world's leading tropical experts fly in to see who can spend the most money on the fewest people.

Thus far, the Gates Foundation has shown restraint in resisting grandiose, empty slogans in favor of tackling specific problems such as malaria. Here's hoping that this restraint survives, and that the lessons of aid history ring loud and clear.

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