Assessing the Policy Prescriptions in *The Bottom Billion*

DAVID LEONARD and LAURENCE HADDAD, IDS

In *The Bottom Billion* Paul Collier provides an accessible, innovative and controversial analysis of why some countries are trapped in poverty and the possible strategies for overcoming these difficulties. It has been widely read and is being taken seriously by many in development policy circles. In this series of In Focus briefs a group of academics, primarily from IDS, assesses Collier’s policy recommendations. There is much that is useful in the grand sweep of Collier’s prescriptions, but by bringing to bear a multidisciplinary array of research, these briefs add dissents, nuances and qualifications needed for operational decisions.

**An overall appraisal**

*The Bottom Billion* has many admirable qualities. First, it highlights traps and discontinuities – concepts that economists are not terribly comfortable with in their analyses. This perspective helps introduce concepts of time and phasing into policy implications (e.g. how much, how quickly and for how long will aid have to be allocated in post-conflict situations?) – something that is not second nature to policy analysts. It also helps to remind policymakers that the allocation of external development resources should not be driven solely by expected impacts upon the Millennium Development Goals (MDGs), but also by the availability and quality of domestic development resources. MDG impact per dollar of aid money is likely to be lowest in the Bottom Billion and global targets, therefore, fail the Bottom Billion.

Second, the book moves effortlessly beyond the narrow aid, debt and trade focus of 2005–2007 to a more balanced set of development instruments – aid, conflict prevention and resolution, trade, and, most interestingly, international laws and charters. The last three of these instruments highlight the fact that it is not only how much the North gives...
Assessing the Policy Prescriptions in *The Bottom Billion*

“It is not only how much the North gives the South in aid that matters, it is also about the extent to which the North is prepared to stop doing things that inhibit the South from developing.”

The evidence for The Bottom Billion’s prescriptions

Collier’s sweeping analysis is rooted in his own research, which has both a great strength but also some potential weaknesses. He relies heavily on cross-country regressions and good economics. A number of teams of economists and political scientists have been engaged in the assembly of cross-national data for multiple purposes in recent years and since the unit of analysis generally has been the state, Collier has been able to connect these data sets to answer questions well beyond those their creators originally envisaged. Collier has a very good eye for key questions and his methods give him the ability to move across a dazzling array of them, offering coherent analysis, empirical conclusions and connections on a wider variety of matters than any other single research group using alternative methods would be able to offer.

But cross-national econometrics are highly sensitive to the quality of the data used and to the specification of what is being measured. They also are limited in the amount of location-specific nuance they can handle and partly for that reason are only one of the many methods social scientists use. These problems are not insurmountable and critics of Collier always should be asked to specify and justify their problems with the econometric patterns he has found, rather than dismissing them with a wave of the methodological hand.

On the other hand, such difficulties do mean that one wants to proceed with caution with Collier’s findings, all the more because he hasn’t released the details on all the country categories he used. Any single social science method by itself is subject to challenge; confidence in a new result increases with each independent study that produces confirming evidence, particularly when it uses a different methodology. Conversely, when other methods produce conflicting conclusions, serious thought is warranted about how the tensions in the results can be resolved.

In these briefs we therefore have assembled a diverse set of scholars connected to IDS to examine the other social science literatures related to the conclusions Collier draws and to seek to report what they corroborate, what needs reformulation, and what should be used only with very great caution.

Refocusing the development challenge

Collier offers a distinctive perspective on the appropriate focus of development effort, the causes of weak economic growth and the suitable prescriptions for dealing with them. All of them are addressed in the briefs that form this set.

*The Bottom Billion* argues that economic growth is the key problem of development. Economists Andy McKay and Andy Sumner (In Focus 03.2) agree that growth is a pre-condition to alleviating poverty but caution that wealth is only a means to the improvement of the human condition and that growth does...
Priority to the Bottom Billion is in order, but for causes and prescriptions we must cast a much wider net.

Collier also asserts that rapidly-growing developing countries in the future will be able to handle their own substantial poverty problems themselves. He further feels that the least developed states will not be able to break into the market for labour-intensive manufactures that the current success stories have captured. For these reasons he wishes to focus development attention on the countries (largely in Africa and Central Asia) that contain what he calls the Bottom Billion. Jeffrey Sachs shares Collier’s Africa focus. However, sociologist John Humphrey (In Focus 03.3) cautions that India and China still should be of concern to the development community. Their own pockets of poverty often are regional and it is far from automatic that they will be dealt with adequately. Just as important, these countries are major international actors in their own right and it is important that aid donors stay close enough to them to learn from their innovative approaches to poverty alleviation. Political scientist Anna Schmidt (In Focus 03.10), energy policy expert Merylyn Hedger and geographer Thom Tanner (In Focus 03.4) concur that these emerging giants are too consequential to be left aside. Thus priority to the Bottom Billion is in order, but for causes and prescriptions we must cast a much wider net.

The causes of the Bottom Billion’s stagnation

Collier attributes the lack of growth in the states of the Bottom Billion to four development traps. The conflict trap is analysed by economist Patricia Justino and political scientist David Leonard (In Focus 03.7), the natural resource trap by anthropologist James Fairhead (In Focus 03.5), being landlocked by geographer Fiona Wilson (In Focus 03.6), and poor governance by political scientist Mick Moore (In Focus 03.9). We agree that all four traps do indeed present serious problems but that Collier’s analyses of some of them has an edge or a lack of nuance that is unhelpful for policy purposes. For example, for conflict Collier insists that rebels are motivated by predation and not by grievances. However, the full range of studies suggests instead that grievances are universal, but that they most often become mobilised into rebellion only when the resources to support it are available; oil is distinctive among the natural resources in its ability to start, rather than just sustain conflicts, no doubt because of its geostrategic significance; and the variety of landlocked conditions defies Collier’s uniform analysis. Thus we point to literature that would help in developing more balanced and subtle approaches.

Climate change is ignored by Collier and it also needs to be added to the four traps in understanding the development challenges facing the Bottom Billion. It is a serious and worsening problem which will impact the Bottom Billion most severely. The poorest will need cooperation from the richest to overcome its dire consequences. Hedger and Tanner (In Focus 03.4) point out that this makes the geographical challenges of poverty alleviation broader than Collier argues but that it reinforces his search for non-manufacturing paths to development for the Bottom Billion.

Prescriptions for escaping the development traps

• Aid: Economists Sam Jones and Finn Tarp (In Focus 03.12) agree with Collier that aid can have a positive effect on development but that it cannot end poverty without complementary policy reforms. They are less confident than he, however, that the riddles about how to shape and target aid have been solved. Our understanding of the dynamic interactions between aid and development remain weak. And making ex post policy conditionality work, as Collier advocates, is neither straightforward nor consistent with host country ownership of policy.

• Military intervention: Ueak and failed states have no way to make binding commitments either to democracy or to bargains that end or avert domestic conflicts. In the face of such ‘security dilemmas’ both parties may wish a settlement but avoid it out of fear that it won’t be enforced. Collier is right that credible promises of external military intervention can end such ‘security dilemmas’. Political scientists Niagalé Bagayoko and David Leonard (In Focus 03.8) point out that these guarantees are much more effective in preventing conflict than in resolving it, however. Collier also is unrealistic in effectively ignoring the sovereignty issues raised by his prescriptions and he downplays the value of regional bodies, even ones with multilateral backing, despite their enjoying the best international legitimacy.
Collier lays out a grand vision for such a path for the North and South that deserves serious consideration, even if it needs substantial rethinking in its nuance and detail.

- **International laws and charters:** A large portion of the problems facing the Bottom Billion are rooted in, or require collaboration by, Northern actors. Collier proposes the mobilisation of international law and opinion to end Northern and Southern practices that are destructive to development. Moore (In Focus 03.9) strongly supports the analysis and adds to the case for such international measures. On the other hand, Schmidt (In Focus 03.10) cautions that in the past many such conventions have been ineffective and in some circumstances might even have been counter-productive, e.g. the UN Global Compact for Human Rights. She adds that the politics associated with different types of charters can be quite varied and enforcement can be very difficult. But both Moore and Schmidt laud the ‘conflict diamonds’ agreement and regard a convention on election campaign finance as doomed to failure. Hedger and Tanner (In Focus 03.4) point out that conventions have been the means for the progress made to date on climate change. The devil is in the details, in fine-tuning to suit the circumstances, and in securing ‘buy-in’, matters to which Collier is not always sufficiently sensitive in his use of examples.

- **Trade:** Integration into the international export market is essential for growth. Still, Collier is pragmatic and nuanced on trade – it is not primary in dealing with the governance, conflict and natural resource traps. It is most useful for the coastal countries in limbo and some attention should be given to landlocked country infrastructure in order to facilitate it. Economists Michael Gasiorek, Sherman Robinson, and L. Alan Ullacters (In Focus 03.11) support Collier’s view that the Bottom Billion will need to liberalise further to capture trade’s benefits. They disagree with his recommendations of ‘infant industry’ protections and special deals in World Trade Organization (WTO) negotiations, however. Instead they favour the reform of ‘rules of origin’ regulations in the North and ‘deep’ regional integration. They contrast the latter to ‘shallow integration’, defined as simply opening borders to trade on a regional basis, which they agree with Collier won’t accomplish much. They define ‘deep integration’ as based on policies, infrastructural investments and institutional developments that come together to promote trade on a regional basis. They believe that such integration combined with Northern trade reform will permit poor countries to optimise access to markets, with Northern demand for oil that makes the natural resource trap so potent; corruption is aided by Northern banking of its proceeds; Northern agricultural and ‘rules of origin’ protectionism deny the Bottom Billion opportunities for which they have a comparative advantage. The North is not responsible for all (or maybe even most) of the problems of the South, but it is at the origin of important problems that have been neglected by the North and the South. The ‘Top Billion’ does have the responsibility, and – aided by the emerging economies – the ability to do much to loosen the grip of the traps which bind the Bottom Billion. Collier lays out a grand vision for such a path for the North and South that deserves serious consideration, even if it needs substantial rethinking in its nuance and detail. But it is a path that originates in Oxford and Washington. We also need grand visions that originate in the South, according to economist Laurence Haddad (In Focus 03.13). Few such versions exist and none have had the exposure that Collier’s have. And yet without them our knowledge about development will always be more narrow and partial than necessary or desirable.

**Conclusions**

The Bottom Billion are indeed trapped by a series of structural constraints which often have roots in the global North. It is Northern demand for oil that makes the natural resource trap so potent; corruption is aided by Northern banking of its proceeds; Northern agricultural and ‘rules of origin’ protectionism deny the Bottom Billion opportunities for which they have a comparative advantage. The North is not responsible for all (or maybe even most) of the problems of the South, but it is at the origin of important problems that have been neglected by the North and the South. The ‘Top Billion’ does have the responsibility, and – aided by the emerging economies – the ability to do much to loosen the grip of the traps which bind the Bottom Billion. Collier lays out a grand vision for such a path for the North and South that deserves serious consideration, even if it needs substantial rethinking in its nuance and detail. But it is a path that originates in Oxford and Washington. We also need grand visions that originate in the South, according to economist Laurence Haddad (In Focus 03.13). Few such versions exist and none have had the exposure that Collier’s have. And yet without them our knowledge about development will always be more narrow and partial than necessary or desirable.

**Further Reading**


**Credits**

This In Focus was written by Laurence Haddad, Director of IDS, and David Leonard, a Professorial Fellow in the Governance Team at IDS.

The 13 briefs in this series were edited by David Leonard and Guy Collender, a Communications Officer at IDS.

The opinions expressed are those of the authors and do not necessarily reflect the views of IDS or any of the other institutions involved. Readers are encouraged to quote or reproduce material from issues of In Focus in their own publications. In return, IDS requests due acknowledgement and a copy of the publication.

© Institute of Development Studies, 2008, ISSN 1479-974X
Economic Growth, Inequality and Poverty Reduction: Does Pro-Poor Growth Matter?

ANDY MCKAY, UNIVERSITY OF SUSSEX and ANDY SUMNER, IDS

The impact of economic growth upon the poor in developing countries is complex and contentious. Does growth benefit all in a society, and how does it affect inequality and vulnerability? Paul Collier declares his position regarding these debates in The Bottom Billion by championing growth as the route out of poverty. This emphasis is welcome, especially as growth has been downplayed in debates about development in favour of human development for two decades. But growth alone is not the answer – it has to be sustainable and inclusive to deliver the best outcomes. Today’s challenge is to generate sustainable growth.

Is growth the central concern?

Taking countries as the unit of observation (as Collier does), raising their average income clearly is of critical importance. This strong focus on growth is welcome. The central importance of economic growth has been much neglected in development discussions during the last 20 years, with a much stronger emphasis in policy discussions on human development and other outcomes. A rebalancing is very much needed, and this especially matters in the countries of the Bottom Billion. Collier is right that sustained growth matters.

Collier on growth, poverty and inequality

The arguments in The Bottom Billion can be reduced to two key positions:
- Growth matters and has been neglected.
- Growth should be our central concern.
- Growth is generally good for poor people. The quantity of growth (or lack of it) is the problem – not the quality of growth.

The whole approach of the book is based on a national level focus; it therefore says relatively little about what happens within countries. The poverty, inequality and growth nexus is only directly addressed, and then briefly, in the first chapter.

In sum, Collier does ‘not share the discomfort about growth’ felt by many people caring about development, he argues that the problem of the Bottom Billion is that ‘they have not had any growth’, rather than the ‘wrong type of growth’ and he claims that ‘growth usually does benefit ordinary people’ (Collier 2007: 11). His diagnosis is clear: ‘The failure of the growth process in these societies simply has to be our core concern, and curing it the core challenge of development’ (ibid.).

In other work, notably his review of the World Development Report 2006 on inequality, Collier suggests that development policy has been distracted by poverty and inequality from a key focus on raising incomes for societies as a whole (Collier : 2006). Policymakers should worry about growth first and have faith that, generally, poverty reduction will follow.
That said, growth by itself is not necessarily sufficient. It needs to be sustainable, sustained and inclusive. There is a risk that current commodity-based growth in many countries in Africa is none of these. When growth is unsustainable a country is enjoying current consumption at the expense of future generations. And the highly volatile growth history in fragile states and sub-Saharan Africa in general has created a major cost to these countries.

Our comment, though, focuses particularly on the importance of ensuring that growth in the countries of the Bottom Billion is broadly inclusive and delivers on outcomes that people value. It is by no means self-evident that this is always the case. Growth is clearly not an end in itself, but rather a means to other ends. Growth definitely does supply essential resources for the attainment of these ends, through both private and public channels, if the benefits of growth can be sufficiently widely shared.

To echo Sen (1999), income is only an ‘instrumental’ freedom (i.e. it helps to achieve other ‘constitutive’ freedoms such as being healthy or being well-fed). The key question then is how growth relates to these ultimate ends. If we consider that ultimate ends are concerned with human development, reduction of vulnerability, participation, psychological well-being etc., then we need to understand how the growth process interacts with these. There are serious gaps in knowledge on these questions.

The distributional pattern of growth is also likely to be of particular importance for its sustainability, especially in the environment of a fragile state or in a country where inequality levels are already quite high (as for many Bottom Billion countries for which this information is available).

In sum, growth is very important, but we also need to be concerned with the nature of that growth. We cannot just assume that growth will usually translate into broad-based improvements in ultimate outcomes.

The quantity and quality of growth

The conventional wisdom is that growth is the most important and maybe the easiest driver of poverty reduction. But small reductions in inequality can also be important (Kalwij and Verschoor 2007; Ravallion 2001). While it has been strongly asserted that on average growth is matched by proportionate reductions in poverty, more recent evidence challenges this view, suggesting rather that the incomes of the poorest may increase less than proportionately with growth. Variation in the responsiveness of poverty to growth is wide, not only across countries but also across measures of poverty. Growth has even been accompanied by increases in poverty in some instances in sub-Saharan Africa, Russia and Eastern Europe.

Various factors influence the magnitude of the growth elasticity of poverty, including initial inequality, the distributional pattern of growth, the composition of public expenditure, the role of labour markets, etc. Governments can intervene on each to reduce poverty, and in South and East Asia this is part of the explanation for success (Besley and Cord 2007, Grimm et al. 2007).

It is also important, though, to understand the relationship of growth to key ultimate outcomes, an issue on which there is still relatively little evidence. Human development indicators such as education and health are generally positively related to growth but often less strongly, or over a longer time horizon, than income poverty (Gross et al. 2005). For instance, mortality rates are correlated with income levels of countries, but income levels are far from being the only factor influencing recent improvements in life expectancy; other factors include public health care systems, nutrition and immunisation programmes and maternal education levels, any of which might or might not improve independently of growth.

Improvement in living conditions is
Variation in the responsiveness of poverty to growth is wide, not only across countries but also across measures of poverty.

further about improving economic security. The high levels of vulnerability that many face will tend to mean that the poor are less likely to engage in risk-taking (and potentially more profitable) activities, and this acts as a poverty trap. Also, many of the poor live in more remote areas, or are members of long-term disadvantaged groups, that tend to be both less well served by public policy and further removed from growth opportunities. Assets matter too. A low level of assets – including and maybe especially human capital – limit the scope for their participation in growth. In that important sense, poverty is likely to be bad for future growth. Broad-based growth is therefore more likely to be sustained growth.

Making the poor benefit from growth

Policy actions can help to reduce these problems over the longer term. But the fact remains that growth is often likely to be unequal. What can policymakers do to redistribute the benefits of growth? Here are three important options:

• Redistributive and transformative public expenditures to break the intergenerational transmission of poverty

Policy can redistribute the benefits of growth through pro-poor public expenditure. Growth is a major potential source of government revenue to finance public expenditure, which can be designed to be explicitly pro-poor, for example through broad-based expenditure on education and health. This provides an important opportunity for the benefits of growth to be more widely shared, and in a manner which is not likely to have major disincentive effects that would crowd out future growth. On the contrary, increased spending on education, nutrition and health, as well as key items such as infrastructure, is likely to be an important basis for future growth. As part of this, investment in young children and their families, via nutrition, health or education programmes for example, in order to break the widespread intergenerational transmission of poverty, potentially offers very high returns. It remains, though, always a major challenge to make sure that public spending is not captured by the rich.

• Increasing the rate of job creation from growth

It is also important that growth is associated with significant job creation to provide opportunities to people to benefit from higher education levels and move out of agriculture. But the record of employment creation with growth has been very weak in many countries. How can policy increase the job creation from growth? Increased levels of private sector investment is one important part of the story, and that is likely to require substantial financial sector development. There is also potential for job creation through more informal channels by reducing formal entry requirements and rules on informal sector trading, as well as investment in small-scale infrastructure.

• Broad-based sectoral growth, particularly supporting food crop agriculture

Job creation may not benefit the poorest directly. Therefore, it is highly desirable to have a pattern of growth which is broad-based in terms of its coverage of sectors, regions or population, including the agricultural sector if that is the sector in which the poor are disproportionately represented.

Investment in market development, research, infrastructure and value added processing activities may all be important. Fast agricultural growth may also form a basis for transformative growth with the sectoral composition of growth shifting towards manufacturing and services.

Investment in social protection (measures to reduce vulnerability to poverty) can also potentially play a major role by reducing the vulnerability of small farmers and the poor in general.
Policy can redistribute the benefits of growth through pro-poor public expenditure.

Further Reading


Credits

This In Focus was written by Andy McKay, a Professor in the Economics Department at the University of Sussex, and Andy Sumner, a Research Fellow in the Vulnerability and Poverty Reduction (VPR) Team at IDS.

The opinions expressed are those of the authors and do not necessarily reflect the views of IDS or any of the other institutions involved.

Readers are encouraged to quote or reproduce material from issues of In Focus in their own publications. In return, IDS requests due acknowledgement and a copy of the publication.

© Institute of Development Studies, 2008, ISSN 1479-974X
Most of the world’s poor are in China and India, but Paul Collier argues in *The Bottom Billion* that development efforts should focus on slower-growing countries. This In Focus brief suggests that development agencies still need to focus on China and India as these countries still face development challenges in their poorer regions and with respect to a number of the Millennium Development Goals (MDGs). In addition these countries have become development actors themselves. It is critical to engage with them as equals in order to learn from their successes, deliver global public goods and work with them as they become increasingly important trade, investment and aid partners for the Bottom Billion countries.

Three radical arguments in *The Bottom Billion*

First, Collier argues that development policy should focus on the Bottom Billion of the world’s poor, defined in terms of countries that are failing to grow. Although this group of countries is never defined explicitly, it clearly includes a substantial part of sub-Saharan Africa, the poorer countries of the greater Mekong sub-region (Cambodia, Lao People’s Democratic Republic and Myanmar), a very limited number of South Asian countries (Nepal, but not Bangladesh, India or Pakistan), and some Central Asian countries (definitely Afghanistan, quite possibly Mongolia and some if not all of the five ‘Stans’ of the former Soviet Union). Clearly, this definition does not include 95 per cent of the population of South Asia, and it does not include China. For Collier, development efforts should exclude countries where substantial shortfalls in MDG attainment exist now, perhaps even excluding countries that are not in line to reach the MDGs by 2015, as long as these countries are on a growth path which will eventually bring people out of poverty. Development efforts should be focused on those countries that are trapped in low growth and therefore not able to generate the resources that would enable them to tackle by themselves the problems identified by the MDG targets (low income, malnutrition, maternal mortality, low educational achievement, etc.).

**Collier on Asia and China**

Growth is the cure for poverty. Aid should be focused on slow-growing countries, not slow-growing sectors (agriculture) or regions within countries. Most of Asia has escaped the poverty traps. Even if most of the world’s poor are still in Asia, they are in growing economies and should not be the focus of development efforts. Asia is now a problem for the Bottom Billion: it has raised the bar for entry into global markets. China is an obstacle to development because of its poor policies and practice, which undermine Western development efforts.
Second, Collier identifies groups of low-growth countries rather than low-income groups within countries as the focus of the development challenge. Collier is not the only influential writer to argue that development agencies should focus on the poorest. Jeffrey Sachs makes a similar argument for a focus on the poorest. He argues that there is a specific ‘crisis of extreme poverty’ (Sachs 2005: 1), and that:

... certain parts of the world are caught in a downward spiral of impoverishment, hunger and disease ... it is our task to help them onto the ladder of development, at least to gain a foothold on the bottom rung, from which they can then proceed to climb on their own. (Sachs 2005: 2)

The difference between Collier and Sachs, however, is that Sachs’ overall message is that the focus of development should be on poor people, particularly the lowest-income people in the rural areas of the poorest countries. Sachs says that aid programmes targeted on specific interventions to overcome problems such as disease and low productivity (malaria nets and fertiliser) will enable these people to escape what might be called the ‘low productivity trap’. Collier’s approach could not be more different. He sees growth in the economy as a whole as solving the problems of the poorest, as evidenced in his reference to the work of David Dollar (Dollar and Kraay 2001), and a telling observation that Fairtrade is useless because ‘it encourages recipients to stay doing what they are doing ...

They get charity as long as they stay producing the crops that have locked them into poverty’ (Collier 2007: 163). Instead, the focus should be on diversifying agricultural production and promoting production and export of labour-intensive manufactures and services.

Third, Collier argues that, because of the successful emergence of the Asian economies, globalisation is no longer the panacea for growth and development that it would have been 20 years ago. These countries have raised the bar for global competitiveness in manufacturing and services. Using arguments first put forward in a World Bank document (Collier and Dollar 2002), Collier argues that economies of agglomeration, particularly with respect to infrastructure and specialised services, are so strong that they are likely to offset the effect of rising wages on the competitiveness of the Asian economies for quite some time. This argument is essentially sound. The declines in exports of garments from sub-Saharan Africa to the US under the Africa Growth and Opportunity Act preference scheme following the phase-out of the Multifibre Arrangement in 2005 is a good example of how China remains competitive in labour-intensive activities, in spite of rising wages (Kapinsky and Morris 2006).

China and India remain important for development

So, where does this leave China and India (and much of the rest of Asia) in Collier’s narrative about development? The main argument is that countries that are growing – and must therefore have escaped the traps – should not be the focus of development efforts. The logical conclusion is that development agencies should stop aid as soon as countries are on a path of sustained growth. It would not even make sense to delay cutting off aid until such countries ‘graduate’ to middle-income status. Collier’s argument implies that aid to Bangladesh, India and Pakistan should be cut immediately. Based on projections from the UK Department for International Development (DFID), even countries such as Cambodia and Lao PDR are expected to reach a per capita income of $750 per year by around 2015 if baseline growth rates are maintained, so, optimistically, they too could merit scaled-down programmes.

In fact, Asia, and particularly China and India, remain important for development in distinct ways. The first concerns their own achievement of the MDGs:

• Fast economic growth in Asia and elsewhere may not continue. Collier recognises that growth spurts occur; but are not necessarily sustained, and he also recognises cases of resource-based growth that are equally unsustainable. Clearer criteria are needed to identify countries whose current periods of growth should not be taken as indications of sustainable future growth.

• Even in fast-growing economies in Asia, there are continuing challenges to fulfilling the MDGs. The Asian Development Bank’s projections show

"The shift in world power to the East is fundamental and will have substantial consequences over the next decades."
that 200 million people in South Asia will remain below the $1-a-day poverty line in 2015: 190 million of them in Bangladesh, India and Pakistan – not in the Bottom Billion countries. In China and India substantial pockets of poverty are found in particular provinces and states, many of which suffer from the same development traps as the Bottom Billion, particularly landlocked status and poor governance.

- Work by the UN on the achievement of the MDGs in Asia shows that even where poverty is falling rapidly, progress towards other goals is slow or non-existent. In the case of the malnourishment goal, for example, India, Indonesia and Pakistan were all classified by the UN as ‘regressing’ in 2005 even though they were performing well on the income target. Maternal mortality is another area where progress lags behind other targets, and targeted development assistance would be desirable (UN Economic and Social Commission for Asia and the Pacific 2005).

More important for global development policy is the fact that China and India are becoming development actors. They demand attention because of the impact of their trade, investment and aid in developing countries. In addition to remarking on the impact of China and India on market opportunities for the Bottom Billion, Collier only makes four further references to China as a development actor. Collier emphasises China acting as an obstacle to good governance and the good development practices of established donors (Collier 2007: 62, 86-7, 146 and 186). For Collier, China is a country that needs taking in hand by Western development agencies so that its development activities are brought into line with the best practice of the Organisation for Economic Co-operation and Development (OECD). Collier’s only plan for achieving this goal is to argue that China be offered membership of the G8, or in his words a ‘place at the top table’ (Collier 2007: 146).

China (and other emerging donors) will become increasingly important for development policy and practice. China, in particular, matters for the Bottom Billion in three ways:

- For the lessons China offers for development policy from its own experience. Collier, however, is very confident that Western, and particularly World Bank, practices are sufficiently well developed and effective for little learning to be necessary.

- For its increasing role as a development actor through its rapidly expanding trade, investment and aid links in Africa and Asia.

For these reasons, China and India will become increasingly important for development policy over the next few years. But building relationships between the established and rising global powers will be difficult. China and India present a new phenomenon. They are poor but powerful. In the past, rich countries were powerful and poor countries were generally powerless. China and India can exert power in the global economy and in global politics because of their size and rapid growth. But they remain relatively poor, with substantial proportions of their populations living below the $2-a-day poverty line. So, continued rapid growth is a priority, and with this the need to secure access to resources in a world where many scarce resources have been grabbed by others a long time ago. While the West sees development predominantly in terms of the donor role, giving aid to countries that are poor (and in the case of the Bottom Billion, growing far too slowly to make substantial inroads into poverty), China and India both see engagement with the Bottom Billion countries as driven by their own economic and strategic priorities, including access to natural resources and energy. In the case of China, this strategic interest is accompanied by an optimism about the potential for growth in sub-Saharan Africa that is leading to a rapid expansion of trade and investment.
Where Does China Fit in the Bottom Billion Narrative?

There is much for the West to learn from China – it has just presided over the biggest and most rapid fall in global poverty ever seen.

Unless the motivations and priorities of the rising powers are recognised, it will not be possible for the OECD countries to engage with them constructively. It is true that China (and also India, which is increasingly active in Africa, although with a lower profile) has much to learn about development. There is increasing debate within China about mistakes made in its own development and necessary changes in priorities. It will increasingly come to recognise and understand the complexities of building trade, investment and aid relationships with the Bottom Billion countries. Engagement will be possible. But this engagement will need to be combined with some humility on the part of the West about its own development shortcomings. There is much for the West to learn from China – it has just presided over the biggest and most rapid fall in global poverty ever seen – and if the West does learn from China and engage with it, then China might be prepared to recognise that it needs to learn about development from the West too.

Further Reading

United Nations Economic and Social Commission for Asia and the Pacific (2005) A Future within Reach, New York: UN ESCAP

Credits

This In Focus was written by John Humphrey, a Professorial Fellow in the Globalisation Team at IDS.

The opinions expressed are those of the author and do not necessarily reflect the views of IDS or any of the other institutions involved.

Readers are encouraged to quote or reproduce material from issues of In Focus in their own publications. In return IDS requests due acknowledgement and a copy of the publication.

© Institute of Development Studies, 2008, ISSN 1479-974X

Visit www.ids.ac.uk/infocus3 for more briefs on this topic.
Does Climate Change Alter the Agenda for the Bottom Billion?

MERYLYN HEDGER and THOMAS TANNER, IDS

Climate change will make the plight of the Bottom Billion even worse, being both an economic development issue and now a global security concern. Paul Collier does not highlight climate change but it is likely to impact the Bottom Billion, exacerbating the development traps in which they are caught. This is not just a problem for the Bottom Billion, however, and as such climate change is attracting significant attention. The climate problems of poor and marginalised groups can be addressed only as part of a post-Kyoto, global deal on a complex international agreement, with a balance of regulatory frameworks, technical support and assistance, market incentives and the involvement of all players.

Climate change: A problem for all

Climate change is very much a development issue. Unless it is tackled, its impacts could mean losses of at least five per cent of global GDP each year, and possibly as much as 20 per cent (Stern 2007). Furthermore, extreme events could cause sudden shocks, which create downward ratchets for those on the margins and increase the risk of violent conflict in unstable areas (Smith and Vivekananda 2007) – one of Collier’s four development traps set out in The Bottom Billion. The Bottom Billion are on the front-line in terms of exposure to the direct impacts of climate change on their own livelihoods, while having the least resources with which to cope and a restricted potential for opportunities to move out of poverty. Moreover, they have not created the problem.

Collier and climate change

Climate change does not feature in Paul Collier’s analysis in The Bottom Billion. But Collier’s assessment cuts directly across critical climate change issues. The differentiation in development trends Collier identifies between the Bottom Billion and the newly-industrialising developing countries has already been marked as a potential blockage to delivery of an international climate regime. Rapid development in some countries with large populations is shifting patterns of greenhouse gas emissions to such an extent that all major emitters, including China and India, need to be involved in an international regime in the next 15–30 years, even assuming that industrialised countries take full responsibility for already accumulated atmospheric stocks. Nonetheless, the international community seems committed to ensuring that the poor and most vulnerable who live in all areas susceptible to climate problems and who have weak adaptive capacity to cope with the impacts do not suffer the most. International cooperation to support urgent implementation of adaptation actions is a part of the Bali Action Plan agreed in December 2007. While Collier’s agenda for action does not relate directly to climate change, his package of possible international interventions mirrors the route currently under exploration for the environment. Also his analysis of how things currently don’t work, for example on the timing and packaging of technical assistance and aid, could inform those devising climate solutions.
Significantly, there are overlaps between Collier’s Bottom Billion argument and areas and sectors identified as being especially vulnerable to climate change by the Intergovernmental Panel on Climate Change (IPCC 2007a) and identified as requiring special treatment under the UN Framework Convention on Climate Change (UNFCCC). But the developmental impact of climate change reaches far beyond the boundaries of the Bottom Billion countries.

Globally, the ramifications of climate change may even become a security problem, with triggers such as water rights and migration. According to the recent report of the German Advisory Council on Global Change (UBGU):

“...without resolute counteraction, climate change will overstretch many societies’ adaptive capacities within the coming decades. This could result in destabilization and violence, jeopardizing national and international security to a new degree.

(Schubert and Schellnhuber 2008: 1)"

In all developing regions, crucial population centres and manufacturing capacity are located in vulnerable coastal regions which will be at greater risk from increased flooding from the sea and, in some mega-deltas, from rivers. Freshwater availability in large Asian river basins is expected to decrease by mid-century. Serious disruptions to agriculture caused by increased drought could weaken capacities to feed urban dwellers. Just to take the case of China as an example, a rise of just 30cm in sea level could inundate a large area (8,000km2) of the densely populated and highly industrialised coastal region, and continuation of the trend of increases in the intensity and frequency of strong typhoons since the 1950s would add to these pressures (IPCC 2007a). Many inland regions, where 770 million people live, have inadequate access to education and health care provision and are threatened by desertification and glacial melt.

Geographically, therefore, even a list of the most vulnerable areas goes beyond the Bottom Billion. It includes countries that have small islands or low-lying coastal areas, are prone to natural disasters, are liable to drought and desertification, or have fragile ecosystems, including mountainous zones. Climate-critical regions of Africa, small islands, and Asian and African mega-deltas contain the vast majority of the world’s poorest people.

**Target the poor, not the poorest countries**

Within the international climate change negotiations there is now acceptance that engagement of emerging economies will only be achieved as part of a global deal on ‘enhanced action on the provision of financial resources and investment to support action on mitigation and adaptation and technology cooperation’ (UNFCCC 2007b: 3). As this would include China, India, etc. there is a tension here with Collier’s wish to focus aid resources only on the Bottom Billion countries.

In international climate change discussions, the poor tend to be bundled together in a single group, and their vulnerability, adaptation needs and capacity are contrasted to those of richer people. In part this comes from the need to highlight that climate change impacts and adaptation demands are generally more severe for the poorest groups in the world, wherever they may live. This climate discourse therefore challenges Collier’s focus on the poorest countries and instead concentrates on the poor themselves.

In contrast to Collier’s country focus, there have been calls to look beyond simple state-level analysis and towards vulnerable groups within countries, where their significance may be masked by overall state figures (Tanner and Mitchell 2008). Within countries, chronically poor people rely heavily on climate-sensitive sectors such as agriculture and fisheries, they are less able to respond to the direct and indirect effects of climate change due to limited assets and capacity, and they tend to be located geographically in marginal areas that are more exposed to climatic hazards, such as flood plains, or on nutrient-poor soils. Thus, a new focus for climate change adaptation policy is being advocated, focusing on differentiating poverty among groups of people, not countries, and embracing other ongoing policy initiatives, such as social protection measures that target the poorest groups of people.

**A new crisis and new opportunity**

Climate change has become a transformative issue, stimulating political dialogues, new technologies, and innovative financing mechanisms. A central thrust of recent analytical work on climate change has been to link it...
A new focus for climate change adaptation policy is being advocated, focusing on differentiating poverty among groups of people, not countries.

with the mainstream development agenda (Sathaye and Najarn 2007; UNDP 2007). The shift in Bali in December 2007 by key developing countries toward engaging actively in discussion of a post-Kyoto regime suggests that their governments have recognised the bigger economic development and security issues. Climate change has the capacity to jeopardise the economic and poverty reduction gains they have made. Within this framework, the challenge will be to ensure that the Bottom Billion are not further disadvantaged, are adequately protected against the impacts of a problem they have not created, and benefit from financing mechanisms which may provide energy services and adaptation assistance for development.

Typically, the poorest countries have the lowest per capita greenhouse gas (GHG) emissions. For example, in 2004 Tanzania produced 0.1 tonnes of carbon dioxide (CO2) per person compared to the US emissions figure of 20.6 tonnes. Overall, it has been estimated that the poorest billion are responsible for only three per cent of the world's total carbon footprint (UNDP 2007). Thus there is no urgent need for reducing emissions in the Bottom Billion. But what is to be the nature of their future development?

Economic development pathways in industrialised, and now some developing, countries have been heavily carbon intensive. In the absence of a low carbon framework, traditional development solutions, such as export manufacturing, will exacerbate problems in Bottom Billion countries. In 2004, net exports from China accounted for 23 per cent of its carbon emissions (Wang and Watson 2007). Business as usual is not a pathway that can avoid dangerous human interference in the climatic system. Economic growth has driven emissions, yet stabilisation of GHG emissions in the atmosphere is feasible and consistent with economic growth (Stern 2007). Economic instruments, government funding and regulation are needed to create incentives for investments in low GHG products, technologies and services (IPCC 2007b). A global framework is vital to provide them.

In the absence of a global framework, however, the Bottom Billion's exports and economic development could be hit with trade barriers in developed countries. An example is the proposal that special tariffs be designed to ensure that countries, such as those in the EU, that price their carbon emissions are not put at a competitive disadvantage with countries that do not (Financial Times 2008).

Meeting the energy needs of the global poor in ways that provide for economic and social development is a long-standing problem, now with a climate change dimension. Some new impetus is now emerging with global action on climate change. While renewable energy technologies have been advocated since the first oil price hikes in the 1970s as the solution for rural development, success has been patchy despite considerable investments and aid programmes. Increased attention is now being given to this issue. Beneficiaries of the initial innovatory Clean Development Mechanism have not been the group of Least Developed Countries (LDC), but China, India, Brazil, Mexico and Korea and most projects have been large industrial ones covering the GHGs trifluoromethane (HFC23) and nitrous oxide (N2O). Creating opportunities to price the carbon embedded in land use and forestry systems are now being explored formally within the Climate Change Convention. Such projects could benefit all countries with low emission levels but with particularly great potential opportunities for GHG mitigation in regions such as Africa (Ellis and Kamel 2007).

Financing climate adaptation and mitigation

Dealing with the costs of climate change in poor economies, although relatively low in terms of global GDP, will involve significant additional financial flows. The United Nations Development Programme (UNDP) Human Development Report on climate change estimated a cost of US$ 86 billion per year by 2015 for adaptation alone, which would be in the vicinity of 0.2 per cent of developed country GDP. It has also been estimated that in 2030 additional flows for adaptation in developing countries alone could be US$ 28-67 billion, while mitigation would cost between US$ 200-210 billion, with a large share going to developing countries (UNFCCC 2007a).

Collier’s Bottom Billion appear to be concentrated in countries which already receive some direct additional support to cope with climate change through the LDC Fund, established under the UNFCCC in 2003. The LDC group is also given some extra attention, for example, a seat on the new Board for the Adaptation Fund. The EU has also announced the development of a new
Global Climate Change Alliance which will be funded from EU development funds and targeted on LDCs, Small Island Developing States (SIDS) and Africa. But these funds are widely criticised as being totally inadequate, if not derisory, and more provision is unlikely without a global package, including more innovatory finance.

Of course, it is important that the finance and assistance provided for climate adaptation and mitigation is effective. In this regard, the debates that Collier has stimulated on the mechanisms for improving aid effectiveness are welcome.

**Robust and equitable solutions needed**

Climate change and development linkages have already fostered significant activity addressing the needs of the Bottom Billion. To continue to do so requires robust and equitable climate change solutions, founded upon a renewed international agreement that prevents dangerous human interference with the global climate system, as well as further providing assistance for adaptation and mitigation. Concerned citizens are already putting pressure on corporations to cut their use of carbon. Some elements of global business are demanding government leadership and targets. Non-Governmental Organisations (NGOs) are very active and holding governments to account, and also working globally in networks. The proclamation of international targets and standards has created a new carbon trading market and is slowly shifting behaviour, but there is a long way to go.

**Further Reading**


**Credits**

This In Focus was written by Merylyn Hedger and Thomas Tanner, both Research Fellows in the Climate Change and Disasters Group (CCGD), part of the Vulnerability and Poverty Reduction (VPR) Team at IDS.

The opinions expressed are those of the authors and do not necessarily reflect the views of IDS or any of the other institutions involved.

Readers are encouraged to quote or reproduce material from issues of In Focus in their own publications. In return, IDS requests due acknowledgement and a copy of the publication.

© Institute of Development Studies, 2008, ISSN 1479-974X

Visit [www.ids.ac.uk/infocus3](http://www.ids.ac.uk/infocus3) for more briefs on this topic.
Tackling the Natural Resource Trap

Natural resources discovered in poor countries can increase poverty. Paul Collier finds that about 29 per cent of the Bottom Billion live in countries abundant with natural resources. He argues that the net proceeds from their export have political effects that undermine economic growth. While this ‘resource curse’ is well substantiated, Collier downplays how the negative political effects of these resources are also linked to their geostrategic importance, their coexistence with national debt, and the realities of their extraction.

Collier on natural resources

Collier acknowledges several economic and political-economic reasons for the natural resource trap. First, natural resource exports inflate currency values, reducing the international competitiveness of other exports, so capital-intensive natural resource industries which favour the wealthy undermine other labour-intensive industries that favour the poor. Second, commodity price volatility often produces poor investment because commodity booms enable public spending to become profligate and less focused on economic growth, and spending cuts in bust periods rarely protect growth. Collier’s main argument, however, is that revenue flows from resource extraction precipitate a deterioration in governance and public institutions. He argues that democracies generally have short-term priorities and so tend to under-invest, but that with resource revenues investment decisions get even worse. This is because it becomes cost effective for governments to buy votes through bribing community leaders (especially where ethnic allegiances are strong) rather than to attract votes by investing well and delivering public services effectively. This option becomes even more cost effective the fewer the restraints on embezzlements. The problem is that regimes with resource revenues tend to weaken political restraints. Moreover, where resource revenues mean that there is less need for taxation, populations clamour less for restraints. This is Collier’s trap, and he argues that this explains why democracies among the Bottom Billion grow faster than autocracies when they don’t have natural resources, but grow slower than autocracies when they do.

Collier’s later section on instruments analyses the enabling conditions of this trap. This places responsibility firmly on the malpractices of the international banking and transnational resource extraction businesses (Collier 2007: Part Four). There is a need to go way beyond the guidelines of the Organisation for Economic Co-operation and Development (OECD) and the Extractive Industries Transparency Initiative (EITI) to ensure:

- Transparency in allocating resource concessions, resource payments and government expenditure
- Justice in resource contracts
- Equity in bearing price shocks.

Collier seeks an international governance regime to rein in those global corporations that pursue bad practices.
Oil is important not only because it is an enclave natural resource generating rents, but also because it is a geopolitically strategic resource attracting external political interference.

The natural resource trap debate

Collier is mostly correct on the natural resource trap, as far as he goes. Many of these arguments have been tested in the past few years, and have become accepted wisdom by those who work on these issues. Beyond Collier and his colleagues’ own academic publications, the existence of the resource curse has been well documented (Auty 1993; Sachs et al. 1995; Gyfason 2000; Ross 2003). Oil and non-fuel minerals do appear to increase poverty. The poorer the country, and the larger the significance of resources to the country’s economy, the worse this gets (Ross 2003). Resources extracted in enclaves appear to be responsible, and oil in particular crowds out manufacturing. The possession of these resources leads to a deterioration in the quality of public institutions, and makes states more authoritarian and more likely to face civil wars (Ross 2001).

Where Collier is more original, however, is in his observation that even democracies fare badly with resource rents, and in his attribution of this to weakening restraints on embezzlements, leading to his forceful policy suggestions concerning transparency, public scrutiny and accountability. His analysis is supported by research which shows that public scrutiny is enhanced when people are taxed (Brautigam et al. 2008), and in studies of political culture and process in many parts of Africa.

Strategic natural resources

Some issues have been downplayed in these analyses of natural resources, especially the role of strategic interests. Several works highlight the particular importance of oil, yet oil is important not only because it is an enclave natural resource generating rents, but also because it is a geopolitically strategic resource attracting external political interference (Klare 2002; Ghazvinian 2007). Analysts ignoring this strategic element also overlook the importance of close relations between transnational corporations and powerful governments – e.g. in their revolving doors between public and private sector jobs – and now in the return of sovereign investors in the natural resource sector.

Attention to the strategic nature of resources is important when considering associations between the resource trap and the conflict trap. While other lootable natural resources, including diamonds, sustain wars, oil appears to start them (Ross 2004). Moreover, when other resources become equally strategic (e.g. at times tantalum, cobalt, uranium, manganese) they also appear to initiate, not just perpetuate conflict. Historians of Africa have long exposed that geopolitics, not just geoeconomics, is part of the natural resource trap complex. Global political rivalries shape the way African national politics unfold. Works such as Humphreys, Sachs and Stiglitz (2007) that ignore this reveal a political bias. Supporting resource-rich but poor nations to form their own geopolitical alliances must be a part of the solution.

Connections between debt and corruption

Too little attention is given to the added effect of debt in undermining restraints on embezzlements. Collier’s argument tends to assume that resource rents are politically corrupting because this is rational, given the opportunities. For politicians, weak character is rational, and moral fibre is not. Yet there are other structural conditions (not just economists’ assumptions concerning human nature) that help make corruption more likely. Among these national debt is the most important.

Over the last 30 years, those governments of the Bottom Billion cursed with resource wealth have also been cursed with debt. Natural resources provide collateral and future income guarantees, permitting the accumulation of even larger national debts. The coexistence of enormous wealth in the ground alongside enormous debt in the treasury (generally inherited from long-gone regimes) has important consequences. Qualitative political research reveals that when governments seek to use disposable income from resources to support both political and economic investment, they often have to find their way round the official accounting which would channel this revenue into debt repayments. Barter agreements with corporations, for example exchanging resources or
concessions for arms, become attractive (Reno 1997), as do hidden overseas payments in which the proverbial Swiss Bank Account can become a de facto national treasury. The injection of money from resource wealth needs to be examined in a broader analytical context which includes the drain of money to debt payments. It is this combination of factors that undermines restraints on embezzlements.

Accumulated debt also makes resource-wealthy governments beholden to externally-driven political and economic conditionalities. Latterly these have involved – among other things – privatising revenue-generating resources (including the resource sector, but extending to customs etc.). Selling these off to foreign businesses has enabled governments both to derive upfront benefits from these businesses (including protection) and to deprive potential national political rivals of revenue sources. In short, debt as well as resources shapes national politics.

If natural resources, or indeed aid flows, are a curse, debt is doubly so and the two need to be considered in one breath. Yet debt is conspicuously absent in all works on the resource curse. Debt write-offs need to be considered as an important policy option for the resource curse.

Natural resources and sub-national political dynamics

Collier underplays the significance of natural resource extraction to political dynamics at the sub-national level. A focus on regions and localities can reveal how resource wealth undermines governance and generates conflict, not just through national political corruption but even through corporate best practice. There is a growing incidence of governance failures and conflict related to the operation of mining operations themselves. These include:

- Social unrest linked to oases of extreme wealth alongside extreme poverty
- The inability of poor, weak states and localities to enforce environmental and social regulation on wealthy, strong mining companies
- Public perceptions of collusion between the government and the mining companies (Fairhead 2003; Ross 2007; Yanguas 2008).

As Yanguas (2008) points out, corporate attempts to enhance local development frequently backfire by fostering clientelism and promoting quick spending that competes with public investments rather than reinforcing them. While extractive industries now appear ready to address these issues (e.g. via the International Council on Mining and Metals), more research is needed to assess and address the impact of mining ventures on inequalities and local socio-political transformations (Ross 2007).

Grievances can transform political action

Collier’s analysis treats any expressed grievance as a secondary phenomenon of the political-economic forces that he has identified. As a result, he dismisses the analytical validity of grievance, and instead returns his focus to what he sees as its structural causes.

This is in stark contrast to other analytical traditions which find in grievance – emergent out of common experience – the impetus of transformative political action. On this issue Collier parts company with Richards (2005), Cramer (2006), and many others who recognise the importance of the transformative qualities of modern grievances, and embrace in their analysis the cultural and historical specificities that shape how grievances are expressed. Such a perspective also enables other social categories, which Collier takes as an analytical given (such as ethnicity), to be understood as historically produced.

Without an analytical framework which takes people’s experience, motivation and agency seriously, it is especially hard to track properly the relations between natural resources and conflict, which are obviously so central to Collier’s thesis and to the lives of the Bottom Billion. Moreover, such analysis is essential, particularly if one appreciates that even in peacetime politics are often shaped by the threat of conflict.
Tackling the Natural Resource Trap

A focus on regions and localities can reveal how resource wealth undermines governance and generates conflict, not just through national political corruption but even through corporate best practice.

Further Reading


Credits

This In Focus was written by James Fairhead, a Professor in the Anthropology Department at the University of Sussex.

The opinions expressed are those of the author and do not necessarily reflect the views of IDS or any of the other institutions involved. Readers are encouraged to quote or reproduce material from issues of In Focus in their own publications. In return IDS requests due acknowledgement and a copy of the publication.

© Institute of Development Studies, 2008, ISSN 1479-974X

Visit www.ids.ac.uk/infocus3 for more briefs on this topic.
Challenges and Policy Options Facing the Landlocked

FIONA WILSON, IDS

The disadvantages of being landlocked

Being landlocked certainly carries huge costs. This is dramatically underlined by the threat any political turmoil in Kenya poses to Uganda, Rwanda and Burundi's economies. Cargo passing through the Kenyan port of Mombasa accounts for 90 per cent of Uganda's exports and 78 per cent of its imports. The rail link to Uganda was cut apparently in protest against Ugandan President Museveni's recognition of Kenyan President Kibaki's re-election following the disputed poll in December 2007. Therefore, being landlocked is also accompanied by political constraints. Clearly, it is worst exploring Collier's notion that being landlocked with 'bad neighbors' constitutes a 'trap' (Collier 2007, Chapter Four).

Collier on landlocked countries

Collier states that 38 per cent of the population of the Bottom Billion countries lives in landlocked nations. Moreover, 30 per cent of Africa's population lives in landlocked and resource-scare countries. Landlocked nations face greater transport costs and are dependent on the transport, infrastructure and ports of their coastal neighbours. It is more difficult for these countries to integrate into global markets, including manufacturing which to date has been the most reliable driver of development.

At the heart of Collier's analysis is an arresting statistic. He says the average resource-poor landlocked country benefits from cross-border spillover, gaining 0.7 per cent in growth when wealthy neighbours grow by 1 per cent – Switzerland is a prime example. But in Africa such spillover effects are only 0.2 per cent.

Collier's recommendations for development strategies in landlocked countries are to:
- Increase spillovers through regional cross-border trade
- Improve regional economic policy and investment in transport corridors to the coast
- Take advantage of air and e-mail; become havens for services and niche markets
- Encourage migration and investment of remittances
- Create a transparent, investor-friendly environment for resource prospecting
- Attract aid from donors.

Geography can be an important factor in determining a country’s prospects and being landlocked is a drawback for poor countries. In The Bottom Billion Paul Collier highlights how being landlocked is primarily an ‘African problem’ and how it increases when a nation is surrounded by ‘bad neighbors’ – a combination which leads to a development trap. But are the costs as great as Collier believes and what are the policy implications? As landlocked countries are not all alike, they should be treated differently and it is important to address the social and political dimensions as well as the technical aspects of getting goods to international markets.
However, are the downsides as significant as Collier argues? Most African landlocked countries are engaged in unregistered cross-border trade, especially in livestock. The true volumes are unknown, making the data needed to support Collier’s statistics unreliable. Also, the definition of being landlocked is unclear. Collier himself notes that Sudan could be treated as ‘landlocked’ since most people live far from the Red Sea. The uncertainty is understandable if ‘coastal’ and ‘landlocked’ are acknowledged as geopolitical concepts, not just fixed geographical facts. But the indeterminacy undermines the credence one can give to the chapter’s central statistic on spillovers. In subsequent correspondence Collier has declined to name the countries included in his analysis. He paints the big picture and while the statistics sound plausible, they cannot be grounded.

Resource rich or resource poor?

Labelling countries according to their natural resources appears unproblematic. Those with oil, diamonds, minerals or valued natural resources can surely be counted as rich. But when exploitation takes place in secured enclaves run by multinational enterprises with strong global links, spillovers to local societies are minimal. Concentrations of high-value resources are found at various points in the vast territory of the Democratic Republic of Congo (DRC). But with no central national government exercising control throughout the DRC can it be classed as a resource-rich country?

Industrialised landlocked countries also fall into another ambiguous category. For example, up until the mid-1970s indicators measuring industrialisation, urbanisation and modernisation showed development in Zambia. Investment in copper mining had brought far-reaching social investment. The business of mining involved not only mineral extraction, but a broad, long-term social project and being landlocked hadn’t crippled mineral exports or economic growth. This was followed by global disconnection (largely because world copper prices fell), economic decline and mass redundancies. Is Zambia now resource-rich or resource-poor?

Variations between landlocked countries

Africa’s landlocked countries differ greatly with respect to their population size and density, and their livestock/agricultural production and potential. For any development project, population and non-export resources still matter. Informal or non-regulated cross-border trade (such as in livestock) has been far more prevalent than economic statistics suggest. The description of landlocked countries reveals their quite different situations:

- Arid countries of the Sahel with low population density (less than 10 persons per square kilometres) and livestock resources: Niger, Mali, Chad
- Sahel countries with mixed resources and higher densities (around 50 persons per square kilometres): Burkina Faso, Ethiopia
- Densely populated countries (more than 100 persons per square kilometres) with agricultural resources: Uganda, Rwanda, Burundi, Malawi
- Industrial, urbanised countries: Zambia, Zimbabwe.

The impact of national borders

Collier raises the important question of what national boundaries mean in a globalising world. This is a useful contribution on a topic barely addressed in development debates. Africa is dealing with the legacy of the scramble for territory by competing colonial powers, followed by an enduring idea of national sovereignty backed up by international institutions. Colonial history was very different in the Americas, where only Bolivia is landlocked (the outcome of a post-colonial war when Chile appropriated the country’s corridor to the Pacific Ocean). However, this hasn’t stopped Bolivia remaining a leading exporter of minerals and a supplier of livestock products to neighbours.

Collier argues that exclusion from the global economy has made the Bottom Billion hunker down within their national boundaries. Africa is stuck in outmoded economic nationalism, shored up not only by local political actors but also donor agencies and other powerful outsiders who insist on taking the national perspective as a framework for policymaking and planning. In the international media Africa is portrayed either as homogeneous, poor and crisis-ridden; or as a collection of weak nation states. Both reinforce a view of Africa’s marginality where the landlocked are the most peripheral and marginal of all. The bad image does little to foster investment or economic optimism.
Traditional forms of trading, such as taking livestock from the Sahel to neighbouring markets, could be assisted through aid policy.

The impact of globalisation

For Collier, economic growth stands a better chance when national boundaries are breached, connections are made to regional and global markets, people move across frontiers, and capital flours unhindered between countries. In the North, regional economic integration is based on production. Is the same model applicable to the South? Current investment patterns in Africa challenge the celebratory image of this model of global capital flous. Transnational capital is transient and can easily be moved from country to country. Therefore, it is concentrated in enclaves in a few resource-rich localities and huge regions are left untouched. No social project (as used to be the case in Zambia) is connected to mining investments.

Moreover, the history of capital flous matters for development today. To complement data on current spillover effects, one needs time series data on the movement of private investment in and out of landlocked states. What was the effect of structural adjustment policies in the 1980s (meant to encourage private investment and cut back the state) on poor landlocked countries? How destructive was it? How did economic growth and resource-rich come to refer only to exploitative, predatory, capitalist relations (the resource curse) that separated growth from local-regional linkages and from the social benefits growth was supposed to bring? Collier’s policy prescription of creating a transparent, investor-friendly environment for resource prospecting does not address the social costs that this predatory form of exploitation brings. Also, he does not address understanding the different reactions to structural adjustment policies. This is important as such responses underpin an enormous rise in non-regulated trade that has boomed since the 1980s, absorbing many whose livelihoods were destroyed as well as difficult groups such as demobilised soldiers.

Non-regulated regional trade

Obviously no figures exist that can demonstrate the magnitude of this trade or its prevalence in landlocked countries. It includes traditional patterns of trading, such as bringing livestock from landlocked countries of the Sahel to neighbouring coastal markets. But recent growth reflects global processes at work. Through trans-border trade linking landlocked nations, rebel armies can gather arms, foodstuffs, and goods to support themselves and their backers when they are ostensibly unable to access formal trade.

Furthermore, non-regulated trading is not limited to conflict situations, nor does it necessarily involve violence. New integrated regions are emerging, such as the Chad basin (composed of coastal and landlocked countries), through the flow of small arms, black-market petrol, vehicles, gold, hardware, electronics, and Asian textiles. Trading networks provide a means of support for many people and also promote new forms of privilege, authority and wealth involving the state at various junctures where economic entrepreneurs get entangled with political cliques. They tend towards protectionism and resist attempts to bring them into the regulated economy. While economic integration in the North is based on production, the non-regulated shadow economy is based on trade, and only guessed in official statistics.

Implications for policy

- Treat landlocked countries differently: Landlocked nations are not all the same and policymakers need to recognise their varying circumstances and amend their prescriptions accordingly. Some have relatively stable, reliable access to ports (Zambia, Ethiopia, Botswana) whereas others do not.
- Build local and regional economies: Population density and the local resource base still matter. Traditional forms of trading, such as taking livestock from the Sahel to neighbouring markets, could be assisted through aid policy. This calls for market protection and a stop to the damage that import dumping from EU countries does to local economies and regional trade.
- Recognise socio-political implications of transport infrastructure: Investment in, and the protection of, regional transport corridors are important, as Collier suggests. High transport costs are particularly a problem for the kind of market liberalism and export growth economic model that Collier believes in for Africa. Yet, against the odds, much local trading does take place. With respect to local infrastructure improvement, a caveat needs to be added. While the literature on the positive effects of roads for rural development is well-known and strong, transport infrastructure needs to be seen in social and political terms.
Challenges and Policy Options Facing the Landlocked

Landlocked nations are not all the same and policymakers need to be recognise their varying circumstances and amend their prescriptions accordingly.

and not simply as a technical fix. When roads open up areas to trade, much depends on the ability of locals to control access to the resources on which their livelihoods depend. Roads must be approached with great caution when local property rights are insecure and greater resource exploitation can impoverish the bulk of the population.

- **Promote unregulated cross-border trade:**
  There have been tendencies in development debates to label unregulated trading activities either as criminal, violent derivatives of armed conflict, or as an informal (largely benign) way for the poor to win livelihoods. Neither perspective does justice to the reality that unregulated cross-border trade generates new forms of wealth and power, nor to the challenge such trading networks pose to governance by state authorities. Policy recommendations are first of all to recognise the phenomenon and then acquire greater knowledge and understanding of informal non-regulated trading networks as a counterpart to the formal, measurable activities of national economies.

**Further Reading**


Visit [www.ids.ac.uk/infocus3](http://www.ids.ac.uk/infocus3) for more briefs on this topic.

**Credits**

This In Focus was written by Fiona Wilson, a Professorial Fellow in the Governance Team at IDS.

The opinions expressed are those of the author and do not necessarily reflect the views of IDS or any of the other institutions involved.

Readers are encouraged to quote or reproduce material from issues of In Focus in their own publications. In return, IDS requests due acknowledgement and a copy of the publication.

© Institute of Development Studies, 2008, ISSN 1479-974X
Sources of Rebellion in Bottom Billion Countries

PATRICIA JUSTINO and DAVID LEONARD, IDS

Are civil wars caused by real grievances or by greed and the opportunity to profit? Paul Collier’s assertion of the greed hypothesis, restated in The Bottom Billion, has generated impassioned denunciations, based on the many case studies attributing civil wars and rebellions to abuses, inequalities and injustices. This In Focus brief examines the role that these grievances play in conflict and highlights the work of a range of authors. It also explores how state weakness is a major contributor to civil war, and assesses the merits and shortcomings of Collier’s contribution to the contentious conflict debate.

Universality of grievance

Various recent analyses have challenged Collier’s thesis, emphasising the importance of between-group inequalities, classified by ethnicity, religion and other cultural characteristics, as sources of conflict (Mancini 2005; Østby 2006). The importance of related phenomena has also been advanced, including polarisation of society (Esteban and Ray 1991, 1994) and ethnic fragmentation (Easterly and Levine 1997). How can these suggestions be reconciled with cross-national evidence? A key part of the attack on the Collier-Hoeffler thesis (2000) was that the inequalities they measured were only ‘vertical’ – those between individuals in the society as a whole. It was argued that instead the most potent sources of conflict were ‘horizontal’ inequalities – those between identity-based groups rather than between individuals (Mkandawire 2002; Stewart 2002). On the other hand, the work of James Fearon and David Laitin (2003) supports Collier’s argument and refutes the proposition that horizontal inequalities are a determinant of conflict. Their article found that state discrimination against a minority religion or language didn’t show any statistical effects on the likelihood of conflict. In their earlier work they had used Minorities at Risk data at the level of groups within countries in order to examine what factors distinguish groups that have been involved in violent conflict with the state from those that have not (Fearon and Laitin 1999). Here too they did not find any evidence that measures of relative economic disadvantage of the group predicted higher rebellion scores, nor did

Collier on conflict and rebellion

In 2000 Paul Collier and Anke Hoeffler caused a sensation by arguing that civil war and rebellion were more frequently caused by ‘greed’ than ‘grievance’. In The Bottom Billion Collier remains strongly committed to the idea that rebels are motivated more by the opportunities for predating on attachable resources, than they are by genuine social grievances.
measures of cultural or religious difference from the dominant group.

Although confirming the outlines of Collier’s thesis, Fearon and Laitin (2003) put a subtly different interpretation on the results, which helps to resolve the conflict with the case study literature. Instead of arguing that grievances play a minor role in the outbreak of civil war—and by implication in its conduct—they instead suggest that all societies have within them sources of inequality and abuse that could be used to motivate a civil war.

Both the ideas of ‘greed rather than grievance’ and ‘the universality of grievance’ predict that variation in the degree of grievance is not associated statistically with the likelihood of civil war. But the ‘universality’ proposition allows the possibility that the leaders are themselves motivated by a sincere concern for certain grievances and, even more important, that the social bases for mobilisation once war has begun may be based on forms of inter-group inequality and perceptions of injustice.

The mobilisation of grievance

The question then is not the existence of grievances but the conditions under which those grievances are likely to be incorporated into a civil war or rebellion. In the words of Ted Gurr in his seminal work Why Men Rebel the ‘primary causal sequence in political violence is first the development of discontent, second the politicization of the discontent, and finally its actualization in violent action against political objects and actors’ (Gurr 1970: 13). It is their mobilisation, not the grievances themselves, that is critical. These grievances are most likely to be embodied in a violent rebellion when the resources to sustain it are readily available (Collier and Sambanis 2005: 309).

Certainly a wide range of scholars using different methods agree that there are cases where predatory greed, rather than grievance, seems to have motivated a rebellion (Reno 1998). Many have used conflict and violence as a means to try to improve their position and to take advantage of potential opportunities offered by conflict. Mancur Olson (1965) lists the main selective (i.e. individually targetable) incentives for participation in forms of collective action, such as armed conflict, as: coercion, monetary incentives, insurance and price discounts. Jeremy Weinstein (2006) points out that where readily lootable resources are available even rebellions that were initiated by grievances are likely to be transformed into organisational forms and practices that are more consistent with greed, but he also makes clear that there are groups that do persist without predation.

Interweaving greed and grievance

Even where rebels themselves become motivated by ‘greed’ the social groups they have mobilised are likely to have a heightened sense of identity-based grievances as a result of the conflict. Other studies have shown that socio-emotional motivations (e.g. doing the right thing, following community social norms, sense of justice) may matter as much or more than selective incentives in explaining individual participation in collective acts of violence (Petersen 2001; JWood 2003). This has not ruled out strong evidence for individual responses to incentives in armed conflict, particularly when selective incentives act as a form of coping with economic, social and political insecurity, and of protecting those who join acts of violence and their families (Kalyvas and Kohler 2006). For instance, the Humphreys and Weinstein analysis (2004) of fighters’ profiles in Sierra Leone shows that more than 60 per cent of fighters belonging to both the Civil Defence Forces (CDF) and the Revolutionary United Front (RUF) said that improving the situation in Sierra Leone was their main motivation to join the militias, followed by the improved prospects of getting a job, more money and food in the case of RUF, and protecting their families, jobs and money in the case of CDF. It would be counter-productive to ignore these grievances.
when seeking to de-escalate conflict and
guarantee sustainable peace in the post-
conflict period.

The driving force behind this sometimes
conflicting literature is a significant
disconnection between discussions that
focus on aggregate variables at the state
level and processes of local competition
between armed groups, and the
strategies followed by both state and
non-state armed actors during a conflict
in order to guarantee the control of
resources, territories and population
support. This touches upon important
issues of relative strengths and
weaknesses of the state and rebel
groups.

State weakness contributes to
civil war

It is often useful to cut both sides of a
civil war off from access to the
resources that are sustaining their war
machines. The access of armed groups
to local resources such as oil, minerals
and precious stones – as well as the
appropriation of land and local assets –
not only finances fighting and
recruitment of combatants, but also
provides armed groups with resources to
provide local public goods and security
to local communities. This guarantees
their support even in the post-conflict
period. This is particularly true in areas
where state presence was weak or non-
existent to start with, or where rebel
groups won stronger control over
resources and populations (Kalyvas 2006;
U.Weinstein 2006). Obscured by the
‘greed’ versus ‘grievance’ debate is the
fact that state weakness also is an
important cause of conflict (Leonard and
Straus 2003). Weak states cannot
defend themselves. More importantly,
they lack well institutionalised methods
of political succession, conflict resolution,
and guaranteeing settlements. At the
same time, weak state presence in
certain territorial areas facilitates the
control of resources and population by
rebel groups in those areas, as well as
the establishment of alternative forms of
local governance that may sustain the
initial conflict for a very long time
(Kalyvas 2006).

Tackling the ‘conflict trap’

Collier proposes some sensible options
to break what he calls the Bottom
Billion’s ‘conflict trap’. These include:
state-building, financial support (through
well-timed aid instruments), increased
security (through external military
intervention) and changes in norms of
governance (through new international
charters). The real challenge lies in
implementing these options and
thinking preventatively. What Collier fails
to address is how these options might
be implemented on the ground and
how pragmatic and durable systems of
local development and governance can
be built to prevent the outbreak of
conflict. The international development
community has largely focused its
attention on reactive, damage-limiting
policies in post-conflict settings. The
instruments proposed by Collier do
much to address this, but significant
further theoretical and empirical
advances in the micro-level analysis of
conflict processes are needed.
Further theoretical and empirical advances in the micro-level analysis of conflict processes are needed.

Further Reading


Visit www.ids.ac.uk/infocus3 for more briefs on this topic.
Interventions must be long-term to be effective

Most academics and diplomats do not share Collier’s view that victims of Bottom Billion conflicts are potential enemies to Western societies, but they do support the idea that external intervention may often be necessary to resolve conflicts in these states. Very weak constitutions can make it difficult for conflicting parties to make credible, binding commitments to each other in negotiations. Even though both parties would be better off with a settlement, each continues to fight for fear that the other may renege on any agreement.

External powers that are willing to enforce a settlement on all parties can be vital in breaking this security dilemma stalemate (Lake and Rothchild in Brown et al. 2001; Carnegie Commission on Preventing Deadly Conflict 1997). Most would also agree with Collier that to be effective the external commitments made in these circumstances need to be for at least a decade and guarantors have to be willing to sustain casualties and, if necessary, impose the peace.

Benefits of preventative action

Preventative, rather than reactive, intervention is likely to be more effective. Collier focuses on military intervention in Bottom Billion states only in response to breakdowns that have already occurred. His analysis shows that the causes of such breakdowns tend to be structural, which suggests they might be addressed at least partly in a preventative manner. Since his work indicates that one outbreak of domestic conflict will greatly increase the probability of further outbreaks, prevention of initial conflict should give...
External powers that are willing to enforce a settlement on all parties can be vital in breaking this security dilemma stalemate.

The role of the European Union

Bilateral guarantees work faster than multilateral agreements, but the legitimacy of multilateral arrangements is much greater. The EU may be the best candidate for providing such stability guarantees, partly because of the growing influence of member states anxious to prevent European military intervention from taking a neo-colonial turn. It has been much more active in conflict management than Collier suggests, through the mobilisation of rapid reaction forces (with five such missions since 2003). EU military interventions, such as Operations Artemis and EUFOR Congo (both in the Democratic Republic of Congo), have led to conceptual innovations – such as the creation of battle groups of about 1,500 troops with appropriate supporting units, able to intervene promptly in ‘collapsing states’ anywhere in the world. Similarly, two EU missions have provided assistance and advice on necessary reforms to the security forces and the police, consolidating the EU’s contribution to post-conflict reconstruction by civilian means. The EU has been active in restoring democratic order as well as in managing post-conflict environments, and its operations have increasingly taken on long-term and preventive approaches. Similarly, security concerns have been integrated into its trade policy, as testified by the Kimberley Process.
Combining Western and regional action

Western assistance must be coupled with the intervention of local troops. This first involves reinforcing the effectiveness of regional bodies. It is very hard to imagine a system where western forces would intervene without regional bodies – such as the Economic Community of West African States (ECOWAS). Contrary to Collier’s disdainful observations, ECOWAS has demonstrated its efficiency in highly dangerous and risky environments (Liberia, Sierra Leone and Cote d’Ivoire). The kind of abuses that were committed by its troops in early missions are now more likely to be avoided, thanks to the adoption of the Mechanism for Conflict Prevention, Management and Resolution, Peace-keeping and Security and the addition of the Supplementary Protocol on Democracy and Good Governance. The Supplementary Protocol’s main concern is the development of a constitutional state, based on the rule of law, the strengthening of democracy and the adoption of common principles of good governance within ECOWAS’ 15 member states, in order to avoid the militarisation of governance. If implemented in other sub-regions, such protocols could be very useful tools for building a system of guarantees – providing a regional multilateral backing to bilateral or EU agreements.

Improving local security forces

Preventative packages must include improving the ability of local security forces to intervene appropriately and effectively in violent domestic conflicts and to enforce their resolution. Weak states are much more vulnerable to conflict. The Security Sector Reform (SSR) processes that have been underway for a decade in Africa need to be widened. Collier’s view of Bottom Billion armed forces as only ‘kleptocratic’ and his recommendation that military expenditures in these countries be reduced in order to release resources for development is insulting and short-sighted for many countries. His position is the traditional approach adopted by the World Bank.

A major shift in the thinking of multilateral as well as bilateral development agencies has begun to occur and a more nuanced approach is gaining wider influence. It is increasingly recognised that while reductions in military expenses are sometimes accompanied by an increase in political stability and a redirection of a part of military budgets towards developmental goals, there also are compelling examples where political stability could not have been reached without efficient reforms to the security services (military and police).

Research on SSR – largely endorsed by important development donors, including the UK’s Department for International Development (DFID), the Organisation for Economic Co-operation and Development (OECD) and the EU – suggests that what is required is cost-effective management of the sector. This includes the adoption of cheaper and more effective defence strategies (emphasising lighter and more mobile armed forces and the elimination of organisational duplication) as well as the introduction of whole new sets of approaches and values (as are encouraged by the training of Bottom Billion security services for involvement in international peacekeeping missions).

Southern armies are not going to disappear. Most of these countries perceive themselves as facing threats to their national interests, sovereignty and internal stability (cross-border raids; restoration of law and order; public-order policing, etc.) which cannot be addressed by external forces over the long-term. Bottom Billion states will continue to insist on the means to fulfil these missions and if security forces are going to exist, it is dangerous for them to be underpaid, poorly equipped or badly trained with inappropriate values.
Preventative packages must include improving the ability of local security forces to intervene appropriately and effectively.
Improving Governance in Bottom Billion Countries

Globalisation is leading to a more integrated world, but some of its consequences are problematic and the poorest countries are losing out. Many of the serious governance problems in these nations are rooted in the developed world, including the rich world’s vast buying power and appetite for natural resources. In The Bottom Billion Paul Collier shows how international laws and charters that can enforce change in the industrialised North can induce reform in the developing South. This In Focus brief analyses his arguments and sets out further reasons for an international framework to improve the prospects of the poorest countries.

Approaches to poor governance

Governance matters, but so do many other things. Collier’s point seems more commonsense than contentious. The point that Bottom Billion leaders often benefit from poor governance and their relations to the international system is more controversial, but has plenty of supporters. It is true for certain countries, particularly those with abundant natural resources.

What is really important, however, is that poor governance is a North-South interaction problem. Collier’s argument is not original. It is even found, albeit in an anaemic form, in Chapter Three of the British government’s development policy White Paper Eliminating World Poverty: Making Governance Work for the Poor (Department for International Development 2006: 32–41). Collier’s policy conclusion is correct, and very much welcome because of the emphasis he places on doing more in this area. My

Collier on governance

There are three main elements to The Bottom Billion’s story about governance:

1. The relationship between the quality of governance and national economic performance is highly dependent on circumstances. When the conditions are right, economies can grow fast despite poor governance (e.g. Bangladesh). But poor governance is generally bad for the economy, and really bad governance can destroy economies (e.g. Zimbabwe).

2. Governance is often bad in poor countries because their leaders, many of whom are among the ‘global superrich’, benefit enormously from their roles as gatekeepers between their national economies and the international system and ‘it pays to keep their citizens uneducated and ill-informed’ (Collier 2007: 66).

3. The citizens, civic organisations and governments of the rich world can best help improve governance in the poor world by reforming and better regulating the way the North interacts with the South in international arenas, especially in economic interactions.
main complaint is that he does not even sketch out the powerful case that exists for this policy priority. I do some of the sketching here.

Unfortunately, Chapter Five – Bad Governance in a Small Country – is perhaps the weakest part of The Bottom Billion. It fails to make a diagnosis that justifies the later prescriptions, and is devoted mainly to presenting some largely irrelevant statistical findings, not yet subject to peer review. Collier suggests that one of the characteristics of the poorer countries that achieve more sustained ‘turnarounds’ is having larger populations (and a higher proportion of people with secondary education, and having recently emerged from civil war). The implication is that smaller countries have worse governance problems. The claim is neither made explicit nor justified.

**Challenges facing the poorest countries**

I would have wanted Collier to explain why governance in contemporary poor countries is likely to be corroded and corrupted through interactions with the international system. Why do these countries need the kind of protection through international laws and charters that he advocates in Chapter Nine when today’s rich countries developed successfully in a much less regulated international environment? The explanation is that contemporary poor countries face a unique combination of problems. They share a world with countries that are very much more rich and powerful than them. Income inequality between the richest and the poorest countries is much greater now than it has ever been. The ratio of average per capita incomes between the richest and poorest countries on the globe was around two or three to one when Britain began its Industrial Revolution. It has steadily increased such that it is at least 20 to one today. Not only are the big boys much bigger than they used to be, but, through the processes of globalisation they breathe much more heavily down the necks of the juniors. Long distance transport and communication costs are much smaller than they used to be and rich and poor countries interact more closely. Some of these interactions are very beneficial for poor countries. But some of them consistently undermine the quality of governance, notably by creating incentives for poor country elites to seek and to use political power to enrich themselves at the expense of their fellow citizens (Moore and Unsworth 2006). These negative impacts include:

- **Commodity prices**: The rich world is able to pay prices for vital commodities – oil, gas, and minerals – that are way beyond the actual costs of production in poor countries. The surpluses that poor producing countries earn are large relative to the other components of their economies. These surpluses could be used very productively to promote economic growth. But in most cases they are not. Instead, they are a standing temptation to those in power, or to those willing to use force to gain and keep power. In most cases, this resource wealth becomes a resource curse. It generates conflict, militarism, political exclusion and authoritarianism.

- **Illegal narcotics**: The drugs that the rich world imports in large and growing quantities have similar effects to commodity prices. Afghanistan is such a mess in large part because of conflicts over the control of opium production and trading. The situation is scarcely better in Guinea-Bissau, which, along with many parts of the Caribbean, is a major staging post for the international narcotics trade. Why should able young people seek careers in legitimate business enterprise or become statesmen and nation-builders when they can more easily make money from drugs, armed force, arms, diamonds or oil?

- **Technologies and global institutions**: AK-47 automatic rifles, useable by children, can be picked up for $50 apiece in many parts of the world. Political entrepreneurs with more resources and wider ambitions can buy...
Much of the bad governance in contemporary poor countries stems directly from the fact that they share a world with rich countries.

The services of private military companies equipped with the latest electronic gadgetry for surveillance and violence. Why make the effort to win popular political support if force is a cheap alternative? Moreover, the sophisticated global financial system allows the loot to be stashed safely abroad in some stable, rich country. Even if things go badly wrong at home, the looters’ families will be wealthy for generations.

That is the kind of diagnosis I would have liked Collier to have made to underpin his case for focusing on transnational action to improve governance in poor countries. It focuses on the historically unprecedented situation that poor countries face. Had Collier done this, he might also have found some justification for his unexplained hints that poor governance is more likely in smaller countries; larger – and thus more diverse – countries and economies are less vulnerable to the perverse effects of a few oil wells or of bribes. The central point is that much of the bad governance in contemporary poor countries stems directly from the fact that they share a world with rich countries.

The needed laws and charters

The international community needs to clampdown on international money laundering, give our companies less liberty to pay large bribes in poor countries, and to control the arms trade better. Furthermore, it should extend the good start made through the Extractive Industries Transparency Initiative (EITI) to encourage more transparent transactions around the rights to search for, and to extract, oil, gas and minerals, and widen the scope of agreements like those of the Kimberley Process to try to limit the trade in blood diamonds, and do a range of other things.

Collier is right to focus on the issue of incentives to practice good and bad governance, and very helpfully distinguishes two main groups of general instruments: ‘changes in our own laws that would benefit the bottom billion, and the generation of international norms that would help to guide behavior’ (Collier 2007: 135). Collier recognises that these two broad groupings include a whole array of more specific instruments, which sometimes are combined in quite complex ways. His case is weakest when the agreements are only symbolic statements of international standards, with no enforcement mechanisms. It is strongest when the process is at least partly rooted in Northern laws that are likely to be enforced. For example, the Kimberley Process that has made considerable progress in just seven years was the product of a mixture of factors: activism by international Non-Governmental Organisations (NGOs, notably Global Witness and Partnership Africa Canada), a large multinational company (De Beers) that had a major yet vulnerable role in the diamond business globally; prodding by the governments of some rich countries; the wary cooperation of the governments of the main producer countries (South Africa, Namibia, Botswana); self-regulation imposed on their own members by two business associations (the World Federation of Diamond Bourses and the International Diamond Manufacturers’ Association); a long series of negotiations among actors initially hostile to one another; and consequent genuine changes in perceptions of the issues on all sides (Kantz 2006). The trajectory of the Kimberley Process also serves to illustrate Collier’s observation about how well-placed many international NGOs are to make major contributions.

I am concerned less about deficiencies in the details of Collier’s policy proposals than with his failure adequately to mobilise existing knowledge to support his case. In fact, the ideas he sets out for a wide range of transnational agreements, charters, compacts, laws, regulations and movements are exactly in line with the direction of change in the contemporary international legal order. Again, the Kimberley Process can
The international community needs to clamp down on international money laundering, give companies less liberty to pay large bribes in poor countries, and to control the arms trade better.

Improving Governance in Bottom Billion Countries

Serve to illustrate a more general point. Its formal character is quite mixed. To some extent it is a convention agreed by both governments and non-governmental actors. It is also a piece of self-regulation at the international level by private associations representing the diamond business, and it is partly embedded in national laws (Kantz 2006). But this kind of mixed regulation is not unusual; it is becoming the norm at the transnational level. International and national law increasingly intermingle as international law increasingly shapes national law, and national legislation is developing an increasingly international reach. Binding rules are increasingly being set and enforced by institutions that are more administrative than legislative or judicial in character. And a growing range of international organisations and networks are playing a role in setting and enforcing the rules in the transnational sphere (Krish and Kingsbury 2006). The world is ready for Collier’s ideas about transnational codes, rules, norms and institutions adapted to the needs of the Bottom Billion. It is already practicing some of them. A strong push to do more, and better, can only be welcomed.

Further Reading


Credits

This In Focus was written by Mick Moore, a Professorial Fellow in the Governance Team at IDS.

The opinions expressed are those of the author and do not necessarily reflect the views of IDS or any of the other institutions involved.

Readers are encouraged to quote or reproduce material from issues of In Focus in their own publications. In return, IDS requests due acknowledgement and a copy of the publication.

© Institute of Development Studies, 2008, ISSN 1479-974X

Visit www.ids.ac.uk/infocus3 for more briefs on this topic.
International Laws and Charters: Global Prescriptions for Effective Reform?

In *The Bottom Billion*, Paul Collier promotes laws and charters as a cheap and powerful tool to institutionalise development priorities and help the poorest countries, a task framed as a global public good. While the logic is appealing, it has flaws. Laws and charters are commonly either cheap or powerful, yet rarely both at the same time. They can improve governance, but their effectiveness is highly dependent on the politics of implementation. Short of creating purely symbolic ‘parchment barriers’, these requirements have to be better understood before global prescriptions can bear fruit.

The strengths of Collier’s proposals

There are many good things about Collier’s proposals. A focus on international norms and rules broadens the scope of development approaches. It recognises that global interconnections, specifically world markets, need to be embedded in institutions, and that these will – and should be – value based. Moreover, Collier underlines the importance of both state and non-state actors in achieving or hindering reform. Changes in domestic or international law go hand-in-hand with setting standards through multi-stakeholder initiatives, such as the UK-championed Extractive Industries Transparency Initiative (even though he omits to mention the corresponding human rights-focused initiatives such as the United Nations Global Compact).

Collier on laws and charters

Collier’s laws and charters tool responds specifically to the traps caused by natural resources, poor governance and conflict. His proposals are situated at varying levels and include both a set of domestic laws in developed countries and international charters or global prescriptions.

Domestically, in Northern countries, stronger banking laws would require the reporting of suspicious deposits. Also, stronger anti-bribery legislation, notably the facilitation of whistle-blowing, would undercut the current business practices of many multinationals, particularly in corruption intensive sectors such as resource extraction and construction. At the global level, generalised charters are to address the management of natural resource revenue, democracy, budget transparency, post-conflict reconstruction and investor insurance.

Promulgating such norms fulfils two broad functions: one prescriptive, the other political. They provide blueprints and an agenda for change for governments faced with complex problems. Their impersonal character enables them to transcend political rivalries, overcome distrust between national and international actors, and provide leverage for embattled reformers within governments and a rallying cry for civil society operating outside government circles.

Lastly, while made relevant through domestic pressure, to perform each charter needs a recognised ‘institutional host’ with the relevant technical and management expertise.
Collier’s proposals are strongest where he emphasises that, because Northern laws affect opportunity structures in the South, Northern actors are implicated in enabling and sustaining bad practice abroad. Put more bluntly, ‘rich countries have been a safe haven for the criminals of the bottom billion’ (Collier 2007: 135). Therefore, laws can, and should be, changed. The Kimberley Process designed to tackle the trade in blood diamonds exemplifies a case in which legal and non-legal reforms combined to create real change at the international level.

**The weaknesses of Collier’s proposals**

However, there is also much here that is less useful and clear. Though put together as a single set, there are profound differences in the tools and mechanisms – and thus corresponding expectations about feasability and compliance – that these different laws and charters imply. Some presuppose non-binding cooperation of both private and public actors; some function through domestic criminal law; and others suggest inter-governmental agreement or bilateral treaties. This array lacks common characteristics and effects. The investment charter relies mainly on peer pressure and the gains expected from investment to gather adherents. The more substantive aspects of democracy are to be promoted by the Western media and ‘demonstration effects’. Further down the line, the ‘post-conflict’ charter combines content from all the other charters in a ‘contract’ for state-building that would lock in donors and the broader international security regime. In turn, post-conflict countries are ‘on probation for that first decade, placed under a set of rules that define the minimum acceptable progress before untrammelled sovereignty can be achieved’ (Collier 2007: 152).

**Change is not a public good**

There is a flaw in Collier’s pitch: it is not the cheap option. Laws and charters are not global public goods and they do not benefit everybody. The problem with enacting them is overcoming not just freeriding, but also, as he acknowledges, vested interests who have much to lose. Helping the Bottom Billion is not a public good either because the resulting benefits will hopefully disproportionately accrue to the populations living within them. This has consequences for compliance.

Collier incorrectly asserts that we hardly use laws and charters. In fact, the last few decades have seen a plethora of global prescriptions in the form of charters, guidelines and benchmarks at the international level, and the legalisation of inter-state relations, as well as the emergence of global administrative law. The results have been varied and often unclear. Much is known about how things should be done differently, and something about forging global charters and agreements; yet we know much less about their impact on practice. This applies particularly to countries or settings where legal mechanisms are weak, such as the countries of the Bottom Billion. Domestic politics are often key.

**Charters are not always effective**

In the field of human rights and governance an ever-increasing codification of obligations seems to have had little effect on worst practice. States that commit abuses have just as commonly signed up to treaties than not, and their compliance or otherwise appears unaffected by the delegation of treaty oversight to external mechanisms (Hafer-Burton and Tsutsui 2007).

Existing anti-bribery legislation has also had a varied impact. The Foreign Corrupt Practice Act in the US has increasing influence, whereas the corresponding British legislation remains relatively dormant and, in the case of BAE Systems’ arms deal with Saudi Arabia, was only recently subordinated to political interests (Schwartz and Bergman 2007). In a recent assessment, John Ruggie (2007), the UN Secretary General’s Special Representative for Business and Human Rights, notes that where transnational companies are concerned, responsibility for outcomes has been difficult to trace, due to increasingly networked styles of operations and sub-contracting. Early reviews of the Kimberley process also emphasise the ongoing difficulty of changing actual practices where countervailing incentives are strong and institutional frameworks weak.
There are good reasons to assume that the impact of laws on domestic politics is equally varied. Do external norms help set domestic agendas? Pace Collier, there seems little evidence that political divisions in the Bottom Billion are rooted in disagreement on political programmes. Instead, power politics, often with strong personal elements, frequently dominates.

**Norm diffusion vs. bargains**

For Collier, the European Union (EU) is key to any effort to make his charters relevant. This is a valid point: combined and direct EU aid amounts to more than half the global total. If the EU adopted a broader framework and forged a consensus that development of the Bottom Billion should be a priority, not just for aid programmes but also in the way Western companies conduct business abroad, much could be gained. Yet Collier focuses on the spread of norms: using the example of Eastern Europe, he states ‘this was the power of international norms at its most stunning’ – and that something similar could be done for the Bottom Billion (Collier 2007: 139). The argument is disingenuous. It was not the power of norms, but an elaborate system of conditionality, based on a clear bargain regarding future membership, that propelled the wave of reforms in Eastern Europe. No comparable bargain is on offer for the Bottom Billion. And even in Europe, once membership was achieved, both formal and informal backsliding occurred, revealing symbolic incorporation, paper tigers, and ultimately the power of domestic politics and circumstance (The Economist 2006).

**Western bias is counterproductive**

The processes by which norms emerge and are promoted is a crucial part of their success. Understanding domestic structures and politics, related issues of author and ownership and the nature of linkages between domestic and international actors are all important for any attempt to make charters stick. Precisely because Collier’s proposed charters are not perceived as public goods, trust in, and inclusiveness of, those advocating norms is important.

Collier recognises that reputation and representation are important in establishing legitimacy or buy-in for any charter. He notes that the institutional host for a new revenue transparency mechanism needs to be an ‘honest broker’, but he shows little awareness of existing fault lines. He proposes the International Monetary Fund (IMF) or World Bank, themselves subjects of highly charged debates about institutional bias and reform. At the international level, the EU may have more relational capital than the US, but there are significant cracks, visible in debates about migration, governance and the global trade regime.

Collier’s reformist universe is not state-centric, but it is distinctly Western. For better or for worse, his laus and charters, written by Western experts, are designed to facilitate a specific model of market capitalism and political and judicial accountability that do not always translate easily into practice. They are also non-negotiable: China must either be brought on board using the lure of international prestige, or circumvented procedurally. The two strategies seem difficult to pursue simultaneously.

**Implementation matters**

For Collier, legal reform and formal standard setting are key to solving problems. His belief in general causal laws is evident in the use of cross-country regressions and also underpins his aim to identify generalisable rules for behaviour. Yet linear policy models have clear limits in what is a complex and political environment. Again, the crux is not in the establishment of general principles within a globalised world, but in identifying the room for manoeuvre and the legitimate procedures for arriving at these principles in policy and practice. Without this, they will become empty shells.

Broad international conventions can turn very political matters into implementation issues. This can be positive, but it can also produce perverse effects, shifting power towards legal know-how and specific sets of experts.

**Conclusion**

International conventions and charters risk being nothing more than good public relations. The danger is that by focusing on the processes of
Understanding domestic structures and politics, related issues of author and ownership and the nature of linkages between domestic and international actors are all important for any attempt to make charters work.

The Economist (30 November 2007) ‘Through the Looking Glass’

Nevertheless, policymakers should pay real attention to his emphasis on the linkages between governance in developing countries and the developed world. Tackling these issues would not only have direct impact, it would re-energise the wider debate about global public policy if Northern nations practice what they preach. This debate is likely to continue and the record suggests that it needs to be facilitated at multiple levels to produce practical meaning.

Credits
This In Focus was written by Anna Schmidt, a Research Fellow in the Governance Team at IDS.
The opinions expressed are those of the author and do not necessarily reflect the views of IDS or any of the other institutions involved.
Readers are encouraged to quote or reproduce material from issues of In Focus in their own publications. In return, IDS requests due acknowledgement and a copy of the publication.

© Institute of Development Studies, 2008, ISSN 1479-974X

Visit www.ids.ac.uk/infocus3 for more briefs on this topic.
In The Bottom Billion, Paul Collier stresses the importance of increasing international trade and urges the poorest countries to liberalise their trade regimes, in contrast to the position of many civil society organisations and governments in developing countries. He proposes providing new trade preferences for exports from Bottom Billion nations to rich countries and a revamping of the World Trade Organisation (WTO) to deliver such preferences. His diagnoses are compelling, but his proposals are not. Preferences have a poor track record, and divert policy attention from other measures to improve access to markets in developed countries such as investment in infrastructure and harmonising standards. His proposal for expanding the role of the WTO is likely to destabilise rather than strengthen the institution.

We agree with Collier’s diagnoses, but are sceptical of his idea for expanded preferences. They have been a minor contributor to export success in the past, and more focus on preferences in the future might threaten to take the political wind out of attempts to provide a more useful and far-reaching package of policies to facilitate trade. On revising the role of the WTO, we see more risks than returns.

The trade policy challenge
Since 1970, the developing world has seen a huge increase in international trade and, partly as a result, in prosperity. The expansion in East and Southeast Asia has been breathtaking, fuelled by expanded intra-regional trade, increased trade in intermediate inputs and final goods, and fragmentation of production processes (value chains) within the region. Collier’s Bottom Billion countries ‘are concentrated in Africa and Central Asia, with a scattering elsewhere’ (Collier 2007: 3). They are ‘stuck at the bottom’ and, falling further behind ‘an increasingly sophisticated world economy, [their] integration will become harder, not easier’ (Collier 2007: 4). Two questions arise: can Bottom Billion countries play in this new game, integrating into a global economy...
characterised by the fragmentation of production processes and increased productivity through specialisation. And if they cannot, how can they compete with countries that do? Collier proposes two major initiatives:

• Export diversification into manufactured goods:
  He argues that this is needed for sustained productivity growth in the Bottom Billion and requires protection from Asia, which means preferential access to markets in rich developed countries, members of the Organisation for Economic Co-operation and Development (OECD). To be effective, preferential access needs to be accompanied by relaxed rules of origin, which define when a Bottom Billion export is considered to contain enough inputs required to produce exports that can then be exported to markets in developed countries. The preferences also need to be time delineated, perhaps until 2015, so that Asian countries would be more likely to agree, and there would be an incentive for the Bottom Billion countries to act before the preferences are eroded.

• Rethinking the position of the Bottom Billion in the WTO:
  Collier proposes creating a ‘transfer round’ of trade negotiations, in which the WTO Secretariat negotiates preferential tariff reductions in OECD countries on behalf of, but unreciprocated by, the Bottom Billion. This would then be followed by a traditional reciprocal bargaining round, essentially without Bottom Billion participation. The ‘transfer’ concessions would, however, be conditional on the successful conclusion of the bargaining round, which would give poor countries an incentive to facilitate the negotiations. While superficially appealing, there are problems with both these initiatives.

## Preferential trade agreements

Collier’s first proposal is a new infant industry argument for providing trade preferences, focusing on manufacturing. However, there are difficulties with this approach:

- **The focus on manufacturing:**
  Experience indicates that there are many opportunities for productivity growth, expanded trade, and synergies between them in services and high-value agricultural products, including horticulture (Arnold et al. 2008; Hoekman and Mattoo 2008).

- **The focus on tariffs:**
  Accessing markets in developed countries requires far more than just lowering trade barriers against exports from the Bottom Billion. For example, issues of achieving and certifying quality and safety standards, investment in trade-facilitating institutions and infrastructure, as well as behind-the-border policies in the rich countries (e.g. European Union agricultural subsidies) are at least as important as tariffs.

- **Preferences seem unlikely to generate significant new industry:**
  Eight years is too brief a period for serious investment, and expanded access might be undermined by safeguards, anti-dumping actions or existing standards in the rich countries.

- **Strict Rules Of Origin (ROO):**
  ROOs need to be relaxed, not only for Bottom Billion countries individually, but also collectively to allow the Bottom Billion to count inputs purchased from each other as ‘local’ in the determination of whether there is enough local content to qualify for preferences (Gasiorek et al. 2008).

- **Being generous with other people’s money:**
  The goods that the Bottom Billion produce are rarely produced within the OECD countries, so expanded imports from Bottom Billion countries will simply displace imports from other (perhaps only slightly less) poor countries and poor people (Winters 2001).

- **Trade preferences have created very few export booms:**
  Unfortunately, however, they have preoccupied policymakers for forty years, usually at the expense of attention to more important issues such as reforming the Bottom Billion’s own policies or addressing non-tariff aspects of policies in OECD countries (Finger 1991). They threaten to do so again.

## Trade negotiations

Collier’s proposal to revamp the way that trade negotiations are conducted under the auspices of the WTO is intriguing. There is a strong case for providing aid to assist trade expansion in the poor countries, but Collier proposes to provide ‘aid’ in the form of higher export prices (basically rents), not hard cash, negotiated through the WTO. This proposal will create additional and difficult questions:

- **A ‘transfer round’ will force the WTO Secretariat to make difficult political trade-offs:**
  A ‘transfer round’ will force the WTO Secretariat to make difficult political trade-offs, seeking to achieve a package that treats all their developing country members ‘evenly’ – an impossible task.
Trade preferences have created very few export booms, but unfortunately have preoccupied policymakers for 40 years.

The problem is that trade policy affects all the countries exporting a good, and so cannot be easily targeted compared to aid provided to particular countries.

- Should OECD countries offer concessions on a good in the transfer round or the negotiating round? If they offer a preference in the transfer round, that preference may be eroded if they then negotiate liberalisation on a most-favoured-nation (MFN) basis.
- The United Nations Conference on Trade and Development (UNCTAD) has a long history of trying to persuade, cajole and/or embarrass OECD countries into providing unreciprocated trade concessions. Its poor success hardly suggests that another similar body is needed or would do any better.
- Having WTO negotiations focus on providing trade preferences and unreciprocated concessions detracts from its central role in establishing global rules of the game that encourage the expansion of trade. Members have broadened the WTO’s mission greatly in recent years and, as a result, it is struggling to fulfil its core mission. Adding further complexity and a new role would likely undermine the institution. The Bottom Billion’s role in the WTO needs reform, but not this reform.

Regional integration, trade agreements and aid

Collier argues that growth is substantially a regional phenomenon: poor countries in strong regions (e.g. Cambodia, Papua New Guinea) will catch up because they are embedded in a dynamic regional economy. Bottom Billion countries in Africa are not found in strong regions, and so will not catch up. Collier rejects, however, attempts to create regional dynamism through Regional Trade Agreements (RTAs), arguing that combining many tiny slow-growing economies simply creates a small and slow-growing regional economy (Collier 2007: 16–46). Moreover, as Venables (2003) shows, regional integration between poor countries can increase divergence and regional tensions, not the reverse.

These concerns certainly characterise ‘shallow regional integration’ – lowering barriers to the movement of goods across borders. Creating a regional free trade area with high external tariffs is likely to lead to significant trade diversion rather than trade creation, and thus reduce welfare (Schiff and Winters 2003; World Bank 2005). This is exactly the criticism made of the recent Economic Partnership Agreements (EPAs) under negotiation between the European Union (EU) and poor ACP (Africa, Caribbean and Pacific) countries (Winters 2001; Gasiorek et al. 2006). The dynamism of the East and Southeast Asian regional economy is based on synergies between economic integration, expanded trade, increased productivity and regional growth (Evans et al. 2006). But East and Southeast Asian integration involves more than lowering trade barriers. It includes ‘deep integration’ – the formulation of policies and investment in institutions behind the border that facilitate trade such as: harmonising product norms and standards; testing procedures and certification of goods destined for regional markets; and regulatory processes and standards. Investment is required in infrastructure to facilitate trade, such as testing laboratories, ports, roads, communications, and border crossings. Legal and commercial institutions need to be created or improved to manage trade, including dispute resolution mechanisms, contract enforcement, and market regulation, including regulation of the financial system.

Policy implications

If the Bottom Billion countries are to enter value chains, expand into higher value products and take even the first step along the path followed by East and Southeast Asia, they will need far more than additional trade preferences. They will need to stimulate investment, including via deep integration, which, in turn, will need assistance from donors, international institutions and, possibly, from regional agreements that can establish deep integration policies at a regional level. One opportunity at hand is the EU-ACP EPAs. In addition to market access commitments for both ACP imports and exports, these should also offer:

- Trade-related assistance to allow the ACP countries to facilitate the structural adjustments needed to benefit from increased imports and expanded export opportunities
- Support for behind-the-border institutions that facilitate trade, including commitments to make EU procedures reasonably open and penetrable.

As Collier notes, facilitating trade helps to boost export competitiveness and hence avoid the problem of aid-related Dutch Disease – exchange rate appreciation that hurts exports. As deep integration, it also chimes with his observation that most of the necessary agenda is domestic. And we all agree that engaging more effectively with the world economy rather than withdrawing from it is the way forward.
Creating a regional free trade area with high external tariffs is likely to lead to significant trade diversion rather than trade creation, and thus reduce welfare.

Further Reading


Vamvakidis, A. (1999) Regional Trade Agreements or Broad Liberalization: Which Path Leads to Faster Growth?, International Monetary Fund Staff Papers 46.1: 42–69


Visit www.ids.ac.uk/infocus3 for more briefs on this topic.
Foreign Aid and the Bottom Billion

There are many contrasting opinions about foreign aid, from the optimism of Jeffrey Sachs in *The End of Poverty* to the scepticism of William Easterly in *The White Man’s Burden*. How aid affects economic development remains unresolved. This debate is important because of its implications for donor policies and their effects in poor nations. The challenge is to bridge the divide between the cross-country econometrics on which Paul Collier relies in *The Bottom Billion* and country-specific analysis that is useful for governments and aid agencies. In this In Focus brief key aid messages from Collier’s book are identified, analysed, and their policy implications discussed.

**Aid alone cannot end poverty**

Collier recognises the limitations of aid. The argument that aid on its own cannot end poverty is widely shared, and even recognised by aid optimists. The authors of *Ending Africa’s Poverty Trap* emphasise that ‘large-scale aid is not sufficient for ending the poverty trap’ (Sachs et al. 2004: 186–187). The importance of complementary policy reforms, such as improved access to developed country markets, also finds broad agreement throughout the literature (Commission for Africa 2005).

**Aid failures**

Collier points to two broad sources of failure in aid policy. First is the way in which the aid system has been designed and managed. Collier’s views here reflect an established body of evidence reviewed in detail by Riddell (2007). The second source of aid failure concerns economic constraints to aid effectiveness, including absorptive capacity and Dutch Disease, through which large inflows of foreign currency can have a negative impact upon agricultural and manufacturing exports. The evidence Collier presents is somewhat cursory, and it is not clear...
that these potential constraints operate in either an automatic or equal fashion across countries. Even Collier himself elaborates on how foreign currency inflows can be managed, and various case studies show that substantial aid flows to African countries have not been accompanied by significant Dutch Disease (IMF 2005; Killick and Foster 2007).

**Aid achievements**

The cautious tones of the previous two points are tempered by Collier’s recognition that aid is not ineffective in general. Collier estimates that over the last 30 years aid has increased the annual growth rate of the poorest countries by ‘around one percentage point’ and that ‘without aid, cumulatively the countries of the bottom billion would have become much poorer than they are today’ (2007: 100). Positive assessments of aid are supported by numerous aid project evaluations which show strong rates of return. At the aggregate cross-country level, where Collier directs his attention, the evidence is controversial. In his support, the broad direction of results from rigorous econometric studies is that on average aid has a modest positive impact on growth, but Collier does not discuss the quality of this evidence, including that results are fragile and sensitive to both data and methodological choices (Tarp 2006; Bourguignon and Sundberg 2007).

**Targeting aid to the Bottom Billion**

It is not contentious to make the point (as Collier does) that past aid allocations have been influenced by political and historical ties rather than objective needs alone (Alesina and Dollar 2000). But Collier goes further. He holds that the allocation of aid has diverged from an identifiable ‘poverty-efficient’ distribution as ‘far too much aid was going to middle-income countries’ (2007: 104), and this justifies his focus on the Bottom Billion. We agree there is a need to target aid better, but would caution that the empirical understanding of the dynamic interactions between aid and development remains weak. To quote Pritchett: ‘The rule of growth in developing countries is that anything can happen and often does’ (2000: 247). On reading *The Bottom Billion* the layman would be forgiven for thinking that these issues have been cracked. They haven’t.

**Tailoring aid to specific countries**

Collier’s agenda to make aid more effective is that it should be tailored to a country’s specific needs. He develops a framework in which different forms and volumes of aid can be employed to help ‘break’ different poverty traps. For example, Collier advises that large aid-financed investments in regional infrastructure are essential for landlocked countries. Even for countries trapped by poor governance, Collier is convinced that higher levels of project supervision, governance conditionalities and the creation of independent public service agencies can make aid effective. This is a fairly optimistic position, entailing an active and wide role for aid across Bottom Billion countries, including failing states and countries in need of policy reform. Although contentious, Collier recognises valid roles for technical assistance as well as for infrastructure finance and sustained post-conflict aid, on which there is broader agreement. Numerous country case studies provide supporting evidence for the latter two with Mozambique being an obvious example (Arndt et al. 2007). However, there are concerns with Collier’s agenda to tailor aid:

- Collier does not identify the 58 Bottom Billion countries, although his framework demands an exact diagnosis of the status of each country at any given time. Even with hindsight there are likely to be major disagreements as to a given country’s status at a particular time. Is Zambia locked in a poverty trap? And what about Kenya now? Collier does not really show us how to bridge the gap between his preferred approach to economic analysis (dominated by cross-country empirical studies) and the rigorous, real-time country diagnoses needed for the kinds of aid interventions he advises. To put this challenge in perspective, Riddell notes...
Positive assessments of aid are supported by numerous aid project evaluations which show strong rates of return.

the consistent failure of aid agencies to understand real country circumstances (2007).

• Many of Collier’s suggestions are not fully tested and do not meet his high standards of empirical validity. The failure to get meaningful policy change when it is made a pre-condition for aid does not imply giving aid as a reward for past policy reform will work either. Making ex post conditionality functional, at least in its current guise of performance-based conditionality, is far from straightforward (Adam et al. 2004). The practicality of independent public service authorities is also hard to envisage, not least due to questions over sovereignty and accountability.

Aid agency reform

Collier argues that aid agencies need to become fleet of foot, less risk averse and better coordinated. He also feels that public opinion is pushing reforms in an opposite direction, although the truth of this is not well established and public opinion about aid would appear to vary across countries. It is a problem that Collier tends to treat all aid agencies alike, particularly given his emphasis on the importance of global institutions (2007 Chapter Nine). The reader may wonder about the balance between multilateral and bilateral aid agencies. It also is not self-evident that higher administrative overheads for project supervision will help agencies be more fleet-footed, nor is it clear how agency reform can occur in a harmonised fashion.

Conclusion

It is helpful to distinguish between Collier’s analysis of aid in the past and his suggestions for the future. On the former Collier makes a strong and convincing case for a middle-ground – aid does have a mixed record. Collier’s agenda for the future is refreshing and merits serious consideration. He appears confident that he has cracked the riddle about how aid works and, thus, knows how to do better aid. Our understanding of the literature would suggest greater caution. Uncertainties remain and should have been more clearly recognised and discussed. Understanding the dynamics of aid and aid’s performance requires a far wider range of evidence.

Collier has also left gaps to be filled. The role of ‘country ownership’, often viewed as the only genuine solution to conditionality problems (Koeverle 2003: 270), is particularly difficult to fit into Collier’s framework. Similarly, Collier does not discuss the contribution of aid in support of primary education, health and agriculture. This cannot be because they are irrelevant to economic growth. Overall, Collier has made an important contribution to the aid debate, but this is hardly the final word.

It also is not self-evident that higher administrative overheads for project supervision will help agencies be more fleet-footed, nor is it clear how agency reform can occur in a harmonised fashion.
Empirical understanding of the dynamic interactions between aid and development remains weak.

Further Reading


Credits

This In Focus was written by Researcher Sam Jones, and Professor Finn Tarp, both from the Development Economics Research Group (DERG), Department of Economics, University of Copenhagen.

The opinions expressed are those of the authors and do not necessarily reflect the views of IDS or any of the other institutions involved.

Readers are encouraged to quote or reproduce material from issues of In Focus in their own publications. In return IDS requests due acknowledgement and a copy of the publication.

© Institute of Development Studies, 2008, ISSN 1479-974X

Visit www.ids.ac.uk/infocus3 for more briefs on this topic.
Comparing development narratives

High profile narratives published before Collier’s include those by: Jeffrey Sachs – a ‘planner’ – with his ‘big push’ ideas piloted in the Millennium Villages (2005); William Easterly’s sobering yet extreme critique of the ‘planners’ and his paean to the ‘searchers’ who support home grown solutions (2006); Joseph Stiglitz’s seemingly utopian soundings on how to make globalisation work for the poor (2006); and Ha-Joon Chang’s reminders that donor prescriptions for development in the 21st century are very different from the paths they themselves took two centuries before (2007). Wolfgang Sachs’ narrative – a less obvious comparator – is also included in this analysis (2007). He views future interactions of development and climate as being about how little the North can take in natural resources, rather than about how much the North gives the South.

The key messages from the narratives are essentially straightforward, but also include nuanced reasoning. The implications for development policy are crystal clear in some cases (Jeffrey Sachs) and opaque in others (Easterly gives us conditional cash transfers but not too much else). The critiques depend on what your own biases are and on who you read. Easterly and Chang seem to have evoked the strongest reactions. Hardly anyone has noticed Wolfgang Sachs’ narrative connecting poverty alleviation and ‘wealth’ alleviation, which is a pity. These narratives are often cast against each other in a zero-sum frame, when in reality they can add to each other’s value. They are often taken as blueprints, and with the possible exception of Jeffrey Sachs’, none are. The narratives are summarised in Table 1 overleaf.

But the more I reviewed the six narratives, the less dissimilar they seemed. None was from outside the West (with the partial exception of Chang). None located themselves in a wider epistemological context. They did not challenge basic assumptions – the...
These narratives are often cast against each other in a zero-sum frame, when in reality they can add to each other’s value.

Table 1: Contours of Six Narratives on Development

<table>
<thead>
<tr>
<th>Author and narrative</th>
<th>Key conclusions and implications for development aid</th>
<th>Key critiques</th>
</tr>
</thead>
</table>
| Collier, P. The Bottom Billion | Focus on those living in countries where the potential for growth is trapped. Engage a broader sweep of instruments beyond aid. | • Simply a ‘new range of treatments for different diseases’ – assumes a functioning organism in the first place according to Clemens (2007)  
• Not the implied third way between J. Sachs and Easterly, more an amalgam  
• What about the millions trapped within China and India?  
• Collier-only research, much of it cross-country regressions |
| Sachs, J. The End of Poverty | Development aid should be large, focused, and integrated. Governance and institutions will develop as growth occurs. | • Overly technocratic  
• Assumes too much about transferability of technology  
• Throwback to the 1950s and 1960s  
• Too sanguine about evolution of good governance mechanisms |
| Easterly, W. The White Man’s Burden | Weak accountability means that the interventions of top-down planners tend to fail. Be humble. Look for opportunities to support home-grown initiatives. Be better at listening in-country. Support real accountability – for yourselves and for others. | • Overdoes the critique of the planners – ‘the right plan is to have no plan’  
• Simplifies too much  
• Caricature of multilateral organisations |
| Sachs, W. Global Challenges: Climate Chaos and the Future of Development | Climate change signals the biophysical limits of growth. Link Northern domestic and Northern development efforts much more closely. There needs to be a convergence in resource use per unit of growth – in North and South. Northern countries have to be prepared to act unilaterally on climate change if necessary. | • We have seen the limits of growth arguments before – why are they compelling now?  
• The North will never reduce wealth and consumption |
| Chang, H-J. Bad Samaritans | Rich countries want poor countries to do as they say, not as they did. Poor countries need selective, strategic integration with world economy. Tilt the playing field in favour of developing countries. Give them freer access to open markets and Intellectual Property Rights (IPR). | • The 19th century protectionist model does not apply to 21st century Africa  
• Not enough of a recommendation on exactly what to do  
• Infant industry promotion more important than protection (Chang does not advocate either in a one-size-fits-all way) |
| Stiglitz, J. Making Globalization Work | Fulfil G8 commitments; fairer trade; more open IPR; developed country leadership on climate change; more responsible governance in North of financial services, arms, narcotics. Be more supportive of civil society to put more pressure on developed and developing countries to make globalisation more inclusive. | • Too much faith placed in powerful countries’ desires to change global governance and too much faith in the impacts of it if they did  
• Good analysis, but solutions are utopian, and he provides little information on how to move forwards |
striving for change, the definition of progress in material terms (although Wolfgang Sachs’ comes closest), the importance of liberal democracy and the potentially key supportive role of outsiders. They seemed, in short, to be arguing over an important, but second order set of issues.

A development metanarrative

I believe there is a metanarrative which is at the root of all these narratives. It is described (and critiqued) by Walter Russell Mead (2007) as the ‘Whig narrative’ – ‘a distinctively Anglo-American concept of history told as the story of a slow sure and irresistible capitalist progress under the guidance of the invisible hand’ which reflects ‘God’s order’ whether revealed through Newton, Darwin or Smith. The various narratives are either comfortably nestled within the metanarrative or represent a strong reaction to it. The metanarrative argues that:

- Anglo-American culture is essentially restless and activist and sees its role as trying to change the world. Jeffrey Sachs’ narrative is firmly within this tradition.
- The gap between the norms inherent in capitalism (e.g. creative destruction) and local norms is small. Easterly’s narrative about planners and searchers argues that in many developing country contexts this gap is large, but he runs out of steam in trying to tell us how it might be bridged, probably because his story is written from inside the tradition of the metanarrative.
- Growth and freedom are universal goals. But in particular contexts people often do not agree on what those goals mean. Collier’s argument that the Millennium Development Goals give equal weight to struggles against poverty in countries that are growing versus those where there is little hope of overcoming traps suggests a dissatisfaction with the universal view, but is not a head-on challenge to it.
- When large parts of the world adopt capitalism, this creates opportunities for neighbours. But as Mead notes, their neighbours run the risk of becoming poorer if they do not follow. Wolfgang Sachs’ narrative about major environment externalities highlights the weakness of this part of the ‘Whig narrative’.
- The industrialised countries developed fairly quickly, and the developing world should be able to now. But 300 years of Anglo-American capitalism, has given many developing countries less attractive options than those the Anglo-Americans had when they were developing. This is essentially the Chang narrative.
- The predominant human drive is for development and growth. But there are other needs – the need for continuity and particularity – and effective institutions are needed to avoid conflict. One of Collier’s strong contributions is to highlight the importance of conflict as a contributor to, and an outcome of, poverty.
- Rationalism is a sufficiently strong basis on which to define global rules. But there are other strong tendencies (religion and tradition) so it is difficult to try to base global rules and institutions on purely rational approaches as implied by Stiglitz. Such a set of rules need to be based on a more diverse and less uniform set of views if they are to be widely accepted.

By way of contrast, the 46 roundtable discussions about development challenges that IDS co-organised across the world in 2006 didn’t reflect a metanarrative and generated very particular answers in each location. There was in fact a deep sense that the space for different development trajectories was expanding (Haddad and Knowles 2007). Whatever the reason – fuelled perhaps by China’s success, perhaps by the failures of structural adjustment, or perhaps by donor language and action around ownership and direct budget support – people sensed less of a one-size-fits-all orthodoxy in the development discourse, and if they did come across it, they felt less bound by it. In short there was a new freedom to discuss a family of development stories.

Other narratives needed

We need other metanarratives that can compete, be reconciled and amalgamated with the Anglo-American
Development Narratives: Recent Trends and Future Needs

We need other metanarratives that can compete, be reconciled and amalgamated with the Anglo-American metanarrative.

meta-narrative. This involves a huge effort to illuminate voices, knowledge and narratives from all over the globe and develop mechanisms for the co-construction of that knowledge. There are surely more relevant, more realistic, and more nationally identified narratives to come from within the countries that until recently (e.g. China, Brazil, India) or still are (e.g. Bangladesh, Ghana, Uganda) the focus of most development efforts.

The Intergovernmental Panel on Climate Change (IPPC) is one of the best examples of the kinds of globally constructed knowledge needed to underpin global action in areas such as climate, arms and trade. It draws on partial pictures to develop a more complete panorama. Such a 360 degree perspective is truly hard to generate, but dominant partial views will no longer be helpful in a world that is so interdependent.

Further Reading

Clemens, M.A. (2007) ‘Smart Samaritans,’ Foreign Affairs 86:5

Credits

This In Focus was written by Lawrence Haddad, Director of IDS.

The opinions expressed are those of the author and do not necessarily reflect the views of IDS or any of the other institutions involved.

Readers are encouraged to quote or reproduce material from issues of In Focus in their own publications. In return, IDS requests due acknowledgement and a copy of the publication.

© Institute of Development Studies, 2008, ISSN 1479-974X

Visit www.ids.ac.uk/infocus3 for more briefs on this topic.