IDS IN FOCUS
Research and analysis from the Institute of Development Studies

ISSUE 03
CONCERN FOR THE BOTTOM BILLION
MARCH 2008

Improving Governance in Bottom Billion Countries

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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.

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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 a 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

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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

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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 (Krisch 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

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Credits

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ISSN 1479-974X

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