

## TRANSCRIPT OF DEVELOPMENT DRUMS [EPISODE 1 –ACCRA]

**Host: Owen Barder. Guests: Simon Maxwell**

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### **Owen Barder**

So, welcome to the first edition of Development Drums which is a new podcast that will be roughly weekly looking at the news in development and with a bit of a discussion about what it means. And I'm very glad to be joined today by Simon Maxwell. Simon is the Director of the Overseas Development Institute. Simon, welcome.

### **Simon Maxwell**

I'm glad to be here, Owen, congratulations on this new initiative.

### **Owen Barder**

Thank you very much, and happy New Year, today is the Ethiopian New Year. And for people who don't know, Simon is an economist. He has worked for the UNDP, is that right, in Kenya and India, Simon?

### **Simon Maxwell**

Absolutely.

### **Owen Barder**

Spending God knows how long at the Institute of Development Studies in Sussex, which he did before joining the ODI about 10 years ago.

### **Simon Maxwell**

You missed out three years in Bolivia where I worked for what was then the Overseas Development Administration and became the UK Department for International Development and I was an agricultural economist working on farming systems in the Amazon.

### **Owen Barder**

I had completely forgotten that you were once a civil servant, and you have never been tempted to return to the Department for International Development?

### **Simon Maxwell**

Not yet.

### **Owen Barder**

But – but it is true and – known that you are leaving ODI at the end of this year, is that right?

### **Simon Maxwell**

Well, I've done 11 years at ODI and I think somebody else should have the enormous pleasure and honor of leading what is certainly Europe's largest and best think tank on international development and humanitarian issues in which has an enormous role to play in helping to shape the discussion in the world.

### **Owen Barder**

Right. So the whole point of getting you on to this is to plug ODI, but if anybody wants a job running ODI from next year please send an email to Simon.

### **Simon Maxwell**

Or send it to the consultants.

### **Owen Barder**



Or send it to – you’ve got headhunters have you?

**Simon Maxwell**

The advert will be out next week.

**Owen Barder**

So, the news this week I think it’s pretty obvious where we should start which is with the Accra High Level Forum, which completed its work last Thursday. And Simon and I were both there. Simon was comparing the whole of the last day which was the ministerial meeting and making sure it came to a conclusion. And at the end of the conference, the 120 governments that were represented there by no fewer than 1,200 people signed up to the Accra Agenda for Action, which is available online, and if you go to our blog, you’ll – where you downloaded this show from you’ll – there is a link to all the documents we talk about today. So, Simon what did you make of the Accra Agenda for Action?

**Simon Maxwell**

You can read what I thought about it on our blog, not to push in another publicity item in this conversation. It’s an enormous effort and in lots of ways an incredibly impressive effort, don’t you think, that they’ve brought all these people together and there are developing countries as well as donor countries involved, and they have managed to hammer out the next stage in this journey that they are all on, which is about improving the quality of aid. And the declaration is emphatic that countries must own their own development plans. It’s emphatic that donors must line up behind those plans. It says that donors must work together much more effectively, that they must focus on results and that just as recipient countries are often accountable to donors, the donors also have to be accountable to the recipients.

And there was a bust up as I’m sure you well know at the end of the conference because when the ministers all arrived on Thursday there was a document, the document had been worked on for months by negotiators on both sides.

The ministers came and some of them rejected it, and the reason they rejected it was they said it wasn’t strong enough. It needed specific commitments, it needed dates, it needed deliverables and it needed monitoring and evaluations to underpin the account progress. And so, overnight on Thursday, and right through the day on Friday, the negotiating group was thrown into complete chaos and was trying to find a way of improving the text and they said they’d done it. And indeed if you compare the original text with the new text it is stronger in quite a lot of ways and it provides a very good platform for going forward.

Now, you know, Owen, there’s absolutely the need for this and it was fascinating chairing the two main plenaries to hear some of the ministers from developing countries talking about what it’s like to deal with the hundreds of different donors that now exist, the large number of new vertical thumbs, the NGOs, the philanthropic foundations and so on. Everybody wants to see the ministers, everybody wants to use their own procedures, and everybody has their own pet priorities. People make promises and don’t deliver them, and we at ODI collect these statistics about aid. The health sector in countries which has 25 different donors all trying to do different projects. The Minister of Finance who has to receive as many as 250 different donor delegations every year. Recipient countries are dealing with an incredibly difficult complicated aid environment and the Accra Agenda, the Paris Agenda leading to the Accra Agenda is the way in which they are trying to deal with it and it’s a very good step in the right direction, but it’s not enough.

**Owen Barder**

I was really impressed by Emilia Pires, the finance minister from East Timor, who spoke just clearly from the heart and from her own experience about what it was actually like trying to manage all these donors and trying to – trying to do her day job while being – being pulled in all these different directions. But – but everything you’ve just said Simon, which I completely agree with, couldn’t that have been said about the Paris Declaration in 2005, I mean has – has the Accra Agenda for Action actually moved us much beyond what we agreed, what the donors agreed to do in Paris three years ago.

**Simon Maxwell**



Well, it's obviously part of the same family. This is kind of son of the Paris, daughter of the Paris Agenda, and you wouldn't expect them three years on from Paris to completely overturn everything they did before to have a whole set of new targets. But it's about reinforcing progress. I mean the things that are missing from all of this it seems to me are about whether we have the aid architecture rights, and also about where this discussion is taking place. It's fantastic that donors want to harmonize their procedures and fantastic they want to align behind government plans, but I find myself asking very often why is it that we have so many donors.

**Owen Barder**

Right.

**Simon Maxwell**

And wouldn't it be – wouldn't it be good to try and put more of our money through the multilateral system which has all the economies of scale, the advantages of simple channels and a universal geographical coverage. Donors, bilateral donors, spend a lot of time, for example, talking about western countries, countries that nobody is very interested in and everybody loves Tanzania, everybody loves Uganda, but there aren't that many donors to some countries in Africa, but that's where the multilaterals are also very strong because they are everywhere.

Now, if you look at the overall structure of the aid system, something like 70% of aid, two-thirds to three-quarters of aid, is bilateral and only a quarter to a third is multilateral with of course the World Bank and the UN and I always think of the EU as being multilateral although some people think it isn't and the regional development banks being the big channels. I'd like to see the aid architecture turned on its head. I'd like to see a much greater share going through the multilaterals and a much smaller share being dispersed directly by bilaterals, and then we could have a smaller number of people trying to coordinate and harmonize and align in all these countries and the slogan that I have been using for the last few years is this, don't just harmonize, multilateralize. And it's interesting to ask, isn't it, why is it that so many bilateral donors are not willing to put more of their money through the multilateral system.

**Owen Barder**

Well, it is interesting to ask, because if you look at the logic of the Paris Agenda and now the Accra Agenda, if you moved completely to harmonization where every donor was responding to the government's own plans, where the government was able to decide who they wanted to get technical assistance from if all donors were using the government system through a procurement and accounting and budgeting, then what on earth would be the point of having 25 different bilateral donors, all separately putting money behind the same programs and into the same system. I mean it – it's hard to see what the – what the merit of all this diversity is if you follow the logic of the Paris Agenda and have everybody fully harmonized, the only case for having lots of different donors must rest on the idea that they would be doing things differently that they are bringing different priorities or attitudes or ways of doing things and it's helped to see how that benefit of having lots of different bilateral agencies make sense if you follow the logic of the Paris Agenda and now the Accra Agenda.

**Simon Maxwell**

Yeah, of course you might ask why you need aid agencies at all, why not just hand the cheque directly to the country and not bother with this whole apparatus and there is a literature on that and it's about what economists call principal-agent problems and about this necessary role of intermediation between the donor and the country.

Some groups of donors are working quite hard to reduce their footprint, we might say, in developing countries and as you know the EU has agreed something they call a code of conduct on division of labor. And in the code of conduct what they have tried to do is to say we will restrict the number of donors actives in any sector in a country, I think it's three or four of the 25 member states, and at the same time we'll try and restrict the number of sectors that each of our member states is active in. And of course that's fine in principle because the member states all have different competencies and so on.



But you do become very dependent on small numbers of individuals and the example I like to cite is that in southern Africa the EU has decided that the lead on land issues, land reform and so on, should be taken by Belgium, and the reason to this is there happens to be a man in Belgium who knows a lot about land issues in southern Africa. Now if he were to leave or to retire or to take an interest in land reform in Asia or Latin America then suddenly there'd be a big gap for the EU. And the question of what depth and what level of technical execution you need to do this probably is something that's going to come out and lots of the European donors are going to be very unhappy if they find themselves squeezed out of sectors.

I think we should have two or three big pillars in the international aid system. The World Bank should be one, the UN should be the second and from my perspective sitting in Europe the EU should be the third and then you would have some big bilaterals outside that like Japan and the United States. And there is a big reform process that needs to be taken up for each of those three main pillars because what we have seen over recent years is that the World Bank, which was set up essentially in the 1950s to deal with financial flows, has over time taken on additional responsibilities, provides technical cooperation, is now making grant funding involved in the management of global public goods and so on, the UN which was setup originally as a set of agencies dealing largely with normative work and then with technical cooperation, now finds itself spending \$15 billion a year, a lot of it through humanitarian agencies, the World Food Program and so on. And then we have the EU which despite the fact that it has many advantages is still only taking one sixth I think of all the money provided by European member states. So, in Europe even less than this one third, one quarter figure, it's only about one sixth of our money is going through Brussels. We need competition between these agencies so that we don't have a monopoly system and we give some openness to dialogue and debate and then we need to make sure all these three pillars are working well.

#### **Owen Barder**

See what struck me about Accra as compared to Paris is that if you read Paris there is, at least in a big chunk of it, the idea that the donors should sit down together and decide in some big committee who is going to do what and the sense is that in each country a group of donors should sit down and carve up the development landscape. And I've always thought that feels very Gosplan, it feels a very Stalinist approach, and it's right there as you say in the EU division of labor agreement, that somehow the EU will fix things so that there are no more than three EU donors in each sector. But it's always seemed to me that that's very unlikely to work.

I mean the points you've just made about the way the international architecture has evolved, people have been making for 20 years, and we still have this proliferation of aid agencies. We create new ones month after month, and we never close down any older ones. And there are lots of political economy incentives for doing that. It seems to me though that the question we have got to ask ourselves is how we can change the system not by coming up – not by having a new Bretton Woods where we sit down and redraw the aid architecture and agree that the UN agencies will do development assistance and the World Bank will do financial flows, but we think about what rules of the game would mean that money flows to the most effective organizations, that developing countries are able to choose which aid agencies they want to bring expertise or resources or partnership or whatever it is that the development agent – individual agencies want. So that you have an evolution of the development system towards a better more rational, less proliferated framework. But it seems to me that you are going to get there by evolutionary pressure rather than by having a big conference where everybody agrees to shut down a whole bunch of deadbeat agencies, because I just don't think that's going to happen.

#### **Simon Maxwell**

The interesting thing isn't it, is how you get from A to B. I always say with these big reform processes, the question is not why or what, it's how.

#### **Owen Barder**

Right.

#### **Simon Maxwell**

And how would you get a sufficient consensus for a new way of doing collective action. And what we've seen with the UN reform process, for example, is that it's been extraordinarily slow and painful. In 2005, I



think, we had the report of One UN, which was a very high powered group of people led by two serving – three serving prime ministers, the prime ministers of Norway, Mozambique, and Pakistan. Gordon Brown, who was not then prime minister, was on the panel, and it made very strong recommendations for a much more unified way of working by the UN, and reminded us that in Vietnam, for example, I think there were 16 aid agencies, all of them with a flag and an office and a cocktail party and a representation accounting between them for less than 2% of the aid to Vietnam.

Well, here we are some years later, and there has been some progress on better planning at the level of countries in a few pilot countries, six, I think, with a couple of others joining in, but much slower progress on some of the other key recommendations to do with a unified budget for the whole of the UN system and a unified management board. And what we see is that there's quite a lot suspicion between the G77 and the G8 on these issues. I think the G77 feel that this is, I don't know whether 'plot' is too strong a word, but that the indication of this might be that the developed countries exert even more influence in the UN than they do at present. And as a result, progress has been quite slow. There's been heroic work by two ambassadors in New York, the Irish and Tanzanian ambassadors who've gradually moved the process forward, and had shown that this case study, this pilot country approach has been very successful and generated savings.

**Owen Barder**

Is there anything in the concern from G77 that this is a plot by the powerful and rich countries to prevent the UN from being as representative as it is?

**Simon Maxwell**

Well I think that the UN is the place in the world which has the most democratic form of governance for these international institutions. We don't hear the same complaints about UN governance as we do about World Bank and IMF governance for example.

**Owen Barder**

Right.

**Simon Maxwell**

And so they shouldn't be too worried. But I think there is a challenge on the table, there is a deal, if you like. And this is a deal which developing countries need to think about very seriously, and the deal is this, that on the one hand the UN is a shrinking share of total aid, because as aid increases the UN hasn't grown as fast. We should be looking to maintain and increase the multilateral share of aid; that implies a very important role to the UN. And the deal on the table is additionally rich countries make more money available, then the developing countries will need to demonstrate high levels of collaboration in improving the governance and the management of these institutions. Both sides need to put less pressure on the secretary general to certain appointments; they need to be ruthless about efficiency and about tackling corruption. They need to make these institutions highly accountable with independent, published evaluation and performance indicators, and we need all of the member states, both developing and developed, to work together on things like how to deal with backsliding on human rights and poor accountability of countries.

Now, I think the way to solve this, the way to get the collective action moving, is to talk about much bigger numbers than we currently do. We tend to talk about year by year or biennial or triennial budgets for the UN agencies. You and I both come from the UK and we know that one of the things that the present government did when it came into office in 1997 was to introduce much better public expenditure management with a three-year, medium term expenditure framework. I think we should try to introduce that idea into our discussion about the UN. And we should say to the world, look, the UN were currently spending about \$15 billion a year on development and humanitarian matters through the UN. Aid is going to double so we want the share to stay the same, so probably we should double that spending. Let's talk \$30 billion a year and let's have a time horizon which is three or five years, and suddenly we are not talking about 15 billion, we are talking about somewhere between 90 and \$150 billion a year. And if you were to go to the table and say, here is a cheque for \$150 billion. Now, I am holding it, I'd like to put it on the table, let's talk about how we can make good use of that money, I think you would transform the debate about future of the UN.



**Owen Barder**

I would like to bring us back to, if I may, to Accra, just lastly, one thing that was different about Accra was the nature of the participation in it. There was – civil society groups were much more heavily represented, there were 80 civil society representatives and the high level forum itself was preceded by a civil society forum with 700 civil society representatives. And there was also a more structured process for developing country participation with a group led by KYM Wako [ph] to participate. Was it your sense that this was a step forward and was it your sense that this went far enough in terms of turning – well, I guess Paris was mainly a donor-to-donor conversation into a broader conversation among more of the players?

**Simon Maxwell**

Well, yes, I'd be curious to know what you think as well, but this is a process that's always slightly worried me because the DAC, in the end, is a committee of the OECD. The OECD is always described in the newspapers as the rich country club.

**Owen Barder**

Right.

**Simon Maxwell**

It's a relatively small group of countries committed to a certain kind of market economy. And that whole question of mutual accountability which is so much discussed in Paris is not exactly reflected in the way in which the DAC itself works because the DAC is a committee of developing countries. And there are of course alternative forums, the UN has a development corporation forum, and the UN is organizing the big financing for development conference in Doha at the end of November and early December.

Now, I think the DAC has moved very, very fast and very effectively to make sure the developing countries are included; that they were signatures to Paris, as you say, they are now much more involved, so that's a step in the right direction. And it is on the way to being a situation where the DAC as the OECD secretariat is kind of managing a process which everybody is involved in. I guess that's okay, but I do think there need to be very strong links back into the UN, and it would be a pity if the Development Cooperation Forum in the UN was somehow sidelined as a result of the success of the DAC.

**Owen Barder**

I agree with that. Well then, let me say that I heard some pretty dissatisfied voices from developing countries in Accra. People who, for example, developing country participants in the negotiations who found that the draft text was being checked with DAC and World Bank senior officials from one meeting to the next and adjusted in line with their expectations. So you very much had the sense that the secretariat, at the end of the day, was representing the rich countries and it was listening to the poor countries, but the poor countries were not there as equal partners in the process. And a number of them felt that and made it clear that that wasn't the partnership model that was envisaged in Paris and that is taken further in Accra.

**Simon Maxwell**

I think that – I hadn't heard that and that's interesting, isn't it. I think that the – the whole of issue of what gets on the agenda in a DAC discussion and what doesn't is important, because the DAC is not the natural place to discuss the future of multilateralism.

**Owen Barder**

Right.

**Simon Maxwell**

Because it is essentially multiple bilateral donor agencies with others invited in. But then the question is, would you abolish the whole of this Paris process and wait for the UN Development Cooperation Forum to step up to plate and I suspect that lots of people would be reluctant to do that because they think the UN doesn't quite yet have the capacity or the level of consensus, so I suppose – but you were there for longer than I was and were more closely involved in it, the whole Accra process. You have asked me lots of questions, let me ask you a question. What did you think?





**Owen Barder**

Well, I think that the Accra process philosophically takes us beyond Paris. I think it moves us much more into the language as you said earlier on about developing country ownership and leadership of the development process. And I think that rhetorical commitment in the Accra Agenda is important but it worried me how hard some of the donors fought to prevent there being very specific, quantified, measurable commitments that they can be held accountable for, for actually moving in that direction. Because it's fine to sign up to great language but if, when it comes to it, they are not willing to sign up to specific measurable targets for doing it, then what value does it have? And, so I think it is important.

I think it's taken us – it's taken the discussion a further step, and the language in there, a lot of the Accra Declaration stuff says things like, 'starting now we will make greater use of country systems', for example. And that's great, but I am conscious from having watched the discussions from the sideline that 'starting now' was a compromise where the Europeans, broadly speaking, were pushing for specific targets of when that was going to be implemented by, and some of the other donors were railing against it and we ended up with 'starting now' as a compromise because it creates a sense of urgency and of action, but it doesn't actually commit anybody to anything that they can be held to account for.

So, I have mixed feelings. I think the ideology and the language of Accra is good, but it worries me that there are donors who don't seem ready to commit themselves to actually doing it.

**Simon Maxwell**

Well that sounds very sensible to me. I think though as a – perhaps as a link to our next topic, the other thing to say is we're having this discussion at a time when we are something like \$30 billion a year below the pledges made at Gleneagles in terms of delivering the quantity of aid. And when we can see now that many of the MDGs, most of the MDGs will not be met in most cases. And so the sense of urgency about moving towards poverty reduction and all the health and education targets needs to infuse – imbue this whole conversation doesn't it?

[Music]

**Owen Barder**

So, let's move on to the UN report which is an analysis of the gaps on progress towards the MDGs, Simon, what did you make of it?

**Simon Maxwell**

Well, yeah, this report is one of a number that have been coming out about progress against the income, health, education, maternal mortality, gender equity, environment and global deals, targets of the MDGs and the basic story is I think quite well known, which is that we are going to meet a global target for halving the proportion of people living in poverty largely because of the success of China and some of the big other economies in East Asia, that poverty, at least on the latest data, is still very high in Sub-Saharan Africa and that on all the other targets we're struggling. And clearly we need to do more but I do think that the interesting story is one that is quite difficult to get from the data because the data are a few years old.

And the important story about the world is that until the clouds of the recession appeared on the horizon, large parts of the world were growing quite fast, I mean I don't have a number how many countries it is in Africa that are growing at more than 5%, but it must be in double digits. And China is still growing at around 10%, India close to that level as well. And for all the problems with income distribution and pro-poor growth and shared growth and so on, the fact of the matter is that when growth powers along at that rate the economy is doubling every 10, 15 years, and that offers all sorts of opportunities for reducing poverty.

And if you look at the numbers, countries we currently think of as poor, many of them will become middle income countries within the next five or seven years. India will be I think a middle income country within the next couple of years. Bangladesh will be a middle income country, certainly before 2020, maybe by 2015, and many other countries too are going to become middle income countries. And the lesson I draw



from that is that countries that have reasonable standards of governance, whether formally democratic or not and reasonable macroeconomic policy and growth taking place and social programs being put in behind that, are going to become middle income countries and we don't need to worry too much about those. The real problem lies with the fragile states.

**Owen Barder**

Right.

**Simon Maxwell**

And linking back to our earlier discussion, you know it's all very well to talk about ownership and harmonization and alignment in a country like Uganda or Tanzania. It's much more difficult in Somalia.

**Owen Barder**

Right.

**Simon Maxwell**

And another 15 countries like that and I think we need to reinvigorate and reaffirm the priorities and get the monies from the donors and all those things. But what we really need out of all these meetings taking place at the end of September in New York is a much stronger approach and commitment to dealing with poverty, underdevelopment in fragile states.

**Owen Barder**

Well, so you mentioned the meeting in New York and this is in the margins of the UN General Assembly where all the heads of state come to New York. The UN Secretary General is having a meeting, the call to action, which is to remind the heads of states and everybody who is watching, that we are halfway through from 2000, when the Millennium Declaration was made, to 2015 which is the target for halving poverty. And, as you say, and as this report says, we probably will in aggregate meet the target for halving world poverty, but we will do so essentially because of China and there are the countries that are falling well behind in a lot of the other targets, like for example universal primary education we're just not going to meet.

Now do you think that the world has moved on from 2005? We had Make Poverty History; everybody wore a white wrist band. People now are more worried about climate change, they are worried about the recession and they are worried about rising food prices and oil prices. You know, a big part of the reason for having this meeting in September is to remind people about the MDGs. Do you think that's going to work?

**Simon Maxwell**

Yeah, I think what Gordon Brown was trying to do when he made the speech, was it in July last year in New York, when he said we face a development emergency and he then issued the call for action was also to create some decision points and some opportunities of public commitment. So I think – I want to come back to your question about how we tell the story, because I've been writing about that, but an interesting political point is whether this exercise by Gordon Brown and his team has been successful.

And it isn't just the 25<sup>th</sup> September meeting, because having made the call to action, they then took it to, of course, British policy, they tried to involve business, they took it to the EU at the Council Meeting in June and they took it to the G8 and I think they've been very successful in making sure that leaders around the world recommit to what they said they would do in Gleneagles, which is going to make it progressively embarrassing if they fail. And next year's G8 is in Italy. Italy is one of the countries which has a mountain to climb in terms of delivering the aid commitments it promised.

**Owen Barder**

Right.

**Simon Maxwell**





And it will be very embarrassing for Mr. Berlusconi if he has to host the G8 next year and hasn't delivered on his commitment. So as a political project I think it's been quite successful actually and it will become progressively more difficult for countries not to meet their aid pledges. Of course, it hasn't helped us deliver a trade deal but I think the trade deal was always glass half empty, glass half full for many developing countries and was not going to deliver huge benefits to many poor people very quickly.

And I think though, to come back to your other question about the recession. We have an interesting situation in the UK and I guess it must be the same in other countries too that people express a very strong support to the idea of international development and poverty reduction. So if you say to them, lots of people are hungry and mothers are dying in childbirth and so on, should we do something about that? They absolutely say, yes.

**Owen Barder**

Okay.

**Simon Maxwell**

If you then ask them in public opinion surveys, what are the 10 things you are most worried about? You don't hear much about international poverty. You hear a lot about the National Health Service, the quality schools, the list of unemployment, possibly inflation. And so what ministers, politicians, and those of us in the think tank world have to do, I think, is to find the way of linking people's concerns to the international development priorities.

Why does it matter to somebody who is facing higher fuel and food prices who may be worried about losing their job and the value of whose house is falling? Why does it matter to that person that there should be poverty reduction programs in sub-Saharan Africa, in Asia, and Latin America? And I think we can make that case because there are many strong linkages in the globalized world between people in different countries through trade, through migration, sadly through crime and terrorism.

**Owen Barder**

And disease.

**Simon Maxwell**

Of disease and so on. So –

**Owen Barder**

Do, you know, I'm not sure I agree with that. What you've just said is exactly the line that a lot of people in DFID take, which is that we have to persuade people that it's – that it is not just enlightened, that there is a self interest component there too. But I thought you started by saying, if you ask people do they care about international poverty and people dying in childbirth and so on, they say they do. I think that what we need to convince them of is not that it would – that it's important for them individually and for their self interest to tackle this, I think what we need to convince them of is that the things that we are doing are making any impact.

I think the doubt in their mind is not, should we do this, is it the right thing to do? The doubt in their mind is, is funneling aid through government agencies actually an effective way of reducing poverty in developing countries? Or is this just good money after bad? I think that that doubt is wrong. I think it is a good thing to do. But I think is that, that we have to convince them of; that aid is actually effective, rather than having to convince them that it's in their interests to do it.

**Simon Maxwell**

Why can't we do both?

**Owen Barder**

Well, we need to do both, clearly. But if you were making a communication effort, my priority would be to build up the campaign to explain to people that aid is effective and transforms people's lives and enables people in poor countries.



**Simon Maxwell**

Well, I would – I think you are right. We need to do both.

**Owen Barder**

We need to do both. Okay, let's move on to –

**Simon Maxwell**

But before we leave that.

**Owen Barder**

Yes.

**Simon Maxwell**

If we are going to make my argument, so to speak, that this is in people's interest. There are also some real risks for politicians, I think, because it is a risk you might fall into a protectionist trap. There's a racism-migration kind of trap. There is a painting all foreigners as potential sources of terrorism and...

**Owen Barder**

Crime and disease and migration.

**Simon Maxwell**

Exactly, and that might result in spending the money in this case. So I do think it's not a, not a risk-free option. But I think it's necessarily to have a grown-up conversation and an honest conversation.

By the way, people should have a look at the British National Security Strategy which was published in March this year, which is a very interesting document, part of it is about military threat and power politics but there's a whole two or three sections of it which are about issues like climate change and migration and poverty and how they impact on British security.

**Owen Barder**

The last thing I wanted to talk about is the new poverty numbers, that I guess were published about two weeks ago now by the World Bank, which were very interesting. This is work by Martin Ravallion at the World Bank who has recalculated the poverty line. The poverty line we've all been working on until now has been \$1.08 in 1993 prices, which is calculated not just because a dollar a day is a round number, but as a way of measuring what the experience of poverty is in a number of developing countries and deriving from that an international poverty line.

Now he's updated those calculations and he's done two things. He said that the poverty line should now be regarded as \$1.25 a day in 2005 prices. And that there are 1.4 billion people living below that line. And 1.4 billion people is a big increase on the number we thought were living below the old poverty line, which was about, I think, 980 million, from memory. So what we've got is a new poverty line at \$1.25 a day and a larger number of people living below it.

Simon, did you think that it was a smart thing to do to update these numbers? And were you surprised that the number of people living in poverty was higher than we thought?

**Simon Maxwell**

Well, there's something you didn't say which is worth adding, which is that despite those changes, progress has not changed dramatically in the sense of reducing the proportion that are living below the poverty line, because they've also calculated these numbers back to 1980. And so the line – in fact I think the title of the report that they've produced, is something like 'more people in poverty, but we're still making progress' or something.

**Owen Barder**



That's right. So basically, we're reducing the percentage of the world's population living below the poverty line by one percentage point a year. And that was true on the old numbers and it's true on the new numbers.

**Simon Maxwell**

I just found the working paper it's called 'the developing world is poorer than we thought, but no less successful in the fight against poverty.'

**Owen Barder**

Right.

**Simon Maxwell**

I like it when the titles of papers tell you what you need to know, so then you don't need to read them.

**Owen Barder**

Although one thing that you won't know from the title or from reading the press reports or indeed from reading the World Bank press release, but you would only get from reading the paper, is that \$1.25 is a quite a lot lower as a poverty line than the old \$1.08 number revalored to 2005 prices, which would have given you \$1.45. And if we had kept the poverty line the same at \$1.45 in 2005 prices, which is equivalent of \$1.08 in 1993 prices, there would be 1.7 billion people living below, as it were, the old poverty line updated for today's prices.

So we were out by a factor of two in terms of the number of people we thought were living below the old poverty line.

**Simon Maxwell**

Well first of all, I think that the fine tuning is always necessary, because the underlying problem here was the inadequate coverage of price data from places where many poor people live and so translating that into what you call purchasing power parity poverty lines have been a big project. And Martin Ravallion particularly deserves an enormous amount of credit for sustained effort on this topic over two decades. But the fine tuning is useful if we are going to have these global targets like halving world poverty. I think the report itself says, in the end, this has to be about country priorities and country poverty lines.

And the big picture, which is that Asia was doing very well and Africa isn't, doesn't really change in this new report. I think we've got some interesting challenges ahead of us, especially in the period after 2015. And one of the projects that will start I think at this 25<sup>th</sup> September meeting is starting to think about what the next round of Millennium Development Goals will be and whether we want to stick to this same set of absolute poverty measurements or whether we should start to think about relative poverty.

As some developing countries are crawling towards middle income status or galloping in some cases, but anyway, moving towards middle income status, rich countries are also getting richer. And so the gap between the richest and the poorest is actually increasing. It was interesting at the Accra meeting that Kemal Dervis who is the administrator of UNDP was very strong on – and has been for some time, on this question of increasing global inequality and what it means to the world and whether it's sustainable.

And if you do the Gini coefficient, which is a measure of inequality, I think the best in the world is Denmark which is about 0.2. The UK and other developed countries tend to be about 0.3, 0.35. And if you look at the world as a whole, it's something like 0.7. I mean it's enormously high. The world is a very unequal place. Now in our country, Owen, we talk about – we define poverty actually as relative poverty. And I just wonder whether, as we move beyond 2015, we should start looking at that question.

**Owen Barder**

Right. Although there is a danger, isn't there, that there will be some people who think that relative poverty has a left-wing mission behind it? It's the notion of moving everyone towards a less unequal society. And that's a rather less universal appeal than the idea that there are some standards below which nobody should fall. There should be nobody who goes to bed hungry. There should be no mother who has to watch their child die of a disease that we could easily cure if they only had access to a vaccine, and though – whereas



almost everybody feels, impelled towards doing something about absolute poverty. There is – although I personally think that inequality is a serious problem. It's a different kind of a problem, isn't it? And it's not – I worry about using the label 'poverty' to describe what seems to be an entirely legitimate mission to reduce global inequality for a whole bunch of reasons.

**Simon Maxwell**

Well, why do we have this conversation in the UK? It's because if you don't have a certain level of income or a certain range of capability, to use Amartya Sen's terminology, it's very difficult for you to participate in the society. That's why that conversation in Britain started. And I will give you one example shared with me by Liz Dowler who is a nutrition, food policy expert in the University of Warwick, who, years ago, researched the lifestyles of poor people in London.

And she told me that people would not invite their neighbors around for a cup of tea. Why not? Because when you – but they wouldn't visit their neighbors for a cup of tea. Sorry, I have got this the wrong way round, they wouldn't visit their neighbors for a cup of tea, why not? Because when you go around your neighbor for a cup of tea and a chat, which is a very important thing to do in terms of just helping you to get through life, your neighbor will give you a biscuit with your cup of tea and you know that if you visit, the neighbor will return your visit and you can't afford biscuits.

**Owen Barder**

Yes.

**Simon Maxwell**

Now, you know, nobody is going to argue that a biscuit is an essential nutrition supplement for avoiding core malnutrition, it's not a measure of absolute poverty. But it is an indicator of whether or not you can live the kind of life that people expect to live in society and when Peter Townsend developed this concept of relative poverty he was very concerned about issues like whether you had the clothes to go out in, whether you could attend social events, whether you could afford Christmas presents for your children, the occasional holiday, whether you could join in the discussion about what programs had been on television the night before.

Now this is, of course, a UK discussion and it would be different if you were in rural Ethiopia but I do think that sense that we are not just, we are interested of course in basic human nutrition and health, but we are also interested in what it means to be a human being in the 21<sup>st</sup> century. And that conversation has, somehow or other, to feature in our discussion about where we take the Millennium Development Goals.

**Owen Barder**

Yeah, no I agree with that. But my worry is – I find myself in a kind of unusual position of arguing against somebody who is arguing for focusing on inequality as well as poverty. But I do also think we have to keep our eye on, as you were taking about, the – what Paul Collier called 'the bottom billion', the people living in fragile states for whom it really is a question of am I going to go to bed hungry tonight? How many meals am I going to be able to feed my children with? And are they going to die of diseases that we all know could easily be prevented or cured? And my worry is that the coalition that is serious about tackling that kind of fundamental, deep, absolute poverty is much less likely to hold together if the poverty measure that we use is about whether you can go to the cinema and see the same films as people in your neighborhood.

**Simon Maxwell**

Of course, but we are recording this on a day when there is a lot of discussion in the UK about the impact of rising energy prices and how cold people will be in the winter, and what kind of protection should we provide for poor people and should we subsidize insulation for their houses or should we try to lower electricity prices and how should we pay for it and so on. And very few people are going to freeze to death but a lot of people will live much more miserable lives, because they can't heat their houses properly.

**Owen Barder**

Yeah.



**Simon Maxwell**

By the way, of course, inequality has very instrumental implications for development as well, because unequal societies tend to be more violent and they – there tends to be less favorable investment climate and the World Bank, when it did it's large report, it's World Development Report on inequality, a few years ago, it made that case very convincingly about low inequality is good for growth, and therefore good for poverty reduction.

**Owen Barder**

Right, which is contrary to some, kind of free market arguments to say what you need is high inequality so that people have incentives to take risks and aspire to build new businesses and that you need wage differentials to persuade people to go to work and take risks and invest and so on. So, what you are saying is that the empirical literature in the World Bank study and so on doesn't support that view?

**Simon Maxwell**

Well, in a sense, of course, you need savings and investments but you also need to think about the consequences of very high inequality which are also unfavorable and I think the current conventional wisdom is that very high inequality is decidedly bad for development.

**Owen Barder**

Well, that's it for the first episode of Development Drums. Thank you very much for listening and thank you especially to Simon Maxwell from ODI for taking part in our first episode. All the papers that we have discussed today are linked on the Development Drums website, that's [www.developmentdrums.org](http://www.developmentdrums.org), and you can find links to everything that we have talked about. We are going to try and do this most weeks and review the news in development. So if there is anything you would like us to talk about, please send us an e-mail. Send an e-mail to me, [owen@developmentdrums.org](mailto:owen@developmentdrums.org). Until next time, thanks for listening.

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