

TRANSCRIPT OF DEVELOPMENT DRUMS [EPISODE 24 – THE NEW BOTTOM BILLION]

Host: Owen Barder. Guests: Andy Sumner and Claire Melamed

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Owen Barder

Thanks for downloading Development Drums No. 24. My name is Owen Barder in Addis Ababa. And today's episode is about the bottom billion poorest people in the world. We'll be talking about new research about where they live and discuss what this might mean for aid and development policy. We've got two great guests today. The first is Claire Melamed, the Head of the Growth and Equity Programme at the Overseas Development Institute in London. Claire, welcome to Development Drums.

Claire Melamed

Thank you. Nice to be here.

Owen Barder

And my second guest is Andy Sumner, an economist at the Institute of Development Studies, who works on issues of poverty and inequality. Andy, welcome to Development Drums.

Andy Sumner

Hello.

Owen Barder

Andy, you've been in the news lately for your new paper *Global Poverty and the New Bottom Billion*. And I'll put a link to the paper on the Development Drums website so that listeners can read it for themselves. But I wonder if you can start us off with a brief summary of what you found?

Andy Sumner

Sure. We were looking at poverty trends over the last 20 years. We wanted to know where did poor people live and has it changed over the last 20 years? We found three things. The first is that there's now about a billion poor people living in middle-income countries, and about 72% of the world's poor. And only 28% of the world's poor are living in poor countries, meaning low-income countries. We also found that this had changed drastically on the picture of 1990 when 93% of the world's poor lived in low-income countries. And finally we also found that, perhaps surprisingly, there's only about one in four of the world's poor living in fragile states, which is much less than I think perhaps are commonly thought, and actual Collier's *Bottom Billion* actually accounts for only about 27% of the world's poor.

Owen Barder

So let's come to Paul Collier's *Bottom Billion* in just a second, but let's first make sure that we are defining for listeners what we mean by middle income countries and what we mean by low income countries, because this is a rather striking finding that such a high proportion of the world's poor live in middle income countries.

Andy Sumner

Yes. The – well the World Bank defines the threshold as \$995, which if you divide by 365 in terms of the number of days in a year, gives you a nominal average income of \$2.70, which is above the higher international poverty line.

Owen Barder

So what we're saying is that a country's defined as middle income if the average income per head in that country is above \$2.70 per person per day?

Andy Sumner

The World Bank's definition is \$995 a year. What I've done is divided that through by the number of days in a year to show, nominally at least, there ought to be no poor people in those countries. The World Bank developed a methodology for the thresholds back in the 1970s, which is a little bit of a mystery exactly what it was in the beginning and we've certainly tried to get hold of the original formula. It had something to do with the per capita income and human development outcomes in the early 1970s. But what the World Bank's done every year since, has inflated the line by international inflation...

Owen Barder

And your finding is that 61% of the world's poor live in stable middle income countries like Indonesia and India and then another 11% of the world's poor live in middle income countries that are classified as fragile like Nigeria or Pakistan, is that right?

Andy Sumner

That's correct.

Owen Barder

So this is a big change since the 1990 statistics. In the past we said that most of the world's poor, the vast majority, lived in low-income countries. We're now saying that nearly three-quarters live in middle-income countries. That presumably isn't because the poor have moved, the location of poverty has moved, but because the classification of those countries has changed. So India was a low-income country and is now classified as middle income. Is that right?

Andy Sumner

That's correct. Poor people haven't moved but the countries that poor people live in have got better off and it seems that poverty hasn't fallen anywhere near as drastically as one would hope with 20 years of growth.

Owen Barder

Claire, you work on growth and equity. Does the fact that the majority of the world's poor live in middle-income countries tell us that economic growth is not the solution to poverty?

Claire Melamed

No, I think economic growth remains absolutely essential to poverty reduction. But I think that tells us a bit about how economic growth has been happening. And it just means that we have to pay a little bit more attention to making economic growth solve poverty rather than just sitting back and hoping that it will.

Owen Barder

But what we are saying, then, is that if we're concerned poverty in these middle income countries, these are countries that have enough resources in the country as a whole to tackle poverty, but because of the policies they've pursued or the way that the growth has happened in those countries, poverty hasn't been reduced as fast as we would like? Look, the question is: Is this any of our business? I mean if a country chooses to have a political system in which there is quite a high level of inequality but could afford to tackle poverty if it wanted to, is that something that westerners have any business getting involved in?

Claire Melamed

Well there are a number of different parts to that question. I mean, first of all and just because a country is middle income doesn't necessarily mean that it has enough resources to end poverty kind of there and then. Martin Ravallion of the World Bank has done some number crunching on this and under some admittedly quite restrictive assumptions he has tried to work out whether it is – it would be possible to just simply redistribute income in some of the middle income countries and end poverty that way. And in a country like India, he finds that actually, as I say, given his assumptions, that wouldn't be possible, just because India has – you know on average it's a middle income country but what it has is very few very, very rich people

and a vast number of very poor people. So actually the capacity for just snapping your fingers and ending poverty through redistribution isn't necessarily there just because a country is a middle-income country.

Owen Barder

Andy, what's your view? If a country had enough money to tackle poverty but doesn't because of the domestic political situation there, does that, in your view, give us less reason to think that that's an international problem that other people should tackle?

Andy Sumner

Well I think, I mean what the data says to me is that there's a lot of countries who now have substantial resources but they're not enough to end poverty, and it seems to make the case – or we need to make the case that a greater attention to inequality is actually good for everyone. So if you paid more attention to inequality you could reduce poverty faster and cheaper because you shift the initial inequality point and thus speed up the effectiveness of growth that Claire referred to.

Owen Barder

And Claire presumably that's also your view? That it isn't just a question of the resources, it's also a question of us helping to build the political will and build the institutions and so on in a society that enables them to tackle inequality, is that right?

Claire Melamed

Absolutely. And I mean I think the difficulty is that all these things are so hugely intertwined. That clearly the more income people have, then they more likely they are to get involved in different organisations and then more time and energy they will have for becoming politically active and so on. I think one of the things that perhaps we think about less in development because we're focused on the very poor is also the role of the middle class and how in countries sometimes where you have extremes, very high inequality, what you get is a sort of hollowing out of the middle. And it's often the middle class who are actually driving the kind of political reforms and the economic reforms that in the end reducing inequality for everybody.

Owen Barder

Now it used to be said when I was a student that there was something called the Kuznets curve, the idea that there's a trajectory from, in very poor countries quite a lot of equality; in a highly agrarian society everybody is poor. That countries then go through a phase of inequality, the kind of Brazil moment and then as they become richer they find that tackling inequality is also something they want as a prosperous society and then they become Scandinavia. Is that still what people think?

Andy Sumner

Yeah, the Kuznets curve was originally based on a very small number of countries and as larger data sets became available in the '80s, it was first of all empirically tested and proved, but then more recently when there's been better quality inequality data, particularly in the late '90s and early 2000s the Kuznets curve was largely thrown out as a generalised pattern. Now it may exist in some countries but as a generalised pattern it doesn't exist. And perhaps what we ought to be asking is, why does it exist in some countries and not others? And maybe there's actually an inequality trap, whereby if growth increases inequality at the outset of economic development it may actually create governance problems, inequality, poor translation of growth into poverty reduction outcomes. And maybe we need to look at why is it that some countries are very successful at reducing poverty and at the same level of per capita income growth other countries are – really do much worse. Why is that? It's something we need to look at. Initial inequality is one thing that's been suggested, there are many others we could talk about.

Owen Barder

So that's an interesting idea. So what you're saying is that if a country starts off on an unequal growth path that will tend to reinforce itself because, for example, elites will capture not only wealth but then more political power, and then they'll continue to manage the society in an unequal way. But if it starts off on a more equal growth path then it will tend to, it'll tend not to fall into the Kuznets curve problem. Is that a fair..?

Andy Sumner

I think that's right. And I think – what worries me a little bit is a number of the new middle-income countries have achieved higher per capita incomes at the same time as a rise in inequality. And what this means is that countries are going to have to grow faster and faster and it just to achieve the same level of poverty reduction. And in doing so, of course, it emits substantial greenhouse gases, middle-income countries' emissions per capita growth. So there's actually a – I'm not sure if spill-over's the right effect, but there's a link up with climate change looking ahead. But more generally, do we really want countries to have to grow faster and faster and faster just to achieve the same level of poverty reduction? Might it be in everyone's interest to have a – some kind of serene debate about inequality and just look at how, by dealing with initial inequality we can actually speed up the end of more poverty and actually probably do it in a cheaper rate over the long run, because it would be less cost of the aid budget, et cetera.

Claire Melamed

If you look at the figures on China, which is what in the end drives a lot of this, it's very striking that in China the most rapid reduction in poverty happened in the first half of the 1980s when inequality was pretty much static. And since then inequality has risen very fast and you now get half as much as poverty reduction per percentage rate of growth in China as you did 20 years ago. So those remaining millions and millions of poor people in China, they're becoming harder and harder to reach with economic growth; it's becoming less and less effective at reducing poverty in that country.

Owen Barder

Can we go to the comparison with Paul Collier's *Bottom Billion*? Because Andy your paper is saying that there is, there are nearly a billion people living in middle-income countries who are below the poverty line. Now that's a different sense of a bottom billion than Paul Collier's bottom billion. Because what Paul Collier was talking about was the billion people who live in the poorest countries in the world. So some of Paul Collier's bottom billion are not themselves poor, they're just in a country that is poor. Whereas you're talking about where the billion poorest people in the world are. Is that right? Do you want to explain a bit more about the difference between your approach and Paul Collier's approach?

Andy Sumner

Sure. Paul's well known for his *Bottom Billion* book that was published in 2007. It talks about a billion people living in the 58 poorest countries, by which he means low growth and fragile states, and he lists those countries in the back of his second book *Wars, Guns and Votes*. Now he's talking about people, not poor people in those countries. And if you look at more recent data, a number of those countries are actually moving towards or have achieved middle-income status. Not all of them, but some of them. Some of them are no longer fragile states and actually about 70% of the world's poor aren't in Collier's 58 countries. And so, I mean his line is that if a poor person is living in a country with growth and good governance, then there's nothing to worry about. He actually said in 20 years time there'll be no poor people in India. Maybe some of the poor people in middle-income countries are just as trapped as poor people in fragile states and low-income countries. I mean, if you take the example of say a lower caste woman in one of India's poorest states, I wonder whether she's just as trapped as someone in one of Collier's countries. Collier clearly has a kind of the – ethically easier ground in the sense that we have to help the poorest countries and support those countries.

Where I think it's, as you alluded to earlier, a more complex discussion to be had between traditional donors and middle income countries is what about the poor, these billion poor people living in middle income countries?

Owen Barder

But there is something compelling about Collier's point that these countries themselves are in a series of poverty traps that he talked about in the *Bottom Billion*, conflict traps, natural resource traps, governance traps. That means that without quite deep and sustained and broad engagement from the rest of the world, those countries are unlikely to get themselves onto a growth path, or that's his argument. Whereas it does seem plausible, doesn't it, that the vast majority of the people living in say China or India or Indonesia or other middle income countries today, who are today poor, are much less likely to, I mean, as you say,

there'll be marginalised people in those countries because of the caste system or because of geographical variation or something. But most of those people who are currently poor in middle income countries that are on a growth path are unlikely to be poor in one or two decades' time. Is that not a compelling point?

Andy Sumner

Well I think, first of all, there's only 39 low-income countries remaining and actually, surprisingly, supporting a small proportion of the world's poor, only about 12% of the world's poor live in low income fragile states. I think the emergence of a new group of countries that's middle income and fragile where there's substantial domestic resources but the state, for whatever reason, is unable to deliver, I think there's question marks there. I would also say that, it worries me actually, if you think that there's a lot of middle income countries that have had 20 years of growth and in a number of them poverty has remained largely static in terms of millions of poor people rather than drastically falling. I think this comes back to Claire's point about, it's not a question of just leaving growth to do its thing, maybe we need to intervene, maybe we need to sort of think about building the assets of the poor not only economically in terms of, you think of the causes of poverty around landlessness, but also politically, how is it that poor people are more likely to have a voice in their government and interact with the government structures?

So while I think Collier's overall narrative is in some ways compelling, I think it's also, it misses out, or kind of assumes that a lot of poor people are going to be okay and we don't need to worry them, and that's what for me raises a few question marks. I think it's also, it's not quite clear what his evidence is that somehow we can intervene in low-income fragile states and achieve very much. One of the things about middle income countries is, by building some kind of new multilateralism between donors and middle income countries, a number of the countries that aren't fragile middle income countries you can actually achieve poverty reduction perhaps more effectively. So that's not to say Collier's thesis doesn't matter. I just think there's a more complicated, broader debate.

Claire Melamed

I think also, I think really the debate hinges on what you think the question is. I mean, if the question is: Where should the big traditional donors concentrate their aid resources? Then arguably, you know, looking at Paul Collier's view or focus of countries and people is an appropriate way to do it. But if the question is: How do you end poverty? Then it seems impossible, you can't possibly answer that question without paying quite a lot of attention to the countries where most of the poor people live. That's not to say the answer to that question, there's one that's going to be only provided by the traditional donors. You have to look also to the governments of those countries for part of the answer. But if that's the question you're asking, then looking in the main at the countries where most of the poor people live seems to be a good start.

Owen Barder

So, that's a helpful distinction and let's explore that a bit. There's a difference between aid policy and where traditional donors should be spending their money, and on what kinds of programmes, and then the broader question of what a development policy and a development strategy and Andy's talk of a new multilateral partnership. Let's pause on the first one of those. To what extent, Claire, do you think that Andy's research on where the poor people are should guide aid allocation? Does this mean that, for example, the British government or other large traditional donors should be giving a lot of aid to China and India and Nigeria and other places where there are a lot of poor people? Or do you think this really isn't about the way that those traditional donors allocate aid?

Claire Melamed

I think that when you're thinking about aid there needs to be two criteria that you allot or more than, certainly more than one criteria of just where poor people live that you think about when you're choosing how to allocate aid. It's partly where poor people live but it's also partly about whether the extra resources of aid can actually do any meaningful good in that country and I think, you know, it's certainly questionable, to say the least, whether the extra resources that the UK government could provide in the form of aid would make any difference at all in China. It's a drop in the ocean of China's own domestic resources. So I think, certainly there's a question about aid, I mean there's all kinds of different aid. Aid isn't just one amorphous thing, you know, there are all the different kinds of aid instruments and modalities

and there are good examples of sort of small amounts of well-directed aid given to the right people at the right time being able to have quite a big multiplier effect, and in countries like India, for example. So I think there are certainly reasons why some types of aid might be part of the solution to poverty in middle-income countries. But it, certainly the large volumes of aid that, you know, we associate with giving to African countries are unlikely to be the point really in middle income countries.

Owen Barder

Andy is that also your view? I mean this is essentially, Claire is saying there that we don't, we should break the link which is explicit in both the UK's aid allocation model and the World Bank aid allocation model between where the poor people are and which countries should receive aid. Is that a conclusion that you're comfortable with?

Andy Sumner

I mean, as Claire said, I would suggest we need to think about a broader range of instruments. Resources are important in low-income countries. Other interventions supporting peace and stability in the fragile states and post-conflict countries. I think in middle income countries there's a range of things, I mean, there's the kind of do no harm agenda which might be part of a new multilateralism, which is basically about aid beyond ODA, so we think about the kind of things that the North could do to support the South on remittances and migration policy, trade preferences, climate negotiations, climate finance, dealing with tax havens, those kind of things. But where ODA might be appropriate is, particularly thinking in a more, again in a more multilateral way, there are still a lot of poor people in India, maybe it makes more sense for British aid to be channelled through UNICEF in those kind of environments or into global public goods which might include things like a global fund for cash transfers to direct to poor people. Or maybe aid is going to take a more overtly political line and aid may move towards, as it kind of quietly is, supporting civil society, media, indigenous pro-poor coalitions who are trying to lead a domestic push for genuine change.

Owen Barder

Yes, so I think it is clear and we should come to this that there are a lot of non-aid policies that we should be thinking about in terms of reducing poverty in middle-income countries. But with respect, you're both slightly avoiding my question, a number of donors, including the World Bank and the UK, first allocate aid across countries and then decide with that aid that they've allocated to each country what the best instrument and modality is in that country. And the current formula includes a combination of mainly poverty and adjusted for governance. That's what determines aid allocation of the UK, the World Bank and the multilateral development banks. Now at the moment the aid allocation to India that the UK gives is capped. The, what the model tells the UK it ought to be giving to India is much more than the UK is actually willing to give to India. So take, agreeing that you need to choose your modality and you should be support-, think of supporting civil society and looking for those kinds of catalytic interventions that help reduce inequality, nonetheless, it seems to me you're both saying that an aid allocation model that starts with where the poverty is, is not the right model for allocating your aid. Because we would end up giving a lot of money to middle income countries and I think I've heard you both just say that giving more aid to those countries is not likely to be the answer to poverty in those countries. Have I, am I misrepresenting you or do you want to make the case for saying that we should continue to link aid to poverty numbers in aid allocation models?

Claire Melamed

I think that's a fair summary. I mean I think that there has to be, I mean, giving aid is never going to be a perfect science, it's going to be, there has to be a certain amount of sort of, you know, adjustment of any model for political circumstances, for public opinion, for different things. I think it's wrong to think that any formula is going to give the exact answer but I think that a formula which includes as two of its main criteria, where people live, and where poor people are, and the type of countries in which they live, adjusted, you know, with a hefty dose of sort of pragmatism and realism and public opinion seems to me to be a kind of most likely best outcome, best way of doing it for now. But I think, I mean, I have a sort of double way of looking at this in a sense, and I think, thinking about where we are at now that seems to be the best kind of solution, the best response to the, you know, to, about where poor people live.

But I think there would be better other ways of organising aid. If aid was sort of broadened out from its current, very narrow idea of ODA, traditional donors, and so on to a much more sense of a sort of multilateral provision of resources to end poverty globally, which would include some of the middle income countries themselves, so you could imagine, you know, for example, if there was a kind of global commitment to say, you know, that everybody should have a certain level of minimum of income and in India the way of doing that was for the international community to provide a certain proportion and for the Indian government to provide a certain proportion of resources, then one could see that would, that kind of commitment could be a reason for governments to rethink quite radically their aid allocations but in the absence of that kind of, fairly utopian change in aid altogether. I think the current, you know, system which we have to admit is something of a fudge, is probably the best we are going to get.

Owen Barder

Andy, is that also your view? It seemed to me Claire is saying that we should be allocating a broadly and proportion to poverty suitably adjusted for things like political commitment and so on. It used to be said that it was a complaint of progressive thinkers that so little aid goes to low income countries, only 39% of official aid as measured by the OECD goes to low income countries and we used to say that was a disgrace. But on your numbers that's too much. Actually, we shouldn't be spend-, we should be taking money away from low income countries and putting them into middle income countries. So are you, is that your view, is it, that given where the poverty is, the more of the aid should be going to middle income countries? Or do you think that we ought to break the link between where the poverty is and how we allocate aid?

Andy Sumner

I think what we have to look at is what domestic resources are available in each context and what can aid achieve in each context and by working multilaterally, particularly at international level, it may well be that in middle income countries it's not about, sort of bilateral programming, it's about some kind of international commitment with shared contributions and shared resources to reduce poverty in middle income countries whereas in low income countries it's unequivocally about resources. So I don't know if this is a fudge, but I am still suggesting you can do both by supplementing existing aid and resources with the aid from middle income countries.

Owen Barder

Aid from middle income countries. Either their own resources or aid between middle income countries themselves?

Andy Sumner

Yeah, their own resources. I mean then the flip side of this of course is China, India have their own overseas aid programmes and so, I think what we really need is some kind of, as Claire mentioned, what would it look like to have a global mechanism for shared responsibility where resources come both from middle income countries and from the traditional donors with the overall objective of reducing poverty in those countries and in low income countries maybe it's still about bilateral and multilateral programmes at the country level. So it suggests in the run up to South Korea next year and also they are going to, post-MDG discussions, we need quite a substantial rethink of aid. And particularly what is aid for exactly? I mean, it's – I mean you've written yourself about the contradictions between short run and long run goals and I think it may well be that a bit of GDP growth and a few kids in school may not fundamentally change, you know, change a society so it builds a tax base and, as Claire talked about, expanding the middle classes and changing the government structures. Maybe we now need to sort of have another debate about what is aid for and maybe it could be about something far more catalytic in terms of societal transformation.

Owen Barder

So I should explain to listeners that South Korea next year is the, there's a meeting in Busan in 2011 to talk, to discuss aid effectiveness. This follows on from the Paris meeting in 2005 and the Accra meeting in 2008 and the, there's a lot of discussion in the international system about what does effective aid look like and has the Paris and Accra declarations made on aid effectiveness brought about the kind of change that we want to see in the aid system.

I want to push back on either of you, Claire or Andy, on this question of using aid catalytically to change social and economic structures and catalyse growth. I mean I worry that we have over claimed what we can do with aid. I see aid working every day to send to kids to school or prevent children from dying of avoidable diseases or to give people access to clean water. I am not, I haven't seen much evidence of aid really changing other people's countries, changing the political and cultural environment in those countries and putting them on a path to economic development. Now I'm okay with that, I think that giving people schooling while their country is developing around them is an extremely good use of rather a small amount of money from rich countries. So I worry that by claiming that we can use aid to bring about this kind of economic and political transformation we condemn ourselves to failure; that we're offering to do something with the aid budget that we can't actually achieve or we don't know that we can achieve. Whereas we do know that we can feed people and that we can them access to clean water or to healthcare.

So do we want to go down the path of saying that we should be using aid more to catalyse political and economic change or are we happy to be more modest in terms of what we think aid is about?

Claire Melamed

I mean, I think largely I agree with you about that but with maybe a couple of caveats. I think first of all that traditional aid which feeds people and educates people, I'd agree, should be the main purpose of aid and is probably where aid has been most effective. But I think even in there, there are still choices which can nudge outcomes in different directions. So, for example one of the critiques of the impact of the MDGs has been that it's led to a massive emphasis on primary education, which is great, but sort of de-emphasize secondary education, infrastructure development, some of the things that perhaps are more directly linked to faster economic growth. So I think, even if you say, no, aid is really just about sort of providing certain sort of services to poor people in the immediate term, there are still choices to be made there which can, at the margin, affect economic outcomes. But I think, you know I do agree with the issue whether aid can necessarily ...

Andy Sumner

Can I add that?

Claire Melamed

Okay, go on, you add.

Andy Sumner

I was just going to say I wanted to raise the issue of domestic tax systems. There was one report that \$1 of investment in building domestic tax systems actually brings back \$10 in domestic taxation. I think there's an issue, I totally agree with what you're saying, Owen, about getting kids into school and immunised are very important things. I just wonder if there's also some way that – I mean, ultimately aid is somehow about some time in the future emancipation from aid. And I wonder what the kind of trajectory or strategy is? I mean I saw Dambisa Moyo speak last week and I don't agree with much of what she says, but I thought there was an interesting point she was – if you dig, dig into her thesis and try and figure out what you can get a handle on, one issue which she wasn't raising is that aid without any endpoint is actually detrimental to government structures. And maybe if aid was about emancipation at some point in the future, that would involve building tax systems, business and enterprise policy for the private sector, particularly small and medium size enterprises. It might mean accelerating urbanisation and a movement out of agriculture, I don't know. So I just think there's ways of helping people through the aid program but maybe in addition to doing that, trying to think more long term as well.

Claire Melamed

But I still think it depends – I still think the role of aid in any of that is much less than we might think it is. I think even with the example of tax, if you already have a government which is committed to developing a tax system, if you already have a kind of formal sector – the extent of formal sector and private activity which gives you a tax base and so on, then aid can kind of give you a little push at the margin to, you know improving your data collection and setting up good institutions. But in a different country aid couldn't achieve that role, it's still much more about the circumstances of the country. And aid is – really doesn't have very much effect on that. So I think we need to be very cautious about claiming too much for aid. And

I think that goes double for the more – the bigger political and social changes. Although I think, absolutely, those are the things that are needed, and more political participation for more people, a more redistributive tax system and so on, are absolutely at the heart of development, I still feel quite uncomfortable about us claiming a role for aid and by extension for and the big aid donors in bringing that about. You know, that just does seem quite uncomfortable, a sort of uncomfortable level of outsiders intervening in other societies which doesn't have a very good track record.

Owen Barder

So let's look at what are the non-aid policies that both might be effective and which have legitimacy, picking up Claire's point about to what extent this external involvement in political and social change is valid and effective. Are there things in the non-aid space that are quite likely to both accelerate economic growth but also to help those societies grow in a more equitable way and have more accountable political institutions? I mean things – clearly trade policy comes to mind as something that can affect poor countries' economic development, although it's not a – I've not seen any analysis of what kinds of rich world trade policies will change inequality in developing countries. But there are other things like rights advocacy, creating international norms, those kinds of things that you could imagine might affect some of these changes in developing countries. Claire, what do – if aid – you're I think saying that aid doesn't look like our most valuable lever in the fight to try to reduce inequality in developing countries here. What do you think we should be looking at?

Claire Melamed

I think that what international policies can do is just to kind of extend a range of opportunities available to those governments who want to do something about inequality, for example. So – and we've been talking about tax already and about aid in tax systems. But I think a much bigger and much more important thing that rich countries could do to help developing countries reform their tax systems is to reform their own tax systems, to reform the kind of global rules on tax that allow companies to under-report the profits that they're making in developing countries and so reduce the amount of income which developing country governments could potentially have to raise the tax on. So I think, and as you said trade is important and I think first we need to come back as well to some of the issues around intellectual property that we were all discussing at the time of the last round of trade talks ten, fifteen years ago and the role of knowledge and sort of sharing knowledge fairly around the world. It's just becoming more and more important as the role of knowledge in growth and in people's own individual incomes is growing.

Andy Sumner

I suppose we probably ought to think about how climate negotiations, climate finance, adaptation, these kind of things fit into the future looking forward as well. Obviously climate finance is going to be – look substantial; it'll probably go to the low-income countries where most of the poor don't live. That's one set of issues. But there's also a set of issues around adaptation and people all around the world, particularly poor people, dealing with the impacts of climate change, and how the international community might support or work with middle income country governments on these kind of things.

Owen Barder

And what about more explicitly trying to address issues of inequality through, for example, some – creating stronger international obligations. Do you think that's a – do you think as on the cards and do you think that is likely to be an effective way of tackling inequality?

Andy Sumner

I mean I guess there are two things that spring to mind. The first is the region of the world where inequality has been substantially reduced over the last ten, fifteen years, of course in Latin America. And that was largely due to indigenous political, social movements. I suspect aid had very little to do with that at all but international norms probably helped a lot. I know a friend from Malawi said there's no chance of getting any of these rights that Malawi is signed up to, but it creates an advocacy tool for making claims to them. And obviously under the international idea of progressive realisation it gives advocates something to advocate with. I'm just struck with the Latin American example, because there's a situation where fundamentally you're talking about major political shifts over the last 20 years. Perhaps we're seeing the same thing in India at the moment; poverty and inequality became election issues about seven or eight

years ago. And since then there's a series of rights that have been agreed by the Indian government. And although those rights aren't available to everyone yet, there's certainly some major political change. And Indonesia too, you have a very vibrant civil society and I think some real political change from within. These things take time. I don't know quite in countries, other countries the situation, maybe Claire can add?

Claire Melamed

I think all that is, all those examples are quite inspiring ones and they all do – but they, I think what they all show is, again, how central national-level action is to this. And kind of all of them in different ways question whether international action is really as important as we think it is. I think it would be quite hard to imagine how one could have an international norm on inequality. But I do think we're going to need to think in the next – as we start to think about how to take international poverty agenda forward after 2015, I think what's going to be very clear is that unless you think about inequality within countries you're not going to be able to end poverty. So I think there's a very strong instrumental case for the international community thinking harder about inequality as a tool, or reducing inequality as a tool to end poverty rather than necessarily having some sort of global norm on inequality. I think I'm perhaps slightly more sceptical than Andy about the value of the international human rights, law and obligations to capitalize change. But perhaps that's another issue.

Andy Sumner

But just to add to that this is not just a question of some researchers in Africa. So you had the managing director of the IMF making a speech about inequality. You have Martin Ravallion, Head of Research at the World Bank, writing a series of works on inequality and how it slows down poverty reduction. You also have UNICEF and UNEP putting out publications before the MDG summit saying equity is the next thing, we're leaving all the hard work to after 2015. We ought to start thinking about the poorest 20% or so, or maybe poorest 40% now. So it's kind of, in a way it's, I guess inequality re-emerges every 10 or 15 years or so in development policy debates and it seems to be on the upswing at the moment.

Owen Barder

You've been listening to Development Drums with me, Owen Barder, and my guests today have been Andy Sumner from the Institute of Development Studies and Claire Melamed from Overseas Development Institute. Andy, Claire, thanks very much indeed.

Andy Sumner

Thank you.

Claire Melamed

Thank you.