

## BOOK REVIEW

# The Bottom Billion

By Paul Collier

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Review by Karol Boudreaux

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I recently visited a company based just outside Kigali, Rwanda called Gahaya Links. The company, started by a Rwandan single mom named Janet Nkubana, sells beautifully handcrafted baskets for the US market. Janet started her business in the mid-90s, after the genocide. She recognized that ex-pat staffers working for NGOs in Rwanda wanted souvenirs. She also realized that a large number of very poor women, many of whom were widows, needed work. Janet bet that if she could get the women to weave good baskets, she could sell them. The rest, so the saying goes, is history.

By 1997 Janet was selling the baskets at flea markets in the US. In 2002, after the US African Growth and Opportunity Act (AGOA) was passed, she registered her business as an export company and began to send baskets duty-free to the US. In 2004 she was sponsored by US AID to show her wares at a major conference in the US. She received funding from the US African Development Foundation for capacity building and today she works with over 4,000 women who produce baskets for sale in America. Her major client is the large US retail chain Macy's.

Janet's story is impressive for several reasons: first, she has built a strong business that is competing well in the global market – a tough accomplishment for anyone. Next, she did this in post-conflict, landlocked Rwanda, a country decimated by the genocide of 1994. She has managed to find good partners, in both the private sector and the public sector, and with these partners has built a business that provides several thousands of women with better income, more skills, and a sense of community.

In his latest book, *The Bottom Billion*, Paul Collier (a professor of economics at Oxford University) pays little attention to people like Janet – the entrepreneurs working in Africa and elsewhere who are creating wealth for their fellow citizens. Indeed, the sense one has reading

*The Bottom Billion* is that “Janets” do not, or should not, exist in countries like Rwanda: countries burdened by one or more “development traps.” Such relatively small-scale, micro-level efforts to build sustainable businesses are not a part of Collier's story; instead, he constructs a theory of why poverty persists in some places and not in others. His building blocks come from a body of work done with a host of co-authors over the past decade. And while a great deal of what Collier suggests is extremely sensible, there is room for some disagreement.

The book focuses on those 58 countries, most of which are in Africa, where much of the population still lives in absolute poverty: these are the “bottom billion” and, Collier says, we'd best pay attention to their needs for at least two reasons: one, because it's the right thing to do and, two, because if we ignore them they are likely to create serious problems for the rest of us in the future.

Collier stakes his ground somewhere between the peripatetic Jeffrey Sachs, who calls for a “big push” to double official development assistance and end poverty and NYU economist William Easterly, who is deeply skeptical of the aid business and who argues that empowering “seekers” rather than “planners” is the better strategy for ending poverty. Like Easterly, Collier speaks as an insider who recognizes many of the problems associated with the aid business (he was previously director of the Development Research Group at the World Bank), but unlike Easterly, he argues that aid – sometimes substantial amounts of it – will be absolutely necessary to help these poorest of countries avoid sliding further behind the developed world.

But Collier is not a “throw money at the problem” economist. He has studied circumstances in which aid seems to work and circumstances in which it is harmful. The result is a nuanced approach to development assistance. He notes that ex-post aid (such as the

US's Millennium Challenge Account) *does* give countries positive incentives to reform policies. His research also shows that providing large amounts of aid to a new leader or at the beginning of a reform process might actually create disincentives to carry through much-needed policy changes. The "go slow" approach he advocates is counter-intuitive but sensible.

Another of Collier's interesting suggestions is to funnel more aid through "independent service authorities," some of whom might be NGOs, churches, or other private firms. There would, he argues, need to be oversight of such authorities as well as meaningful accountability, but the idea of shifting more services such as health care, utilities, and education away from the public sector in countries that lack capacity is a good one. It would create much-needed employment opportunities in the private sector and, as the work of James Tooley and Pauline Dixon shows, such independent service providers deliver. To take just one example, private education entrepreneurs are effectively meeting the needs of very poor students in Nigeria, Kenya, and India.

On the down side, though, Collier's suggestion that the bottom billion would be well served by greater reliance on a series of international charters, some of which would be administered by international organizations, is debatable. While some private-sector led initiatives, such as De Beers' Kimberley Process, or the Extractive Industries Initiatives provide encouraging experiments in developing "best practices," this does not mean that a new Charter on Budget Transparency or on Natural Resource Conflict – which would need to be signed and adhered to by sovereign states – would fare better than the current crop of UN-based charters. Collier fails to make the case that international organizations would be better at implementing his suggested charters than they have been at implementing existing international laws.

A final concern is Collier's claim that it might simply be "too late" for the bottom billion to enter into the global marketplace. Collier suggests that competing against China and India will be well-nigh impossible for many of these landlocked, poorly governed, post-conflict countries. No doubt these are serious disabilities and, there is no doubt that China and India are serious competitors, but presumably the principle of comparative advantage continues to apply: as the Chinese and Indians specialize, each of the bottom billion will be able to specialize in tasks that *they* perform comparatively well (think about Janet's baskets). Through specialization and exchange the bottom billion do have hope of a better future.

Paul Collier makes a strong case that the world's bottom billion poorest people face unique challenges that call for strategic development assistance, but ultimately, what the bottom billion really need are more Janet Nkubanas.