Chapter 9

Inclusive Growth:

What Key Specific Actions that are Feasible for the G20 Acting in Concert would Help the Poorest Countries Escape from Mass Poverty?

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June 2022

This chapter should be cited as:
Collier, P. (2022), 'Inclusive Growth: What Key Specific Actions that are Feasible for the G20 Acting in Concert Will Help the Poorest Escape from Mass Poverty? in Ing, L.Y. and D. Rodrik (eds.) *New Normal, New Technology, New Financing*, Jakarta: ERIA and IEA, pp.101-113.

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1. Why is this question of overriding importance?

Making sense of the recent evidence

Every country has some unique characteristics, and to adapt Tolstoy's famous phrase, while affluent countries are all similar, those poor countries diverging from the rest of humanity are each 'unhappy' in their own way. However, to avoid drowning in detail, I am going to compress both countries and time into three groups.

The bottom billion are a group of around 60 poor countries which have been diverging from the rest of humanity. I will argue that they have been trapped more fundamentally: they face economic, political, and social hurdles, one or more of which they have been unable to overcome. In consequence, that are not even able to ignite a transition: the journey out of mass poverty.

The original analysis was done in *The Bottom Billion* (Collier, 2007). The countries faced the common symptom of poverty and divergence but were found in each continent, albeit with particular concentrations in Africa and Central Asia. The data for that book ended in 2003, and in my current work I have been able to update it. I can now show that the countries of the bottom billion have continued to diverge.

The country groups will be (i) the bottom billion, as used in my original book; (ii) the advanced countries – the affluent billion – as defined by membership of the Organisation for Economic Co-operation and Development (OECD); and (iii) the emerging market economies, which cover around 5 billion people from a vast range of countries such as Brazil, China, India, Indonesia, Turkey, and Viet Nam. This picks up a core argument of the book that the concept of 'developing country' was no longer fit for purpose: we needed to focus on the minority of countries, with about a billion people, where the biggest obstacles were to be found. This enables us to see whether the big story since 2003 has been divergence or convergence.

Similarly, I simply divide the time periods into four phases, designed to fit the distinctive episodes important for the bottom billion. They are the pre-2003 period on which the book was based, 2003–2014, 2014–2019, and 2019 onwards. The pre-2003 phase simply confirms that at the time of writing, the 60 countries of the bottom billion had indeed been falling behind. The 2003–2014 phase is distinguished because for the poorest countries it was a Golden Decade during which several favourable but unsustainable changes fortuitously coincided. The 2014–2019 period was a return to normality and so particularly important as an indication of underlying trends: it is a reasonable counterfactual for the future once the massive coronavirus disease (COVID-19) disruption has played out. Finally, 2020–2021 is the beginning of that massively disruptive COVID-19 shock, the impact of which has been highly distinctive for the poorest countries. Rather than use the limited growth data, I discuss the likely disruptive period separately.

Table 9.1 shows the growth rates of gross domestic product (GDP) per capita for the three groups of countries. The first column takes the period up to 2003, the data used in *The Bottom Billion*. As described there, the bottom billion were diverging from the rest of humanity, growing less rapidly than the emerging market countries and not even making progress in catching up with the vastly more affluent societies.

The middle column shows that, even during the Golden Decade, the bottom billion continued to diverge from rest of humanity. The rate of divergence with the emerging market countries actually accelerated. The crash in the growth of the affluent countries enabled convergence between the OECD and the bottom billion, but this was not sufficient to offset the accelerated divergence from the far larger group of emerging market countries.

The third column takes the story to December 2019, just prior to COVID-19. This column – the reversion to normality – is the most disturbing. The pace of growth in the bottom billion collapsed to far below even the pre-2003 period. Divergence with the emerging market countries further accelerated to a massive 2.7% a year, but now the bottom billion were diverging even further from the affluent societies of the OECD.

Table 9.1: Average GDP per Capita Annual Growth, by Group and Period (%)

Group	Pre-Golden Decade	Golden Decade	Post-Golden Decade
BB	2.4	4.0	1.0
EM	3.1	4.9	3.7
OECD	2.4	0.9	1.5

BB = bottom billion, EM = emerging markets, GDP = gross domestic product, OECD = Organisation for Economic Co-operation and Development.
Notes: Constant prices; purchasing power parity exchange rates.
Source: Collier, P. (forthcoming), *Horizons and Heroes* . London: Allen Lane.

So much for the crudest data – per capita GDP growth. A better guide to the long-term prospects for living standards is the growth of wealth per capita. New data from *The Changing Wealth of Nations* (World Bank, 2021) for the first time enable us to match this in virtually the same country groups and time periods. The post-Golden Decade period loses only 2019, covering 2014–2018.

These results are set out in Table 9.2. They tell an alarming story which has not previously been noticed.

Both before and after that exceptional Golden Decade, wealth per capita in the bottom billion was in absolute decline. In both other groups, in all three time periods it was growing. The bottom billion were not only diverging relative to the rest of the world but heading in the opposite direction. Even during the Golden Decade, it continued to diverge rapidly from other developing countries.

Table 9.2: Average Annual Growth in Total Wealth per Capita, by Group and Period (%)

Group	Pre-Golden Decade	Golden Decade	Post-Golden Decade
BB	–0.5	3.1	–1.0
EM	2.9	5.5	3.0
OECD	1.5	0.7	1.1

BB = bottom billion, EM = emerging markets, OECD = Organisation for Economic Co-operation and Development.
Notes: Constant prices; market exchange rates.
Source: Collier, P. (forthcoming), *Horizons and Heroes.* London: Allen Lane.

The full enormity of these figures becomes apparent when we look at absolute levels of wealth per capita. Over the entire three periods, it rose in the bottom billion by just US$5,000 in all forms. In the affluent societies, despite the spectacular crises, it increased by US$76,000 and in the emerging market countries by US$46,000. This is an alarming divergence. The emerging market economies are catching up so rapidly with the already affluent that they are indeed likely in the next few decades to merge into the OECD. But on these data, there is scant basis for belief in the convergence of the bottom billion with the rest of humanity over any meaningful time frame. More likely, by 2050, a vastly expanded and remarkably wealthy OECD will confront another group of countries in which mass poverty is deeply entrenched.

Finally, I draw attention to another astonishing result that should be of immediate concern to the Indonesian G20 in view of its understandable focus on planetary sustainability. Once again, I use *The Changing Wealth of Nations* data, now focusing on renewable natural capital such as timber and fish. There are really severe problems with the measurement of this concept, so a qualification is called for: the topic will need a sustained global research effort. But for the moment, what we have is shown in Table 9.3.

Table 9.3: Annual Percentage Change in Renewable Natural Capital per Capita During Each Period

Group	Pre-Golden Decade	Golden Decade	Post-Golden Decade
BB	–3.5	–1.3	–2.8
EM	–0.5	1.7	0.5
OECD	0.2	0.9	0.5

BB = bottom billion, EM = emerging markets, OECD = Organisation for Economic Co-operation and Development.
Source: Collier, P. (forthcoming), *Horizons and Heroes.* London: Allen Lane.

On these data, not only is the planet's renewable natural capital declining, but this is entirely concentrated in the bottom billion, where it has been happening rapidly in all three periods. This is partly due to the behaviour of international companies in them, and partly because societies were spending their renewable natural capital out of desperation, faced with the crisis of diverging wealth and income revealed in the two previous tables.

If these data are broadly substantiated, which we are unlikely to know for many years, they suggest that the challenge of a sustainable planet is fundamentally subsumed in the larger challenge of reversing the divergence of the poorest and most fragile countries.

2. What can be done to reverse the divergence of the poorest countries from the rest of humanity?

The economic complexity of transition in the poorest societies

The escape from mass poverty depends upon the generation of productive jobs. Such jobs both directly raise the incomes of their workers and indirectly stabilise the society by bringing hopeful prospects to young people. But they depend upon harnessing the opportunities of scale and specialisation. No society has ever succeeded in generating them without relying largely upon legally recognised business organisations employing anything from 20 workers to many thousands of them. The notion that the escape from mass poverty can be driven predominantly by small farmers and microenterprises is a romantic chimera.

The poorest countries are desperately short of formal firms because they do not provide a good habitat for business. There are various reasons for this, some of which are due to domestic economic policies. The international economic agencies have long made a fuss about poor domestic policies, but in doing so they miss the most fundamental one, which is indeed the one in which they could make their most important contribution. It is that the standard market forces that propel growth in the emerging market and advanced economies themselves frustrate both the entry of established foreign firms and the formation of new domestic firms in countries that are small and poor. The key economic theory of why this is the case is the *pioneering problem* facing investors in highly uncertain markets (Bhidé, forthcoming).

A firm pioneering local production for an unserved market in a small, poor country faces major hurdles. Radical uncertainty contributes a double whammy. The market for the product or service is uncertain. If the product is being imported, will consumers only buy one that is locally made if it is cheaper, or will they be willing to pay a premium? This is *market uncertainty*.

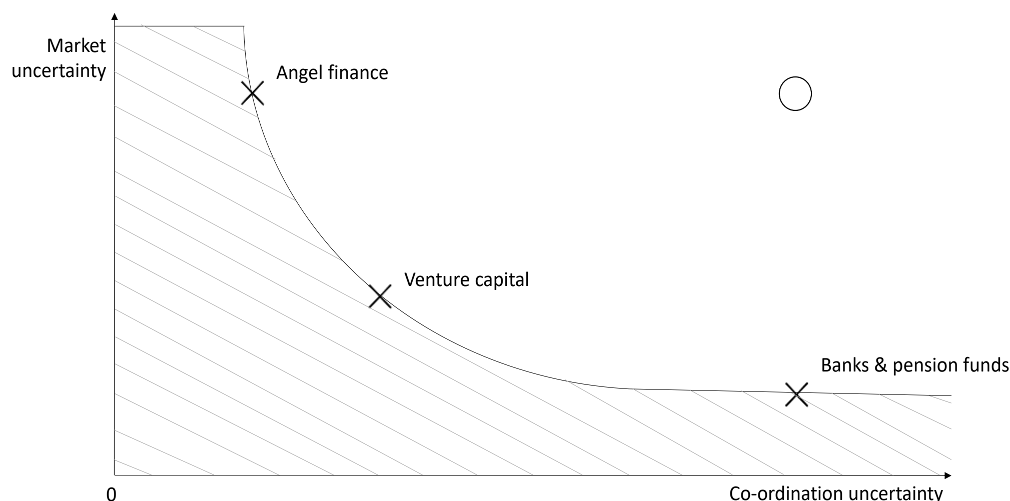
But the investment also faces *coordination uncertainty*, the main source of which is the future behaviour of other firms. Modern production of goods and services harnesses scale and specialisation not just at the level of the firm, but at the larger levels of clusters and value chains. No firm wishes to be the pioneer firm in a cluster because the cluster may not form. If it needs five firms before a cluster is viable, each firm will rationally wait until it is the fifth and so the cluster never forms. The only way to overcome this is for the pioneer investment to go in big – a large

firm enters, dragging its suppliers and some of its customers with it. This was feasible in China because once the economy began to grow, it was evident that all major firms could not stand aside and miss such a vast future market. There is no equivalent compelling reason for a major international firm to go in big into Mali, Haiti, or Afghanistan.

The global financial sector, even at its most sophisticated, cannot finance this double whammy of uncertainty. It has designed mechanisms to overcome either form of uncertainty in isolation, but not in combination.

I summarise this in Figure 9.1. The three crosses represent the three different types of finance, and the curve which joins them constitutes the frontier of feasible combinations of investment risk that can be financed. The money that can get an idea launched: founders-cum-angels. The money that can take it to a viable scale: venture capital. And the money that can take it all the way to big: banks-cum-pension funds.

Figure 9.1: Finance and Uncertainty



Source: Author.

An affluent economy has all of them, while the countries of the bottom billion have none of them: but why not? The circle denotes the absence of finance – even in affluent economies – for the double whammy: a totally new product that needs big finance for scale. That is the problem facing practically all new investment except natural resources extraction. That is why there are none of the other three forms of finance in the countries of the bottom billion: none of these forms of finance would find enough businesses to finance because the opportunities to break into a modern economy require a form of finance that does not exist anywhere.

The rare Silicon Valley exceptions prove the rule: Steve Jobs with the iPhone; Elon Musk with the Tesla. But how did they do it? They were both visionary charismatic showmen who sold a glamorous narrative to a fan club of early buyers. They also relied on modularity in their businesses: each established units which could run profitably even if the vast, high-glamour bets failed. Yet, in both cases, it was a precarious high-wire act: the circus floor is strewn with the

corpses of wanabees. A more realistic way to crack the problem in the bottom billion is a change in public policy.

As if uncertainty were not enough of an obstacle, there are others. A pioneer will need to bring skilled foreign workers in to train the workforce. If it is successful, other firms will enter and get their skilled labour much more cheaply by poaching the ready-trained workers from the pioneer: it pays to be the second entrant. If the finance is to come domestically, it will require deferring consumption, which is inherently always hard in a poor society. Another obstacle is the putty-clay nature of investment: just as an omelette cannot be turned back into eggs, so a concrete building cannot be turned back into the time and material inputs needed to finance it. A building remains that particular building, in that particular place, for decades. It only enables future consumption to be higher if it enhances future production, and that depends upon what the future has in store. Building an office block in Bujumbura is only useful if businesses will want to put a workforce there.

In advanced market economies, making such investments has become less scary: although the building cannot be reverse-engineered, it can be sold. Depending on the price others are willing to pay for it, the initial investor may be able to restore the option of using equivalent resources for something else. But in small, poor societies, there is only a limited market for the asset. If a block of apartments turns out to have nobody wanting to live in it, then the initial investor will be unable to find any buyer who would not face the same problem: the investment would be a write-off. So, commitment to an irreversible specific-purpose investment is scary because the future is inherently and radically uncertain.

The crucial implication for all international collective action

If this is the typical context, all international action needs to recognise that it can have a valuable niche role, but only if it also recognises its limitations. The agency for action must be vested in domestic leadership. Only they have the deep contextual knowledge that is essential to understand what is feasible; and only they can build the trust of a sufficient number of citizens, which is essential for their willing compliance in achieving national goals. International actors need the modesty to recognise that they cannot possibly ‘know best’ what to do in such complex situations, nor do they have the moral legitimacy to impose conditions on what domestic leaders should do.

Unfortunately, in some of the bottom billion, the interests of those who rule the state and control its coercive power are fundamentally misaligned with the well-being of their citizens. Where this is the case, or where there is no consensus amongst a substantial majority of international actors as to whether it is, there is no basis for collective international action. In these situations, the most realistic international approach is to wait until there is a domestic realignment of the interests which control the state. Such realignments do happen: often, through a new alliance between some of the ruling factions which control coercive power and some of the factions of those citizens who have been excluded from power. Once this happens, the international community is plunged into uncertainty: none of its members can be sure of what to do.

The new opportunity for substantial international consensus on swift provisional action

What new leaders decide to do may be determined by what they see as feasible. *A new international policy of swift and supportive unconditional international help for a widely agreed initial period would make embarking on transformation less daunting.*

I suggest that there is a common interest amongst a substantial majority of G20 governments which arises in the following situation. It starts from a country that is very poor, but whose domestic leadership has manifestly frustrated economic growth. Perhaps unexpectedly, the country's leadership changes. In such situations, the pertinent G20 governments should swiftly and unconditionally grant a 10-year moratorium on all debt service and repayments. The rationale is fourfold. Firstly, it gives the new leadership a period during which it controls some freed-up discretionary resources. During the decade, they can learn by trial and error, and from mentoring by successful recent transitions in countries that were similar. Secondly, by providing new leaders with the freedom to forge their own path, it provides impartial outside observers an opportunity to better assess the characteristics of that leadership. Thirdly, it is almost costless to creditor G20 governments. Typically, the government benefiting from the moratorium lacks the revenue to make many of the payments to creditors. A swift decade-long moratorium would be a sensible compromise between the current minimalist G20 collective creditor response to the COVID-19 crisis, and the infeasibly generous approach of automatic swift debt cancellation. G20 creditor governments would simply be facing reality.

Finally, instead of agonising as to whether to provide support in a situation of fundamental ignorance, it enables the pertinent international community to postpone its decision on its revealed choice of strategy, free of pressures and after a period during which the leadership has had time to learn. At that point, there is inescapably a judgement call, most plausibly taken by the International Monetary Fund (IMF), as the *de facto* coordinator for much international action.

Making a judgement is what IMF staff are paid to do. But the key criterion should no longer be acceptance of a negotiated IMF programme. It would become whether the new leader has revealed in their own freely chosen actions during that period of uncertainty, sufficient willingness and aptitude to sacrifice their own personal interests for the common good. Are they reconciling the short-term interests of their supporters with the longer-term needs of the economy? In reaching this assessment, new leaders should not be expected to be 'saints' or geniuses. The judgement would be about whether the leadership has been taking steps consistent with gradually persuading ordinary citizens to prioritise contributing to a better future for the nation's children, alongside their own individual interests. More succinctly, are they building some 'willing compliance' of citizens to contribute to the public interest? These are subtle matters not reducible to mechanistic 'tick-box' rules, but an impartial observer can, over time, form a defensible assessment. In some situations, a judgement may be possible within months; in others, it may take some years: there can be no time-based rule.

In reaching that assessment, three massive temptations must be resisted. One is the universalist strategy that has been common in the international agencies, of assuming that there is equally useful work to be done in all contexts at all times. This is wishful thinking: some countries spend

long periods during which the ruling domestic power is fundamentally hostile to any reasonable interpretation of transition, and efforts which refuse to face this reality dissipate scarce international resources and contaminate otherwise favourable expectations about the genuine opportunities for transition.

The next temptation is the presumption that because new leaders are only ‘amateur’ economists, professional international agencies ‘know best’ what to do. The agencies *cannot* know enough because they lack the deep knowledge of what is feasible in a highly distinctive local context. If the agencies proffer advice, especially if backed by explicit or implicit conditionality, *they become too powerful to be resisted, while being too distrusted to be accepted.* This results in the devastatingly damaging and familiar game in which leaders sign documents that commit them to actions in which they do not believe, and so undermine by offsetting countermeasures. In such situations, IMF staff typically claim credit for a few short-term reforms, but this is at the enormous cost of destroying the vital process by which a government learns from its freely chosen policy experiments.

The final temptation is for senior political appointees, both in the agencies and in international meetings, to assume that they have the moral authority to insist on the priorities that leaders of poor countries should adopt. Other than in rare extreme situations, this is widely perceived within poor countries as a form of moral imperialism. However popular it might be with the voters to whom internationally powerful politicians are answerable, it is usually highly counterproductive within the countries subject to it.

3. What can the G20 do now?

The G20, run by finance ministries, is a recent and promising mechanism for international cooperation. Given current tensions, it is sensible to form large majorities of pertinent G20 governments, which can collectively take leadership in tackling the challenge of reversing the economic divergence of the poorest countries from the rest of humanity.

I will focus on five practical new mechanisms. The first, and overarching one, is a new public acknowledgement of divergence as a major problem, matched by a commitment to endeavour to reverse it. The second is the debt moratorium proposed above. The third, which follows from the second, is to harness the scope for *voluntary compacts* between the governments of small, poor countries wishing to make their habitat for business more attractive in a fiscally sustainable way, and the G20 governments willing to use their development finance institutions (DFIs) and their aid agencies which own their DFIs, to encourage their firms to make pioneering investments. The fourth is an essential ethical intervention to rectify the very limited support that the poorest countries have had in coping with both the economic and medical consequences of the COVID-19 crisis. The fifth, the counterpart of the fourth, it to commit to taking effective action to close the safe havens for corrupt fortunes made at the expense of the poorest countries.

A public commitment by the G20 to reversing the divergence of the poorest countries from the rest of humanity

The evidence on the persistent divergence of the poorest societies from the rest of humanity is now unambiguous. Reversing this needs to be publicly acknowledged by the G20 as a globally important priority in its own right. By acknowledging it, G20 governments would implicitly or explicitly signal that 'business as usual' could not continue. This would licence a much-needed learning phase of 'whatever it takes': innovations by public agencies and major corporations. Fortunately, there is considerable scope for being much more effective. Reversing divergence is entirely feasible, though not merely by scaling up previous approaches.

G20 finance in the infrastructure of connectivity

No country has ever escaped mass poverty while being self-sufficient, yet many of the poorest countries are currently isolated due to their inadequate infrastructure for physical and digital connectivity. Building this infrastructure is a major investment which is best financed by aid. The switch of aid programmes from this to a more emotive social agenda has been damaging. The notion that, in tiny economies, such infrastructure could be financed by global capital markets has proved a fantasy: investors demand prohibitively high rates of return. Financing the vital infrastructure of connectivity could be reconciled with the political need for glamour and speed by a G20 commitment to enhanced digital connectivity.

G20 finance for viable businesses

As to opportunities for viable businesses, the specific opportunities are best chosen not by international agencies but by local leaders, bringing in such expertise as they choose – completely delinked from agency conditionalities. For example, the Government of Rwanda devised an ingenious integrated strategy for developing tourism, piggybacked on attendance at conferences. By the onset of COVID-19, it had become the second most visited country in Africa. No international agency would have thought of such a strategy or had the capacity to stick with it for a decade. Ethiopia has rapidly developed a light manufacturing export sector, which has been successful despite persistent criticism by the IMF. It is also now exporting climate-friendly hydroelectricity within its subregion. Some countries in both Africa and Central Asia have opportunities for regional export clusters and value chains within their regions. These are best discovered through decentralised innovation rather than devised in international agencies.

The decade-long moratorium on debt service and repayments amongst G20 creditors

The rationale and mechanics of this approach are set out above in the final part of section 2. They are a realistic and inexpensive compromise between tokenism and a premature new round of debt forgiveness. The World Bank, IMF, and bilateral agencies are not wrong to point to deficiencies in the contribution of host governments to an adverse business climate, although they do overemphasise it. But once new leaders are free to set their own priorities, some will want to partner with pertinent subgroups of the G20 in forging voluntary partnerships. This feeds into the next proposal.

The opportunity for a voluntary partnership compact to assist economic transitions

I have helped to develop the idea of compacts in two phases. The first was through my work in Jordan with Alex Betts, the Director of the University of Oxford's Refugee Studies Centre, during Jordan's refugee crisis of 2015. The outcome of that work was the *Jordan Compact*, discussed in our book, *Refuge* (Betts and Collier, 2017). The model has now been widely adopted with other countries, which provide the main global havens for refugees.

In 2016, I was asked by the German Ministry of Finance to assist with the Africa component of its G20 Presidency in 2017. This introduced the *Compact with Africa*, at which around 200 German firms were introduced to seven African governments with a view to finding mutually beneficial investment opportunities, joined by some other G20 governments. But the key weakness of the Compact with Africa was that the DFIs of the G20 countries were not yet in a position to play a sufficiently active role and were not yet aware of the full extent of the pioneering problem.

There are around 40 DFIs around the world. Until recently, they have largely regarded each other as competitors: there is no association or forum at which they all meet. Since 2018, in partnership with the International Finance Corporation of the World Bank and the British International Investment of the Government of the United Kingdom, I have hosted an annual meeting at Oxford at which the largest 30 DFIs meet to discuss how they could work together towards a common agenda of being more effective in the poorest countries. There has now been sufficient progress to link this to a G20 initiative with the same objective, should the Government of Indonesia wish to make this a priority.

The specific asks of G20 governments in respect of their DFIs

G20 governments with DFIs face a choice concerning the instructions they give to their aid agencies, which are usually the direct public owners of their DFIs.

Currently, most aid agencies impose well-intentioned regulations, such as avoiding reputational risk, requiring a commercial rate of return on investment, and insisting that all investments lead to verifiable reductions in carbon emissions. *These conditions have the unintended but inevitable practical effect of leading their DFIs to minimise investment in fragile countries.* Further, since there is only a tiny pool of projects that meet all these requirements, DFIs compete against each other to get them: this destroys the collaboration which is necessary for achieving the overall objective of using DFIs to overcome the pioneering problem. Quite clearly, facing the immanent task of helping the economy of Ukraine to recover, DFIs will play a vital role. Any overly restrictive conditions that their aid ministries have previously imposed on them which impede effective assistance to Ukraine will be set aside. No G20 government can afford to be seen to adopt one approach to Ukraine, while maintaining tougher rules for the assistance of Yemen (where, at the time of writing, new leadership looks to have created an opening).

Generalising from this, what aid agencies need to be doing is to insist that their DFIs rapidly and substantially increase the number of jobs that they create in countries that are very poor and fragile, and that *this is their overriding priority*. This will open a practical conversation with their

DFIs. Most likely, as with the Private Sector Window of the International Finance Corporation, it will result in some aid money being used to meet the initial costs of pioneering. It will almost certainly involve the overhead operating costs of the DFIs in societies that are poor and fragile from being covered by aid budgets. Each of these countries has a distinct and complex local context. It is necessary to understand this context in order to find good opportunities on which sensible investment decisions can be based, but for that it is necessary to have a team resident on the ground. Even with a resident team in place, the deal size will usually be small, and the deal flow will be limited and intensive in terms of staff time. If these overhead costs are loaded onto the projects, very few DFI investments will be commercially viable. The pertinent criterion for G20 public interest is not whether these DFI investments are commercially viable, but *whether the businesses which are catalysed due to them usually become commercially viable and thereby generate sustainable jobs.* Once this becomes the criterion, DFIs have an incentive to collaborate because by pooling their operations in these countries they can reduce their individual overheads and widen the pool of foreign firms that can be attracted.

The G20 Response to the African COVID-19 Crisis

The vaccine response

It now looks likely that the world will only be reasonably safe from the emergence and spread of new variants once the poorest countries have high vaccination rates.

Excellent recent work by Agarwal and Gopinath (2021) at the IMF has established that the cost of paying for this – through a massive increase in the supply of vaccines and the enhanced support for health systems that would enable vaccines to be distributed – would be trivial in comparison to the economic benefits to the global economy.

At a time of global political gridlock, the G20 would get some much-needed kudos were Indonesia to corral other members to fund this undertaking. To date, pledges have been trivial relative to costs. By gathering the 20 heads of government together for a rare in-person meeting, they might reach a collective agreement first to fund that cost by mutual commitments to contribute, and then to find a simple formula for dividing it up between them, based on just two criteria: the size of the economy and per capita income.

The macroeconomic response

COVID-19 and its disruptions have been a huge economic blow to the business sector around the *world.* OECD governments have responded by protecting their firms through incurring large fiscal deficits. This is sensible, not least to protect the vast organisational capital that the business sector has accumulated, and which would take many years to re-establish were it destroyed. The business sector in the poorest countries is smaller, but for that very reason it is more vital to protect the little organisational capital that is has. Excellent new analysis from the latest *World Development Report* of the World Bank shows the acute dilemma facing the poorest countries (World Bank, 2022). Their business sectors are facing severe debt distress, accentuated by the

constraints on their governments, which have faced debt distress and so are unable to increase their own indebtedness by anything like as much as the OECD economies.

This double-distress threatens to turn the COVID-19 disruption in the poorest countries into a prolonged crisis of debt restructuring. The average time taken in the past for global coordination to restructure debts has been 8 years, and due to the current more complex structure of claims, and geopolitical tensions, it could take even longer – precipitating disorderly defaults with unknowable but potentially catastrophic consequences.

The G20, and in particular the brief meeting of heads of government, is by far the most credible moment to reach rapid agreement on this existentially important matter.

A relatively straightforward way of remedying this situation is to link it to the recent issue of special drawing rights (SDRs). Since the quotas of countries that are small and poor are tiny, this has done little to increase their spending power directly. But were the G20 countries mutually to pledge whatever modest proportion of their own increase in SDRs they can reach general agreement on, to help the very poorest countries, it might provide more substantial resources. I suggest that they could be reallocated to the poorest countries unconditionally, based on two very simple and uncontentious criteria: very low per capita income of recipient countries, as measured by per capita GDP in 2020, and an equal per capita allocation between recipient countries. This would avoid the delay, disagreements, and loss of agency in any attempts to make eligibility depend upon either how the money was used or which countries should be favoured. I would avoid using the official ‘low-income countries’ categorisation since it has long become detached from the realities of current global poverty.

Closing the safe havens for money stolen from poor countries

As a result of the crackdown on the assets of Russian oligarchs, quite astounding amounts of money and luxury assets have already come to light. This demonstrates that when a broad consensus of the international community takes grand corruption seriously, it is entirely feasible to address it effectively and rapidly. Having demonstrated that it can be done, unless the G20 now commits to adopting the same approach to clamp down on the vast wealth looted from poor countries, it will lose its legitimacy as a key global actor. On such a matter, there can be no double standards.

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