

What makes poor countries poor? Institutional determinants of development

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***Book Review by Sally Ramage, Law Journals
Editor***

The trend in law book format today is 'short and sweet' and this book complies in that it has 275 pages on a topic that can easily cover several volumes. As the preface states, it offers a concise overview of institutions, including legal institutions in all developing countries in order to fathom what makes poor countries poor.



A multitude of doctorate degrees have been acquired through the study of these poor countries and yet today the solution to poor countries' woes is still not forthcoming, despite 'aid' and the many prestigious institutions formed to deal with the issue.

Another issue is the legal system of each poor country and there are Conventions and Treaties aplenty to rope all these countries in to reform or conform.

Then there there is the overseer institution, the United Nations whose Charter was signed on 26 June 1945, in San Francisco, at the conclusion of the United Nations Conference on International Organization. ¹ The Statute of the International Court of Justice is an integral part of the Charter. The problem is: to conform to whose laws and for whose benefit, cajoled as these countries are to conform and reap a benefit of international aid. ²

Prisons blamed for increase in TB and HIV diseases

Even HIV virus spread and the tuberculosis disease (TB) spread has been blamed on overcrowding in the institution of the prison as regards poor countries. The problem is that one forgets that the doctorate route dictates that students must espouse the theories of past scholars and advance their theories, not kybosh them, lest they find no award at the end of their studies and perhaps why we are no nearer an agreed meaning of development to this day. Case studies are useful in many ways but in many cases the English saying '*One swallow does not a summer make*' comes to my mind.³



¹ In force on 24 October 1945.

² Main multilateral institutions are Regional Development Banks (RDBs), the World Bank's International Development Association (IDA), the United Nations (UN) system, and the European Union/European Community (EU/EC).

The rationale for having aid agencies at all – whether bilateral or multilateral – as against relying on direct money transfers between donor and recipient treasuries, is linked to the agencies' role as mediators between the different preferences of different donor and recipient constituencies. Multilateral agencies have distinct advantages. They account for only 30 percent of total ODA disbursed and bilateral aid constitutes the remaining 70 percent.

Multilaterals have not always promoted the right policy to foster development and combat poverty in poor countries but they have played an important role in strengthening the legitimacy and credibility of unpopular programmes such as economic reform.

³ This sentence is attributed to Aristotle (384 BCE - 322 BCE) who is reputed to have said: '*One swallow does not a summer make, nor one fine day; similarly one day or brief time of happiness does not make a person entirely happy.*'

Conferences and hidden agendas

Nearly every rich country which comes to conference to solve the problem of poor countries has their own agenda- their own interests, be it political, economic, military or cultural. Poor countries must be careful of adopting wholesale a developed country's legal system which will not work in this poor country's situation, coming to the table with many problems and oftentimes much hidden and unexploited resources within its boundaries. For example, employment law studies to enquire whether better practices in factories in one country can be 'transplanted' into poorer countries show that this is possible, with huge supervisory provisos, however.⁴ They do not have the advantages of the expertise and knowledge of the rich countries. Even plan to give financial aid to poor countries have gone awry because of the Western economic recession.



An overview of International Development Aid

Times of rapid change in the overall aid funding climate are an opportunity to make conscious and non-marginal decisions about how the international aid system functions and how to make its seemingly haphazard 'architecture' work better.⁵

The second development was the signing of the *Paris Declaration on Aid Effectiveness*, which set benchmarks for 'scaling up' aid both in terms of quantity and quality. Implementation remains a major challenge, to say the least. Not all the increases in aid that had been announced are secure. Not all countries will be able to implement the harmonisation and alignment agenda, with difficulties likely to be felt among both donors and recipient countries. At this point, the law can be put into action is desired.

⁴ Paul David Harpur, 'Better work: Problems with exporting the *Better Factories Cambodia Project* to Jordan, Lesotho, and Vietnam', *Employee Relations Law Journal*, Vol. 36, No. 4, pp. 79-98, 2011.

⁵ In 2005, two major developments took place affecting aid to poor countries. The first was a series of commitments to increase aid, which if it had been fulfilled would have resulted in a doubling of aid volume two years ago. According to OECD estimates, official development assistance (ODA) will increase from around US\$65bn in 2006 to around US\$130bn in 2012, but it did not happen because of Western economic recession.



The whole future of the international aid system is in question

Note that the drivers of aid to poor countries are: multiple foreign and security policy objectives that may or may not be bundled with anti-poverty goals; the continued existence of institutional barriers insulating aid programmes to different extents from hard budget; reduced willingness to use aid in its current form⁶ Symbiotic relationships with private and voluntary organisations, partly funded by official aid, but competing with it for taxpayer attention.

Over 70 per cent of development aid is financed by the G8. Policy influence is still largely aligned with financial contributions. Political attention in member countries ebbs and wanes, allowing the blocking of minorities. The international aid system consists of a loose aggregation of more than 90 aid agencies. ⁷In addition, some countries that until very recently were aid recipients are becoming donors themselves, countries such as Brazil, Russia, India, China, and South Africa.

The planned (but not fulfilled) increase in aid highlights some strategic questions about the future of the international aid system. Even with the full implementation of the Paris agenda, the '*aid industry*' as it is characterised by a large number of players, complex institutional arrangements, relatively high transactions costs, and, of most concern, poor accountability. Poor accountability is a breeding ground for fraud and corruption. ⁸ One very serious issue today is this: how good are the indicators currently used?⁹ Another important issue today is this: what is the role of multi-donor evaluations? ¹⁰

⁶ Developed countries sometimes reject foreign intrusion and poorer countries badly in need of aid but cannot qualify for aid.

⁷ Newer aid agencies include the Millennium Challenge Corporation (MCC), launched by the USA, the GFATM, and the International Financing Facility (IFF) and the IFF for Immunization (IFFIm).

⁸ Decisions are being made on an ad hoc basis rather than in a more systematic manner and so deprive the aid system of rationality, reliability, predictability, and forward planning. The replenishment of the IDA and/or the EU Financial Perspectives being an example of one such improvised approach.

⁹ One such indicator is the DFID's Multilateral Effectiveness Framework (MEFF).

¹⁰ For example, the evaluation undertaken by the Tsunami Evaluation Coalition. This book is a very good starting point of condensed information for lawyers and others involved in development of poor countries. It is an umbrella view of the situation.

Simplifying the problem of what makes poor countries poorer

This book is a very good starting point of condensed information for lawyers and others involved in development of poor countries. It is an umbrella view of the situation. This book is a very good starting point of condensed information for lawyers and others involved in development of poor countries. It is an umbrella view of the situation and does a good job of giving a taster and overview of the matter. On a minor point, the chapter titles read as if they assume that all readers of the book will be from the developed world (ie Western) in that chapter two contains the words 'Holy Grail' which will puzzle non-Westerners unfamiliar with the 1975 British comedy film '*Monty Python and the Holy Grail*', unless of course the author meant the Holy Grail to take its 12th Century folklore meaning of Joseph, the father of Jesus, in the Christian Bible, who was said to receive the Grail from an apparition of Jesus and sent it with his followers to Great Britain for its safe keeping, the Grail containing the blood of Christ, collected into the Grail as the body was being interred. The chapter titles are as follows:-

1. The ends and means of development
2. The rule of law and development: in search of the Holy Grail
3. The property rights/contract rights development nexus
4. Political regimes, ethnic conflict and development
5. Public administration, corruption and development
6. State-owned enterprises, privatization and development
7. International trade, foreign direct investment and development
8. Foreign aid and development: the aid institutions paradox
9. Conclusion: in search of knowledge