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TRANSCRIPT

"MONEY TO THE PEOPLE: CAN MINERAL WEALTH END POVERTY IN AFRICA?"

A Conversation With Marcelo Giugale and Alexandra Gillies

Introduction: Fawzia Naqvi

* * *TRANSCRIBER'S NOTE: Mr. Giugale's accent is difficult at times.* * *

ANNOUNCER:

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FAWZIA NAQVI:

Hello, everyone. Thank you for being here this evening. My name is Fawzia Naqvi and I represent the Soros Economic (THROAT CLEARING) Development Fund. On behalf of the Open Society Foundations, Soros Economic Development Fund and Revenue Watch Institute, it is my pleasure to welcome you here this evening for what promises to be an enlightening discussion on news ways of thinking about poverty eradication in resource rich countries and implementation of direct dividend payments generated from mineral wealth, to the vast majority of citizens who are poor. Our focus tonight will be on the Africa region and whether direct cash transfers to Africa's citizens is a solution for poverty eradication and a more equitable share and benefit from the region's mineral wealth and how this may actually have a global implication as well.

For this discussion and the questions it raises, I am very please to have with us tonight, our main speaker, Marcelo Giugale of the World Bank and (UNINTEL) Alexandra Gillies and-- who is my colleague from Revenue Watch Institute. I welcome you both here this evening. Now, allow me to present-- their bios for you, which are both very illustrious.

Marcelo is the World Bank's director of economic policy and poverty reduction programs for Africa, and international development leader, he has more than 25 years of experience span the Middle East, Eastern Europe, Central Asia, (SNIFF) Latin America and Africa, where he led senior level policy dialogue and over $25 billion in lending operations across the development spectrum. He has published widely on economic policy, finance, development economics, business, agriculture and applied econometrics.

You've been very busy, Marcelo, (CHUCKLE) indeed. Notably, he was the chief editor of collections of policy notes published for the presidential transitions in Mexico, Columbia, Ecuador, Bolivia and Peru. His opinion editorials are published in leading newspapers and blogs sites of Africa, Latin America and the U.S. He received decorations from the government of Bolivia and Peru.

And taught the American University in Cairo, the London School of Economics, and the Universe-- Universidad Catolica, Argentina. A citizen of Argentina and Italy, he holds a Ph.D. and MSC in Economics from the London School of Economics and a summa cum laude B.A. in Economics from the Universidad Catolica, Argentina. Alexandra is the head of the governors programs at the Revenue Watch Institute, a non-profit policy institute that promotes the effective, transparent and accountable management of oil, gas and mineral resources.

Her areas of specialization include the political economy of oil, commodity trading, extractive sector transparency standards, including the extractive industry's transparency initiative and Nigerian oil sector. She has authored academic articles on these topics and co-edited the volume *Smart Aid for African Development*.

Alexandra holds a Ph.D. in International Relations from the University of Cambridge, where her research addressed the political economy of oil sector policy-making in Nigeria. She spent 2008 in Nigeria as a Full-- Fulbright fellow. Prior to joining Revenue Watch, she consulted for organizations including the World Bank, DFID and U.S.A. ID and served as assistant director for the program of African Studies at Northwestern University. Alexandra also holds degrees from the University of Guyana and Emory University. Thank you. Marcelo?

MARCELO GIUGALE:

Well, thank you very much. I have to say I'm very, very grateful to you, Fawzia, for inviting me here and to the Open Society Foundation for welcoming somebody from the World Bank. I have to say I-- I admire the work you do here. It's not just that you give voice to the voiceless-- and hope to the poor.

Is that you do it in a way that open new doors for all of us. The freedom with which you think tells a story. I walk through that corridor-- just a few minutes ago. And some of those photographs, some of those torture chambers-- come from my country, my city, my times. I recognize those pictures. And frankly, if I had known 35 years ago, when I was in Buenos Aires, that somebody here in fancy New York were thinking of us, it would have lightened my heart. So thank you very much and my hat off to you and to your colleagues.

Let me profit from that attitude of yours, institutional attitude-- to work an idea with you, to explore one idea that may or may not work for every country. But carries a lot of promise for many. And in particular, I'm going to refer to the idea of making the average African citizen share-- (THROAT CLEARING) in her own natural wealth, to make Africans shareholders of their natural resources that belong to them anyway.

Literally, to distribute a portion of the commodity rent, that's how it's called when you speak about oil, gas and minerals. You see, commodity rent, that today goes from the companies to the government. How about if we just cut a portion of it, we discuss how much, and distribute it to all the citizens? What would the impact of that be? How crazy is that? And you can think about distributing this portion of the rent uniformly, meaning we all get the money whether we are rich or poor.

Or we can target it. We can just say, "If you are poorer, we'll give you more (THROAT CLEARING) money," okay? So that's the idea I want to explore with you. Before I do, let me give you some context of why this is important. I mean, it's not the intellectual exercise of it. Although that's interesting in itself.

The technology to explore, exploit and export natural resources has never been better. Actually, it has been a discreet (?) jump in the speed, the cleanness, the efficiency, the-- and a collapse in the cost of the technology necessary to find stuff underground. And let me explain this in different ways. Today-- in the past, you used-- 100 years ago, you send a guy to a jungle and he dug holes until he found something. And you were not sure even then. Today two ladies fly a plane very slowly and very low, with a chain. And at the end of the chain there is a metal ball. (THROAT CLEARING)

You think I'm kidding. It's true. It's called the MAD, magnetic anomaly detector. And that metal ball shoots waves down that go out to 200 meters underground. And bounce off anything that is found-- they find in there. And the computer up in the cockpit says, "This is gold or this is oil or this is gas," okay?

Now, I know this sounds futuristic. In fact, it was invented during the Vietnam War to check for the Viet Kongs in the jungle. But didn't work because the computer were not fast enough. Now they are. And they use it to make money, not to kill people. Now, this is not cheap. Actually, it will cost a billion dollars to map the whole of Africa. (THROAT CLEARING) And I know because the team that is trying to do precisely this, works in my department at the bank. I sign their checks. We call it the billion dollar map. And they tell me-- these-- these are all engineers.

They all look like Indiana Jones. You know, these people are really toughen up. Not like me, (UNINTEL PHRASE). But they say, "Our guess, ballpark, we only know ten percent of the natural wealth of Africa. The other 90% is yet to be discovered." In the last five year, there hasn't been a single coastal African country that hasn't found something.

The latest news came from Kenya. You heard the story, huh? All of a sudden, Kenya is oil rich, Kenya. And moreover is water rich. So they're not talking about being not just oil rich, but also being a basket for the rest of the region, (THROAT CLEARING) food basket. So keep that in mind. What we're talking about here is not just a bonanza of prices. This is a bonanza of quantities. The fiscal trend, the money that goes to government, depends on the prices and on the quantities.

The prices, our prediction, is that they are going to stay high. But it will stop growing. This is a projection for both energy and non-energy commodities. And what you see is that they will stay up there. It's amazing how much they grew in the last decade, that's China come into the world, that's what organization does to you.

And they will still have until at least 2025. So the prices will be high and flat. And the quantities will be expanding. So the revenue going to-- going to government is going to be gigantic, unprecedented for countries that didn't get this money before, not just for the ones that already did. Now, if you put that together with the past, then you say, "Oh, my goodness, this is bad news." And a lot of people that speak of natural resources as a curse. My friend, Alan Gell (PH), published a book 25 years ago saying is this-- is oil a curse or a blessing.

Maybe we'll say this is terrible. Why? Because the countries that, in the past, have shown natural resources and gotten a lot of rent out of them did very well. Let me show you one (UNINTEL). The bottom line of economic development is life expectancy and child mortality. Everything else is economist like me talking, okay.

If you really want to go the bottom of it, if a country can extend the average life of the citizen or the-- or the life of the average citizens and can keep children from dying the first five years of life, then they're doing better or well, okay? So look at this. You know, this is interesting. Whoops. This is interesting to me. This is the under five mortality rate and (COUGH) the GNI per capita. The GNI per capita is the income on average for the citizens of that country. And what you see is the enormous rate of infant mortality for country that are very rich in natural resources, no, Angola, Nigeria, Republic of Congo, Equatorial Guinea.

Equatorial Guinea for God's sake, look at the GNI per capita for Equatorial Guinea, no? And on the other hand, you have countries that really don't have much in terms of extracted commodities, but do very well. Now, what you see for under five mortality, you see also for life expectancy.

Now, the countries move to the other side of the graph, right? The life expectancy is very short for countries that have a lot of natural resources. Now, this is data for 2010-- by the way, data in Africa doesn't come every year. So when you get it, you use it.

But probably reflects the past 50 years. This reflects past bonanzas, meaning all those bonanzas that we saw in the past got wasted, okay? The money went somewhere else. So you put it together, you say, "Well, listen, you're going to have this new bonanza, bigger than every before, pushed by technology, can break through in the last five years."

Are we going to use it the same way as before? Are we going to do the same things?

Are we going to waste-- are we going to be here ten years from now in another one of seminars and we say, "Oh, man, we missed. (SNAP) The money's gone." As we had to say now for the previous ten years.

So that's the context. You will say, "Well, why are these countries that are so commodity rich, at the same time, so underdeveloped? What's wrong with them?" And the literature is all over the place. But the theory that I would say has the most supporters is one that says commodities, and in particular extracted commodities, weaken your governments. One the one hand, there is more money to steal. So corruption pays off more. If you're in a country that has nothing, you can't be really corrupt even if you want tell. There's nothing.

But there's a lot of easy money coming in, you know, there's something to fight for. But there's a second reason, which is deeper. And it has to do with the fact-- and this is where the political scientist-- and I will come back to them in a minute, where they now are having a field day of research (?).

They say societies that do well are those where there is a fundamental contract between the citizen and the state, in which the citizen pay taxes and in exchange, the state gives public goods, things that you couldn't produce by yourself, for example, public security, a stable currency-- a healthy-- population under five, meaning vaccinations. You know, people stretch the concept and say public education or public health. Maybe those you could perhaps consume with your own money. But there are things that you cannot produce or consume by yourself if somebody doesn't give it to you as a group.

That's called public goods, okay? Now, so the fundamental contract says, "I pay taxes," okay? "And in exchange, you give me public goods." Now, when, say the political scientists, your country's commodity rich, you don't have to pay taxes. So the state grabs money and produces public goods.

There is no contract with the citizen. Now, they say that if you pay taxes then you-- and this-- and the public goods don't come, the service are terrible, then you can go and kick the government and say, "What happened to your contract? I hold you accountable."

If I didn't pay taxes, you have no right to hold anybody accountable. So the theory is commodity rich countries tend to have weaker governments, first because there's more to steal and second is because there are fewer people checking-- because they have nothing-- no incentive to check. They just get free goodies, okay?

Let me also say, finally, as we enter into a process of democratization, and Africa is part of it, I would say the last ten years, and it's very imperfect, by the way, no? You check the age of this (UNINTEL PHRASE) and the ten year that they've been in and you wonder, no. But still, you know, you talk. People can speak up.

As-- we get voice, we realize that there are five degrees of separation between the average citizen and the resource, between oil and the little kid-- that walks into a school, public school. What are these five degrees? Well, the first is a minister of energy or a minister of mining deciding who to give the contract to. The decision is taken-- very sophisticated decision, no one checks with the kid, okay? The second degree of separation between the-- the oil or the copper and the kid is the company itself.

It is a private company or a semi-public company that decides how to explore, at which speed, where to explore, how to extract. All those decisions are taken without the kid being consulted. Then there comes the minister of finance that puts together a budget and says all this money coming from the royalties will be used this way, no consultation with the child.

Then comes parliament or congress where people debate and say, "This budget is no good or it's good or we are going to reload it somehow." In theory, they consulted the citizen when voting happened. That was four years ago. And then finally there is a minister of a sector, say a location, that decides where to build a school and how-- you know, how much to pay to the teachers-- who-- which teachers to hire. They take decisions, again, no consultation with the child. And finally somebody goes to the child and says, "This school you are walkin' in is thanks to your oil."

And he's supposed to understand that that's his oil, that he took the decision. This is bringing a new debate, this idea that you voice and those are resources, you need to be consulted along the way. That wasn't there before. Before we never even thought about it. We just took technical decisions in these five steps and went for it.

So that's the context. I have to say the idea of them saying, "Well, let's do something different and that thing that is different will be to distribute part of this fiscal rent to the people, say at ten percent, it could be more," that idea-- is fairly new, to be very frank, no?

I could say ten years. I will show some literature now. You know, but the interesting part is that only two places on earth have actually done this. One is Alaska and the other one is Iran. I don't know if you know this, but if you live in Alaska, just for being a resident, you don't need to be born there, you will get about $1,500 a year.

And that's the distribution of the rent that comes from the accumulated oil money. So they distribute the rent of the fund. They have what they call the Permanent Fund. They get the rent. They manage money well. They distribute by the number of people and you get your check. Okay, now you will say, "If I live in Alaska, I deserve it." Maybe.

Now, ten years after, Iran-- actually 20 because the-- Alaska started distributing money in the mid '80s, we must-- more-- more than 30 years. Iran, very recently, a year ago, tried to do that, but for a totally different reason. The Iranians had this gigantic subsidies to gasoline. You know, gasoline was cheaper than water, pretty much like Venezuela. And I will come back to Venezuela. Anyway, so much-- the-- (COUGH) the gallon of oil-- sorry, a gallon of gasoline in Venezuela today?

MALE VOICE:

Four cents.

MARCELO GIUGALE:

How much?

MALE VOICE:

Four cents.

MARCELO GIUGALE:

Four cents, that's right. Now, it cost more money to take the gasoline to the petrol station than to actually sell it. And I didn't say that. President Chavez said that-- a year before he died. Now the Iranians had the same situation. So they said, "This is crazy. So what we are going to do is this, 'People, do you want the money into the bank account or do you want me to send the money through the price of gasoline?'" And the people say, "No, we (NOISE) prefer to have a bank account." So every Iranian got a bank account and a debit card, okay? And the debit card went (UNINTEL) to everyone.

You know, not by household by person. And they began to transfer the money to the accounts in exchange for raising the price of gasoline. Very progressive because the poor don't have cars. So it work out very well for them. Now, those are only two cases. Now, in theory-- the first paper that I know of is by Xavier Sala-i-Martin and Alavind Subramanian.

And that's back in 2003. They proposed the same arrangement for Nigeria. And the profession really slapped them around, professional practitioners. People say, "This is crazy. What is this? The money's not enough. It's a joke." All kind of reasons that I will go into a minute.

But they were pushed back. Following them, nobody wanted to touch the issue. Because these two respect-- respected and respectable economies didn't do very well so nobody really wanted to touch the issue. So very few papers. One of those is mine (UNINTEL).

But not much. And most of this is very recent, as you can see. Why? Well, because it's-- it's very easy to criticize idea. There's long list of reasons not to do it, okay? Let's go through those reasons and what I'm going to claim today is that none of them holds true. That there's no reason anymore not to do it.

That technology and political changes have made these a distinct possibly, something that is very practical that could be happening any time, okay. Let me go through those. I know-- you will-- time me, right? I'm glad he didn't take all (UNINTEL) now. (CHUCKLE)

The first reason is identification is too costly. To find out who you are and how to reach you is not trivial (?), okay? Now, think about it. Think about it. At least in Latin America, we know that ten percent of children don't exist. Meaning, they are there but they've never been raised to anyone.

There's no birth certificate. So they'll never be part of the contract. They will never have an ID. They will never sign up for anything. They don't exist, legally speaking, okay? So identifying somebody irrevocably, meaning, "I'm sure it's you every time I see you," is not trivial. Try to do that in Africa, rural Africa, not trivial.

Well, truth is, and this is a big message. You have to take one message with you, it should be this one. We are on our way to knowing the world's poor by name, individually, one by one. We are on our way to knowing the poor by name. I will come back to this. But there is something you want to remember from this talk is the idea that the poor are a group, those that look in a certain way or live in a certain place, or profess a certain faith.

That's passé. Today we know the poor individually. This has started, of all places, in Mexico 15 years ago. When the Mexican Government decides to transfer cash directly to each poor person. At the moment-- at that moment, everyone-- everyone except two people thought it was crazy, okay?

And I know because I was a lead economist for Mexico. So I was witnessing this. Even the World Bank was against. And the two people that believe in it were the director of the budget, who's now the chief economist for the American Development Bank. And the then president, President Ernesto Zedillo.

Now, he believe in it because he was an academic. He was an accidental president. You remember that he became president when the candidate that was supposed to be president got shot and killed. So the two of them say, "To hell with theory and economists and the World Bank. We'll do this," okay?

We all were against, even the Catholic Church was against. There were jokes in the media saying that the program called Progresa at that time, today is called Oportunidades, Progresa translated into cerveza, which means beer, okay? People were going to drink up the money. So the discussion was about conditions, good conditions to the transfer.

Give them the money, either keep the kid in school or the pregnant goes to the clinic and checks herself once a month. If not, don't give them the money. So it was all about conditions. Now, when you look back 15 years, we now realize we were all wrong, including the bank. Because what mattered was not the condition. Those people were going to take the kid to school anyway or the mother was going to check the clinic if there was a clinic.

In fact, what matter is that it forced the Mexican Government to meet the person, to give them the money. Because the (UNINTEL PHRASE) is not going to allow that, you know, some-- you are going to get money at hand (COUGH) to meet the person. Moreover, you need to establish a mechanism to transfer the money. At the time, it was a pickup truck or many pickup trucks.

Literally, they would drive into a village, open the window and say, "Money to the right, sign-- sign to the left." And most people signed with a X, okay? Today it's a debit card, a cell phone transfer. It's a point of sale. It's more sophisticated. In fact, today there are 70 countries in the developing world, 70 developing countries of which 35 in Africa, that are already doing it. They already know the poor by name. The identification process was so difficult, India has proven that can be done in about one minute for four dollars per person.

Somebody shines a light into your eyes like this. Information goes into the handheld device, like a blackberry. Goes up into a satellite, down to a mainframe and you exist forever, unlimited It didn't exist before. Existing is very good. It feels very nice. And this is four dollars. In 40 years, India identified 400 million people.

People are queuing up to be identified. Of course, they do (COUGH) because they know that once they're identified with this-- mechanism, there are all kind of benefits that goes to them, social programs, voting and so on. Kenya did the same only in the last elections. And in three months, they identified a third of the electorate. Three months. And we said, "Man, keep going." Identify everyone. Identification is no longer an issue. If it was a reason before, it's no longer a reason. We will now know-- we will soon know all the poor in the world by name. And I leave you this idea, I could speak forever.

You know, I love this stuff. Because it changed economic development fundamentally. But I leave you with this idea. President Bachelet, Chilean President Bachelet, I should say-- she just took over for a second tenure. She hires a minister of economy, the same fellow that used to be (UNINTEL PHRASE) which is in Chile is the most important person after the president.

And she said to him-- this is what the rumor goes. She says, "By the time I leave, I want to see every child on the screen of my computer," okay? "I want to see the name, the equivalent to social security number, all the needs and all the programs he's qualifying and he's taking, or she. Now, of course, think about this, she says child because (UNINTEL), okay. But the concept is very good. The British are doing the same. They speak about the citizen journey through the public sector from the time conception through the time of death and after death, what happen to your inheritance, okay?

So identification, no longer an issue. The second reason that people tell you about is if you take money away from the state, there will be fewer public goods. So remember I told you about-- the purpose of the state is to provide public goods, things that we cannot provide by ourselves, like policing or the (UNINTEL) currency or vaccinations.

So people say if you take money away, there will be fewer of those. People will trade in private consumption against public goods, okay? And that was a very strong argument, let me tell you. In fact, people translated politically say, "You will de-fund the government. The World Bank is proposing to de-fund the government." And that's why my boss actually called me to her office and gave me a piece of her mind. Because she said, "Are you saying that?"

I'm going to give you the counter to that. I'm going to claim, as I claimed with my boss at that time, that sometimes in certain cases, taking money away from the government and giving it to the people, will increase the production of public goods. And I'm going to show a little more-- I know there's not-- not a lot of you are mathematicians.

But before I show the model I give you a 30-second example and you will understand it forever. And it goes like this. You go home tonight. And your honey-pie, your better half, boyfriend, girlfriend, whatever it is says, "Honey, close your eyes." (CLAP) And you say, "No, I can't play with you. I mean, just with the World Bank and it was boring and, you know, I'm tired." "No, no, no. No games. No. Please close your eyes." So, you close your eyes. She takes you-- or he takes you to the garage, okay? She turns on the light and says, "Now, open your eyes."

You open your eyes and what you see in front of you is a brand new red Ferrari, a red Ferrari, okay? Now, imagine this-- red Ferrari, she or he, a question, what would you think at that time? What comes to your mind? If you're a man, th first thing that comes to your mind is, "I'm really good. She loves me. (CHUCKLE) I must be really good."

If you're a she-- if you're-- you know, if this-- if the lady that receives the present, the first thing you think is, "He must have done something very bad," right? (CHUCKLE) But once you overcome this emotional side of things, what do you think? The first you think is, "What is this money coming from? I didn't know we had that kinda money," right? "Jesus Christ. This is nice. What-- what'd you do? I mean, I didn't know you had that kind of job."

Well, if I were a citizen of Venezuela or of Nigeria or of Iran and all of a sudden the government says, "Here is ten percent of our rent distributed to all of you." and it's a thousand dollars in my pocket and I live on $300 a year, then I would ask the question, "Can you tell me what you do with the other 90%?" You will begin to worry about that 90%. (NOISE) Moreover, the political system will take (UNINTEL) "Give me 15 or 20."

And then the state will have to prove, why not. And the national debate change. That's called the scrutiny effect, okay. Meaning I give you money and (UNINTEL) you scrutinize me as a government, as a state. And for every dollar a government that is not scrutinized will produce fewer public goods than a government that is scrutinized. So you my have a situation-- I'm going to bore you to death now. But those of you that love mathematics, behind my jargon there is serious side, by the way. Let me show you this chart.

You may have a situation in which the production of public goods has what's called decreasing returns to scale. Meaning, at some point the government has so much money that just putting more money in the pockets in the government will not produce more public goods. For example, will you really say that the reason why we still have problems-- basic problems for-- child mortality in Equatorial Guinea is that the government doesn't have enough money.

If we just give them more money, they will really solve it now. I don't know about that, okay. Now, on the other hand at the very beginning of a government, when you begin to capture some resources, you need every dollar you possibly can get. That's South Sudan. I don't know if you've been there. I mean, I-- (UNINTEL PHRASE). I was there from the very beginning when they became a government, no? And there's nothing. You know, Juba is a very poor-- well, Juba is the capital so it's relatively rich.

But even itself, is poverty has-- I'm gonna say, as poverty should be, meaning there's nothing. The statistics office is-- for the whole country is half the size of this-- room. There's nothing. There's no state. So you don't want to take the little money that they get from oil. You don't want to take it away from them.

Because one extra dollar may make a difference. That's called increasing return to scale, different from decreasing return to scale. So we make our situation in which when I take money away from you because I scrutinize you now more, for every dollar I give you, you produce more public goods, okay? And when you take money away from the rich, take-- the rich government, in fact, because of the scrutiny effect, it ends up producing more public goods. So you end up having people consuming more and the government producing more public goods.

Now, you will say, "This is-- that sounds like magic. How do you do that?" But well, (COUGH) because money in between was previously stolen, to put it simple. That money was being consumed by the private sector. But it was two or three people or a few or the connected, okay? Now, I know this is-- I-- I promised not to do any theories or charts or anything like that. So I won't.

But keep that in mind. Oops, what did I do here. Because the idea that there will be fewer public goods if you take money away from the government, depends from which government you are taking the money away from. Now, third reason not to do it that the politicians will never have an incentive to do this, that's why it hasn't happened. Most people that say to me, "You're crazy proposing this--" they say, "Well, keep talking about it. It's fine, but it will never happen," okay? Why? Why?

Because if I'm in the government, the last thing I want to do is to give away the discretionary power of saying where the money goes. That called the value of incumbency. You are incumbent, okay? So if-- you know, if I'm now in government, why would I propose this? Now, on the other hand if you are in the position and you feel you can become government, you have a chance, then you also don't want to propose it.

Because the day I go in, I want to have the power. So the only ones that will propose this is a desperate opposition. Those that say, "Look, if you don't propose something crazy, it won't happen." And low and behold that's what happened in 2006 in Venezuela. The opposition proposed a program called Mi Negra. I don't how many of you speak Spanish. But Mi Negra means my blackie (?). But in Venezuela it has a connotation of your lover, okay. You know, you-- somebody you love, you call them Mi Negra or Mi Negro, okay?

So people were going to have a black color debit card in which the Venezuelan government was going to load (?) part of the oil revenue that PDVSA, the oil company, public company now picks up. That was a proposal of the opposition. Of course, President Chavez, because it was a proposal of the opposition supported, moreover he had no incentive to do this so it died there, okay?

Now, on the other hand, people would say well, (UNINTEL) has no hope. The political system will never do it. Maybe. However, I ask you, why did the conditional cash transfer problems, ala Mexico, happened. There was no political reason for Mexico to do what they did. And then for 69 other countries to copy it, right? If it was just one country that did it, out of (UNINTEL), okay, we'll call it sun spot. Just the sun shines there. And then it was impossible for the rest not to do it.

The pressure on Brazil, in Chile, on Paraguay and Argentina, Uruguay, now every Latin America country has one. So our prediction is the moment we find enlightened leader that wants to shake up things in one country, it will spread like fire, or so we hope. Now-- next thing people-- say not to do it, they say bad microeconomics. You know, I'm a microeconomist by train.

So they say you should know better. This will cause something called the Dutch disease. I hope none of you is from Holland. But (CHUCKLE) call it Dutch disease. It means is people will just get out that money and run and consume it. And because the country doesn't have enough production capacity, supply response, then everything will go to imports. And that will ream the microeconomy. It will be a problem with the balance of (UNINTEL), as it's called, okay? Well, not so fast, Jose. Not so fast. Because that assumption-- that assumes that when I give the money to ten million people in the country, they will take it all abroad by consuming.

But that's different, you are saying, that what the two or three people that grab their money today do with it. Most likely those two or three park the money in Geneva anyway. So the microeconomic flow of the money is the same. It may even be better if you keep the money with the poor.

I know I'm going slow here, the nationalization debate. This is another one. I don' know which side of the political spectrum you all are. I'm in New York. So I don't know-- won't make any assumptions here. But-- normally in other cities, people have right and left, okay? And there's a big debate between the two saying who should own-- these natural resources. But more importantly who should exploit? And you will hear a lot of arguments, particularly from the left and I hear a lot of that in Africa these days.

Saying it should be a public company. We should nationalize all this. And run it through a public company, civil servants, well-meaning public servants should run this company. And there is no way to get them out of that idea, okay? Actually, my own country just nationalized the oil company, right?

Now, question. Now, by the way, this goes very well with voters in general. People like this idea, we'll have a national oil company. You should see to it when my country nationalized (UNINTEL). It was fun. I mean, everybody-- you know, people from the right, you know, say, "Yeah, take that Spain. You know, we took it away from you. Go an colonize somebody else." Anyway, it's macho thing to do. However-- however, question to you. If now, you are a shareholder of this company, meaning you get a percentage of the profit of this company in your own pocket, okay, you have Mi Negra in your pocket, right, like this.

Now, will you like that company to be run by some civil servant which is a political appointee? Or will you like some hard-nosed rampant capitalist Indiana Jones Texan to run it for you? Now, we can have public property in both cases. Maybe your owned by the state and by the people in both cases. But who will you like it to be run?

The nationalization debate just stops the moment you make people shareholders. This idea that, "Take that, Spain, now it's national,"-- my own money, excuse me, wait. Bring Exxon or bring somebody that knows what they are doing, okay? I ran out of time.

This one is the tricky one. Another reason why people say don't do it comes behavioral economics. And it's a mix of psychology and economics, which is really-- in fashion these days. And the particular argument I'm going to make comes from MIT. So you gotta take it serious. These people are serious. MIT, you know, when they say MIT, you just pay attention.

They're always half right. (CHUCKLE) But that half, they have it all the time. There is a school of thought there that says we human beings have a limited mental bandwidth, okay? We can deal with so much and no more, okay? I know the women here all thinking about your husbands, right? You know, if I watch my soap again, you cannot watch anything else. Don't talk to me when I'm watching golf, no? You see, limited bandwidth, mental bandwidth. And they say (UNINTEL), "Look, that's how much you can deal with." And they say poverty occupies the whole bandwidth. When you are poor, when you are hungry, when you don't know where the next meal is going to come from, everything else exists no longer. Okay, your mental bandwidth is crowded out, okay?

So in that world, if you come with your smart debit card and give people money, they will not spend more time checking what the government with the other 90%. They say you are dreaming, okay? Well, think about this, right? What you are really saying is that poverty makes you stupid. It's a huge moral claim, okay?

Now, you may be busy but that doesn't make you stupid. Now, the way to discern who is right and who is wrong is with something called randomized control trials, RCTs, which shows another technique of the last ten years. In economics we never experimented with people. That was for medicine. When I joined economics 30 years ago in Catholic University, the last thing you would propose is let's experiment with people. You know, let's play games with them and see how they react. You know, they would kill you to say that. Today, we do. Today, we do-- we do that.

We show up in a village. And we say, "Half of you will get the voucher for fertilizer, half of you won't." And then we check a year later. You can really do development economics today if you are not willing to do a year in some god forsaken village and do an RCT. It's-- it's-- it's truly the rage. I don't know where it's taken us as a science and-- or as a profession.

But that's what everybody's doing. So when you do RCTs, to see where people are mentally blocked because the bandwidth is complete in poverty, you find both cases pro and cases against. For example, there are cases where-- in Kenya, for example. We have one but we don't have RCTs. They cost a fortune. Because you have to, you know, really randomize the sample, you have to-- basically take over the village. We show parents how badly their kids do in the public school by showing them the tests of the kids, we fielding the kids taking the test.

And the expectation was once they know bad the kids do, they will go to a school and say to a teacher, "Hey, what are you doing? You never come to teach. I didn't know you were absent most of the time." So they will call-- call accountable to the child result because (UNINTEL) information.

Well, we tried that, it didn't work. They didn't. So people say, "You see, mental bandwidth." But then we did it (UNINTEL). And they did. Not only did they do that, they also used their own savings, very little ones, to buy tutoring for the children. So the ball-- the-- the ball-- the-- the-- how you call, the-- there is no evidence either way yet. The judge is not-- in a trial you have a judge-- the jury-- the jury-- the jury-- the jury. (CHUCKLE) Yeah, my English is not there. I'm working on it. So the jury's out on that one, okay?

I resist to believe that when you say to people, "Here is your ten percent, because you are so busy with your day-to-day, you will not think about the other 90%," I don't-- I don't buy it. At least I would like to see it tested, okay? And then the final issue is you do this and you will weaken the efforts to build good governments.

Okay, the type of thing that Alexandra does and does very well. Let's build the institutions of government. If you do this, "Oh, well, then we don't worry about the government." Well, I don't know about that. I think it's the opposite. I think you will create a demand for good government. Because a government now will have to operate with fewer resources. Now, let me take you now, finally, and I stop it here. Okay, let's do it, no? Let's assume that we give ten percent of the resource rents that go to African governments away to the population, okay?

Before I tell you, I need to work one technical concept in your minds, which I-- you capture very quickly. It's called the average poverty depth, the average poverty depth. You see, you are poor (COUGH) technically speaking, if your daily income is below a certain level. It's called a poverty line. If you are under that level, you are poor.

In the U.S., by the way, we have a poverty line. It was invented here by the a lady in the social security administration-- about 50 years ago. And the poverty line today in the U.S. is about $12,000. If you make less than that a year, you are considered poor.

In Nigeria, it's $460. As you can tell, it's very different to be poor in the U.S. than in Nigeria, right? But if you are under the poverty line, from where you are to the poverty line, there is a distance, right? So if we measure the distance for every poor person under the line, all of them, and then divide by the number of poor, you get the average poverty depth.

Average, because you average across. And it's a distance of all of them, how deeply into poverty the average poor is. Keep that concept, okay? Now, what-- we want to do is to compare this rent that we are going to distribute away to this average poverty depth. Meaning, if I give you the money, do I bring you up to the poverty line or not?

How big is the money? Is maybe too small. Because I give you a little bit and you barely move, okay. So what we want is to transfer money that will cover a lot of the average poverty depth, hopefully all of it, okay? So we went out and calculated this business-- and this is what we found. Whoops. This is what we found. Yes. Assume we are going to give away ten percent of the rent that goes today to the governments of Africa in-- in-- from natural resources.

Ten percent of the natural resource rent goes to government. You take it away. And then there are two ways to give it out. Universally, everybody gets a piece or only to the poor. Remember now, we know the poor by name. Okay, so you can target. Now, what you find here is that at ten percent, DDP, it stands for direct dividend payment, at ten percent-- oops, we'll cover more than half of the average poverty depth, meaning it will be a huge impact in your life, in three countries, Angola, IQG and Gabon.

IQG is Equatorial Guinea. And remember those were the ones that we spotted in our early charts, the ones that appeared to have the highest infant mortality and the lowest life expectancy, okay? Moreover, if you say this ten percent, I will only give it to the poor, then other countries come into the picture-- Republic of Conga and Nigeria in particular. And Nigeria was the one on the basis of which this idea was discarded 15 years ago, when Xavier Sala-i-Martin and Arvind Subramanian put it forward, okay?

Now, you can then say, "Well, covering half of the average poverty depth is big." How about if we (UNINTEL) poverty mitigation, meaning cover ten percent of the depth or more. Ten percent, you know, it's a nice little push, if you are poor. Then the list is huge. Oops. Hold on. That's the list, right? Covers ten percent more, yeah.

Now, can you see the list is very big. Now, put the question backwards now and say, "What? Hold on a minute. How about if you just cover everything people need? You mean lift everyone up to the poverty line. How expensive will that be in terms of the revenue the governments now get?" And what you see is that it's very cheap. Oops, not that one. That, okay. No, no, no, we did. To do-- this-- no, no, this kill me. Here-- no. That one. That's it, okay?

What you see that in cases like-- like Angola, Equatorial Guinea or Gabon, if the government was-- was to give ten percent or less of what now it receives to everyone, they will end poverty. To give an idea, the average household in Equatorial Guinea will be about $6,000. And that's only giving up ten percent of what the government is not getting.

Which is probably what gets wasted, maybe, let alone corrupted away. So it's very little. Now, what you are looking-- okay. If what we are looking for, though, is governments that are willing to give up, up to a third or less, to do away with poverty, then the list is much longer. Then you have Angola, Botswana, Chad and so on, okay? Now, this is true for national poverty lines. I can do the same for something called international poverty line, meaning the same line for every country. Which by the way, for extreme poverty is $1.25 a day.

There's a billion people out there, a billion people living on $1.25 a day or less. And I urge you to imagine your life with $1.25 a day. I do this every time I go to a university and ask kids, "Tell me how your life will be with $1.25 a day." And they can't even conceptualize. You know, they say, "Well, maybe I don't drive the car so much."

I say, "What car you talkin' about?" "Well, no, maybe, you know, my internet connection will be slower." (CHUCKLE) One twenty-five, is food, that's it, no toilet paper, no sanitary napkins, no new clothing, no new shoes. It's $1.25 a day. They can't even conceptualize it. All right, this is true then. As you can see, it doesn't change much we-- when you use the international poverty line. Now, we're gonna stop here. I don't have time to explain it. But there is another natural resource that we probably should touch upon, that you know about, that goes to Africa.

And we couldn't (UNINTEL PHRASE). We shouldn't have done this. But we-- did it. And is-- what about if the money-- this-- all this money that came from oil, gas and minerals. But there's another flow of money going into the continent that comes from donors, particular from government, what's called the foreign aid, okay?

So Africa gets a lot of this money. How about foreign aid? How about we distribute foreign aid that it get to the people, ten percent, same thing. And what you see is then that the list gets even larger. You can end poverty-- oops, yeah, that's it. You can end poverty or eliminate poverty in more-- even more countries. This is if you want to hit at half, this-- oops. This is if you want to hit at ten percent of the poor. And this is-- this is-- the list of countries is amazing. The list of countries for which foreign aid is more than sufficient to end poverty in those countries.

Like I know this is very small print. I-- I will leave the paper behind so you can get it. Let me repeat this. This is a list of countries for which foreign aid is more than sufficient to end poverty, okay? So let me stop here. What you heard today is one chapter, one of the issues discuss-- oops-- discussed in a book that I want to leave with you-- which is this one.

My publisher did tell me that Christmas is coming and that you should really consider this as a present. (CHUCKLE) But beyond that, it's a book of ideas. I plug in there everything that sounds crazy these days in development. And what I really love, if you ever read the book, is to send me your comments to see how you react to it. Because we are going to solve this together. It won't be the World Bank alone. Thank you so much. (APPLAUSE)

ALEXANDRA GILLIES:

Great. Thanks. I'm gonna speak very briefly. It's getting towards dinnertime and it's-- it's a Monday night. But wanna pull out a few ideas from Marcelo's great and very pro-- provocative conversation. I come from a political science background.

And think a lot about how politics work in resource rich countries. And wanna kinda bring that perspective to this discussion of cash transfers or-- or dividend payments. I'll use either term. In the paper that Marcelo mentioned, there's some amazing statistics about how life expectancy and other metrics of-- of well-being are worse in resource rich Africa than they are in African countries that don't have oil, gas and mineral resources. Which is kind of a staggering thing. The countries that have access to money to help address those pubic challenges aren't translating it into outcomes for the people. So what's kind of broken? And I think you hinted at it.

That most of the research shows and a number of country experiences bear this out, that when you have resource wealth in an environment with weak institutions, it leads to political and governance challenges that keep those resources from benefiting average citizens. What are those political challenges look like in practice?

What you tend to see is massive centralization of power and wealth. So unlike most industries, like manufacturing or agriculture where you'll have big businesses, small businesses, they're getting some of the money, the government's-- getting some of the money. In the case of particularly oil, but also mining, the money and all the power gets dumped right at the center. And that has massive implications for how a public system functions. One of the symptoms is that discretionary allocations by those in charge end up determining economic success in a lot of cases.

So if I'm the Nigerian president and you all own Nigerian companies, your business skills are not as important as how much I like you. And that's leads to a lot of dysfunction within how different sectors work across the economy, not just in the oil or mining sector. The state becomes something to-- to milk, to try to get as much out of as you can.

Another problem is that you see accountability actors being co-opted. Parliamentarians, journalists, opposition parties, when there's that much free money at the center, the ability for the incumbent to kind of not always silence through repression, but silence through co-optation, those kinds of voices-- becomes extremely strong. And then you have what's essentially a zero sum battle for power. 'Cause whoever sits in this seat, gets to decide kind of how the whole system works. So these are some of the attributes that we see in a lot of resource rich developing countries when it comes to the politics.

So it's important to think through what might that mean for a policy suggestion, like the one that Marcelo's making. And there's no simple answer to that. I mean, I think that this topic is hugely important. We have to-- you know, there need to be ways that the-- latest resource boom benefits Africa in ways the previous ones haven't.

But we have to think about this politically. There a number of economic and other kinds of technical policy solutions that have been come up with and then they haven't worked. I won't pick on the World Bank too much, but-- (CHUCKLE) there's-- there's-- a well-known case in Chad where the World Bank was deciding whether to provide its backing to an Exxon Mobile oil project. And they said, "All right, we're gonna do it. But only if you set up certain institutions to safeguard the oil revenues that eventually were earned."

Now, I think most people would agree, and the World Bank evaluations bear this out, that that-- effort at a safeguard didn't serve its function. That on paper, those institutions made a lot of sense. But if you looked at the political realities of Chad, they didn't really have a chance, that those in power had no incentives to kind of follow the rules that were set up in advance.

So how can we avoid-- if we do try this new kind of policy approach, how can we avoid similar outcomes? What are some of the-- political ideas we need to think about? And I just wanna offer four very quick ideas to add some kind of political texture to the-- more economic and development thinking behind the cash transfers idea. The first is that one of the alleged benefits is that these transfers would create a constituency for good management of these resources.

That you'd be a shareholder. That if you're a shareholder in a company, you suddenly care a lot more about how that company's being run. This is the scrutiny effect they were taking about with the Ferrari. I was, as a New Yorker, excited about the idea of just a garage. But the Ferrari (CHUCKLE) even nicer as well.

This idea that if you're getting a share that you'll care about what's going on. And this-- some of the writing about Alaska-- tends to support this idea, that in Alaska, each citizen gets a portion of the earnings on the savings funds. They don't touch the principle. They get a share of the earnings. So what that means is there's been massive popular support for saving in Alaska, that the more oil revenues that are saved, the larger that dividend check is gonna be.

So you have the savings fund that has been politically untouchable for decades and now can help Alaska when it does need to transition away from oil revenues. So that's an example of how it can work. There's a couple concerns. One is there's some enabling factors that-- that allow that scrutiny to work. And sitting-- I mean, I'm sure a number of you work for the Open Society Foundation and these-- is like your bread and butter.

Is do people have the information they need? Do they have the education levels they need to kind of participate in a public debate? Do they have the freedom to do so? Do they have the channels to access their policy makers. If you're in Saudi Arabia or Iran and your government's giving you-- a dividend, that's great. But the idea that you're gonna scrutinize them and hold them to account, depends on a lot of other kind of enabling environment factors-- in addition to just the fact that that transfer exists.

I mean, another concern with this idea is that do the people then become a constituency for reform and good management? Or do they become a constituency for bigger and bigger cash transfers? Mongolia-- tried this cash transfer thing in 2008. And Mongolia has a pretty healthy democracy. And there's two main parties that compete for power, like here.

In the 2008 elections, kind of out of nowhere, one of the parties says, "We're gonna give each Mongolian a share of the forthcoming mineral wealth, worth about $700." I don't know. And the next-- the-- the next day or the next week or something, the other party said, "We're gonna give you $1,000." (CHUCKLE) And this debate around how much money it was took over that electoral campaign at a time when there were so many important decisions being taken about how to manage the forthcoming copper wealth in that country.

So is it a constituency for good management? Or does it kind of distract everyone from a lot of the other governance issues and it's just about how much am I getting from the government. A second concern is around this idea that these transfers will kind of rebalance things, that all the power and influence is at the center. And one of the proponents of this called it a "radical democratization of economic decision making."

So rather than the state making all the decisions, now all the citizens are making the decisions. Good, this sounds positive. And-- and really helpful in resource rich countries. But-- the concern here, in playing Devil's Advocate a bit, is what exactly are you spreading out? There's-- there's a Nigerian president who himself was unbelievable corrupt, who described politics in the country as a "cake-sharing psychosis."

That it's all about how-- who gets what-- share of the-- of the cake. If you suddenly are transferring to every single citizen, is that what you're democratizing? Are you engaging every single person in this kind of quest to get a little bit bigger piece of the-- of the cake. That kind of rent tier discussion that dominates the public space in so many resource rich countries, there's a risk of that being exacerbated.

Again-- no idea whether that would happen. I'm sure it would vary from country to country. But it's worth thinking about. The third idea is again one of the merits-- of-- of cash transfers is this idea-- and this is how it was described by another scholar is pre-empting kleptocracy. So rather-- if you have a system-- a government system that is-- you know is corrupt and-- money goes into it and then gets siphoned off through all kinds of channels.

You know, you-- you try to build a road, you give a big contract. The road never gets built, et cetera. Forget it, just give money to the people instead. Now, that's promising. I like the-- I-- personally-- I think there's-- you know, enough, like, Libertarian in me that this idea of, you know, let people decide what's best for them and-- and, you know, don't make it all up to the bureaucrats.

And in some countries-- you know, I do a lot of work in Nigeria. If you-- you know, you talked about it being-- nicknamed beer or there-- in Mexico, like-- someone could throw a party for themselves with the money. And that would probably be more useful than what some of the Niger Delta governments are gonna use it for. I mean, the-- the-- the bar is not very high that you'd have to pass in order to spend the money better than how the government is spending it.

But the concern here is that those risk-- those benefits are highest in the places where implementation would be more difficult. So if you have a government that's so corrupt that it can't be trusted to spend this money, you-- that's the same government that's gonna have to run this cash transfer system.

And I agree, the-- a lot of the implementation tasks around identification are, I don't think, major barriers. But would there be enough trust in the system to even get the money out to the citizens? So I'm gonna-- well-- one more thing before I finish. And this is this idea of-- of taxation and I was glad you brought it up.

Some of the people who've proposed cash transfers say you should actually not transfer ten percent. You should transfer 100% of the oil and mining revenues to the people. And then tax back about 90%. So it's kind of artificially creating the-- this idea of taxation. So the government will still rely on oil revenues.

But it's-- it's kind of creating the psychological effect that, like, it does become more of the citizen's money. And the idea is that the government would-- you know, the people would pay more attention to how the money's being used. The government would have to defend why they want 90% back and not 95 or 85%.

And then that would kind of stimulate some of the positive accountability effects that are associated with normal income tax like-- or sales tax, the kind of broad base taxes that-- that we pay. And this is, I think-- you know, a fascinating experiment. But the-- the concerns here is that-- you know, why would a government do that, especially an oil-rich government? Taxing your population is really hard. And if you can get money from other sources, you're not gonna voluntarily do it.

It's very politically costly. It-- it's-- it's expensive. You have to set up kind of quite elaborate bureaucracies to do it. So if I'm a government deciding whether to kind of get an oil-backed loan from China or to tax my population, I'm gonna choose the easy route every time. So this idea that you could kind of pair transfers with this, like, simulated taxation idea-- I think-- is-- is fascinating on paper.

And I think that-- that-- it-- it reflects-- some really interesting dynamics. I'm not sure I could imagine a political situation in which a government would actually choose to do it at a level that would be meaningful. So those are a couple-- a little bit random sporadic thoughts on-- on some of the political issues around whether this would actually help. I'm gonna stop here, give Marcelo a couple minutes just to kind of come back on this. But quickly, 'cause I wanna make sure we get a chance for-- for questions and answers-- from the audience.

MARCELO GIUGALE:

So let me say, Alexandra, thank you very much. I don't have to come back.

ALEXANDRA GILLIES:

Okay.

MARCELO GIUGALE:

Because I'm with you here, (CHUCKLE) meaning I agree on those things. I mean, I think you're hitting right on the nail. This is the debate. Starting by the very last point you said, there are people-- actually one person that is saying, "Give it all out and tax it back." And by definition, you'll be taxing-- more from the rich than from the poor.

That one person that is a pioneer, this is my co-author, Shanta Devarajan. And him and I have hour discussions and almost intellectual fights because I don't believe that's possible. If you go that way, you are basically kicking the ball off the field. Which in soccer is legal, but it's very anti-climactic. (CHUCKLE)

Because what's going to happen here, you give it away and people will say, "Well, I think you should set up a minister (UNINTEL) to tax income, not consumption," it's going to take you forever, in Africa in particular. So I'm with you on that one. Shanta, however say, "Look, this is the only way you will alter the political equilibrium." Which take us to your first point.

Which is this is a very political thing. Yeah, hell it is, yeah, sure. And the whole idea is that, we, the technicians came up finally with one idea that can alter the political equilibrium. Not many political equilibrium but of the low level, get altered. There's a chapter in the book about this, by one of the following things, all too well. One is a crisis. You took a crisis for (UNINTEL) to do something or pretend to do something about global financial supervision, okay?

An enlightened leader, once in a while, one person comes that enlightens everyone and things change, sometimes for the worst, okay? Ideological breakthrough. You know, today, we think fighter pilots are cool. In 20 years we'll think they're so passé because everything will be drones, okay? So change.

And then finally the one that is there is cultural change, people caring for new things. You know, when I started in economics we never spoke about environmental sustainability. Now you don't even think about the project without saying this is green enough. Something change about what we care.

A collection of things you care about is called a culture, your values, okay? So I agree with you, we have to shock the system. But I tend to believe that this is the one shock that may alter the game. And what you said that the next person will come and say, "I will want 50%" And then I give you $1,000-- $3,000" This is a good thing.

Because that means somebody's caring of what-- about what people think. And I leave you with this concept. I was coming here and I was checking my emails. One of my colleague work in the Middle East. I used to work in the Middle East. I used to live in Egypt, in Cairo and work for (UNINTEL) during the reconstruction. It was a great time.

I can barely recognize it now. I mean, there was a revolution, a change, no? And he said in the email, "Tell them that this idea would be fantastic for the (UNINTEL)." And he give me a list. It will be the one thing that will unite all Iraqis. Because only if you had a real Iraqi with an Iraqi passport, you will get a transfer, you know? So no more Kurds, Shiites, Sunnis. Everybody would be Iraqi at least on that, okay?

Then he says, "And tell them that in the Gulf countries, (UNINTEL PHRASE) this is what this fellow says, they're already doing this. But instead of doing it in cash, they do it in jobs." You get a de facto for job for life in the public sector if you don't have one. Okay, this is no different from my direct dividend payments. It's just one is a job, the other one is cash. I prefer the cash because-- then you do something you really like. Anyway, let me stop there.

ALEXANDRA GILLIES:

Okay. Great. Let's take two or three questions from the audience. One here and then one of here and then the third, please.

FEMALE VOICE:

Oh, okay. For me, seems to me--

MARCELO GIUGALE:

Tell me your name at least so I can--

FEMALE VOICE:

Oh, my name is Angel Owenswins (PH).

MARCELO GIUGALE:

Okay.

FEMALE VOICE:

Seems to me if the-- natural resource rich country, the natural resource technically belong to the people. So when you transfer the cash or whatever they transfer, it shouldn't be transferred-- why should only concentrate it to small group of people?

However, if a different story, let's say it's-- it's a manufacturing country. A bunch of people work very hard. Then the rest-- the-- another group who doesn't work at all. And then every-- every day sleep, for example, then you-- if you transfer the money then doesn't sounds fair. Because they work very hard and they doesn't. But in-- a resource rich country-- the resource belong to them.

MARCELO GIUGALE:

Please.

MALE VOICE 2:

A quick note and then an actual question. A few years ago, upstairs actually-- no, maybe it was at the old OSI. James Hansen gave a lecture about climate change where he proposed, as a means to control hydro-carbons-- usage-- gas usage and hydro-- carbon emissions that-- the American government raise the price-- arbitrarily raise the price of gasoline and then return-- equal amount-- to every citizen in America-- as-- as-- just as-- an aside.

The actual question that I have is-- has to do with-- you know, everyone knows that China is on a rampage of-- purchasing commodities from oil, gas, gold, every possible mineral that you can think of and minerals that we've never even thought of yet.

How can-- governments-- who negotiate contracts, long-term contracts today-- deal with-- this type of-- of-- of-- implement this type of-- of procedures if there are really no at present, international laws that govern-- predatory pricing, every other possible concept-- that-- that-- that one can come up what. That's it.

MARCELO GIUGALE:

Sure.

ALEXANDRA GILLIES:

Maybe someone here. Yes, Sir.

ROBERTO:

Yeah, my name is-- Roberto. I think-- well, I wanted to-- to-- for you to discuss two things. One-- there are a number of African soveriegn wealth funds. So that's an alternative to what you're talking-- and the-- the-- the question I have is-- I have two questions. One, I-- I really would like to see the numbers. Because the number-- the-- the-- the numbers-- of dollars or whatever to-- to transfer to the number of people, like in Nigeria, you're talking, like, close to 200 million people, you know, whatever--

how much you would actually impact.

But more importantly, you're talking about fluctuating commodities. So today, they get $1,000, say. Next year they might get only $100. And then, you know, and-- and the whole-- there's a whole issue that-- that they're not working for it. So, you know, what they make-- they may have an entitlement issue. And it's also not promoting any real-- economic good-- by working or doing something. Or--

MARCELO GIUGALE:

Sure. Sure

ROBERTO:

Those are three things.

ALEXANDRA GILLIES:

Start with those three and then--

FEMALE VOICE:

Do-- do you want to (UNINTEL)? You don't have to--

ALEXANDRA GILLIES:

Go ahead.

GYPSY:

Hi. My name is Gypsy. And I was just-- I wanted to ask about data. Because, I mean, you brought up yourself the fact that there is very old or late or unreliable data. To begin with, we know there's-- a huge lack of transparency in the contracts in the first place.

Contracts that get renegotiated partially or for part of the time or et cetera, et cetera. All of these issues-- that are governance issue really around-- being able to devise a system to-- that would-- as Alexandra-- was it Alexandra, pointed out-- that would have to be run by these governments.

You know, how they actually gonna carry this out in a transparent manner that would go hand in hand with the accountability that you say this program would actually incentivize. And the other is-- on the issue of national identity, would this not also incentivize the marginalization of certain groups-- who's citizenship is denied or taken away on the basis of this kind of benefit.

MARCELO GIUGALE:

Sure.

GYPSY:

That's it.

ALEXANDRA GILLIES:

Good.

MARCELO GIUGALE:

Well, let-- let me first confess, I don't have any answer for any of these questions. (CHUCKLE) I'm not going to pretend that I have. Which is a good part of it, really. This is the time of debate and poking, intellectual pushing a pulling, really. This is what we should be doing.

But let me-- (NOISE) work with you, build on your ideas, no. When you say the resources belong to the people, that's the whole-- that's exactly right. I think Angel, you really hit it on the nail. That's the thing. It's not property of the government.

ANGEL:

Yes.

MARCELO GIUGALE:

At the most, I'm willing to entertain a discussion that it's property of the state. You know, here the word state gets confusing in the U.S. Because provinces here, I call a state. But anywhere else, a state is a (UNINTEL) that exists independently of the (UNINTEL) in charge, basically, to put it in my plain vanilla way.

Well, at the most I will discuss that. But it belongs to the people. Now, you may say, "Well, the constitutional law of their-- of each country will dictate who owns it. For example, is every Mexican entitled to the same share of ownership, even though all the oil is in Tabasco, okay? I mean, then you can have a problem.

Because people say, "Look, I mean, I want to break off and, you know, (UNINTEL) my own country here. Because, you know, we got the money here. I don't want to listen to those guys there," right? Well, yeah, sure. This is part of the debate. I totally agree.

But once we say we're a country-- build on many nations under one contract, on the constitution, then-- then-- then the system works. If you haven't solve that issue yet, if you're still not sure who is who and who belongs and doesn't belong and you still say, "Well, we got three millions here, even though they've been here for six generations," then-- then I don't think you can do this.

'Cause you can identify physically but, you know, I may-- you know, how many countries do we have with second-class citizens or known, you know, citizen which are by, definition, disenfranchised? And some of these countries are pretty advanced countries. They're not just-- you know? (CHUCKLE) You are pointing to the U.S. I don't know-- I don't-- (LAUGHTER) but I'm sure there are, no? I mean, there are many countries where this-- this has not been defined yet. So I-- I-- I wouldn't push my technology or, here we identify you, as say, "Yes, you belong." Those are two different concepts. I agree with you.

Now, the issue of the-- yeah, this idea of-- not having the legal framework for many of the-- how can I put this, for many of the inputs into the proposed technique, issues like your (UNINTEL) pricing, or even the transparency of the contracting with it, exploiting companies, no? What do we know-- how do we know that the company's really passing on all its profits, or the corresponding-- you know, the books are always murky.

Because the ones that are (UNINTEL) are they. I visit this sites, when (UNINTEL). Even though I'm a microeconomist, I get invited, no? I just was in Ambatovy in Madagascar where the nickel terminal is, okay? And it's like a city, gigantic, okay? And there's a giant pipe that comes from about 100 miles away where a slush comes in, no?

You see the pipe going over the mountains. And then the pipe gets into the city. And the whole thing boils to one spot where this engineer took me and say, "Here is where we make money." I said, "What do you mean?" "Look." And then there's these giant bags that hold up to three tons of nickel pellets.

So all of a sudden you see this pipe and the nickels fall, boom, boom, boom. You know, and each of piece of-- each one of these pellets is like a ten-dollar thing in the market. So they make-- they actually-- as he says, "We make money here." Not in the profit sense, but the actual sense, no?

Now, if these guys all of a sudden move the pipe somewhere else or take some money away and-- there's no way for the citizen to ever find out. I don't know what-- now, the supervisory mechanism I saw there was just the company itself. Because there was nobody from the state there, as it should be. So I agree with you. However, all that happens whether you distribute the fiscal rent to the people or you keep it with the government.

MALE VOICE:

That-- that wasn't really my question.

MARCELO GIUGALE:

Okay.

MALE VOICE:

The question was if I negotiate a contract today, a long-term contract today, and there are no international of-- legal-- systems to-- renegotiate that contract later-- on an international basis, what-- what is there to say that-- that that contract I negotiated today-- it can be revoked. Or (?) that the company that negotiated that contract is now using that contract in a-- predatory fashion. That's the point. Obviously corruption's gonna-- is gonna exist regardless of what system you're-- you're involved.

MARCELO GIUGALE:

I-- I completely agree. And it works both ways, no? The company can cheat or a government can cheat. The next politician comes to town and brings a contract.

MALE VOICE:

But internationally--

MARCELO GIUGALE:

We don't have a mechanism.

MALE VOICE:

I mean, nationally, there's-- there's-- there's anti-trust laws, there's all kinds of laws, anti-corruption laws. But internationally--

MARCELO GIUGALE:

No, we don't.

MALE VOICE:

--there is nothing.

MARCELO GIUGALE:

And when--

(MALE VOICE: UNINTEL)

MARCELO GIUGALE:

And-- and what we have, we barely enforce. Because we don't have--

MALE VOICE:

Exactly.

MARCELO GIUGALE:

--the mechanism to enforce. But that's also true for many international laws, no? I mean, how do you enforce. It's very difficult. I mean, these-- these days--

(MALE VOICE: UNINTEL)

MARCELO GIUGALE:

--we look at what's happening in-- (COUGH) in Spain. (MAKES NOISE) You wonder, no? But I agree. No, I-- I think you have a point there. Roberto was mentioning the sovereign wealth funds-- isn't this a better option? You know what the sovereign wealth fund is? Where the government says, "Of all this rent that I get, I will save some," okay? "And we will see it grow. And we will use that for the-- maybe the next generation or for emergency cases." If you want to see the best system of-- anybody if you're be (UNINTEL) for sovereign wealth fund management, you look at Chile.

Okay, your boss, Barley (PH), he's very proud of that. It's just an amazing thing. I mean, (CHUCKLE) as is-- I envy these guys. You know, we-- Argentineans have on their side, the-- Cordillera, the mountain range. But we might as well be on the other side of the planet because it's so incredible.

You know, there are commissions where people are called on to predict the price of copper. Okay, so 16 people are hired every year and you want to be part because you want to-- and then you have to guess the number for the average price of copper the next year. And then they publish on this. They drop the top and the bottom, average the other 14. And that's the price with which they build the budget in the government. You know, and then fund itself is used under certain circumstances (?) only.

So the-- there's a very good charter you might want to look at, the popularity of a minister of finance during-- actually, before, during and after the 2008 and 2009 crisis, okay, Andreas Velasco (PH). The poor fellow was the most unpopular person in the country because he kept accumulating. And people said, "No, come on. Let go and give some money," no?

And then 2008, 2009 comes, the condition of the disbursement happens because the economy tanks and the price of copper tanks. So is it-- now is the time to use the money. And he starts putting money into the budget out of the fund. His popularity jumps. It's an amazing thing.

That's is only country. I don't know many that have managed sovereign wealth funds that well in the developing world. That's a big question. That's a question for Alexandra and her colleagues, no-- Alexandra and her colleagues. And then finally the issue of data-- I have a paper on this-- the recent draft.

I just-- we just submit it to The Center for Global Development work paper series and for the Journal of African Economies, which is more scientific. I'm happy to leave a copy with you, Fawzia, if you want to-- distribute it. The paper at the back, which is very unusual, for papers of scientific standard, the paper has the raw data.

Because the data's so difficult to find. You know, you have (UNINTEL). Data in Africa is gold. So it took us a good year and a lot of young people chasing data country by country. And what we said is just-- let's put the data at the back. That data will show-- that table or those tables will show you also how much money we are talking about. And you are right, when you just make the plain division in Nigeria, you say, "Well, this is $30 only. What-- whatever, I mean, one dollar a day, it does make a difference."

Well, I know. Sure it does make a difference. Because the poverty line in Nigeria is also very low. Moreover, is the latest household survey which just came out, the poverty line is even lower. Meaning there're lot of poor people in Nigeria living with almost nothing. So you give them $30 dollars, you really make a huge difference for them.

Even though to us say, "We'll, come on, that's a joke. It's two dollars a month. What do you want to do with it?" So I think it-- that's a part of the debate. What this paper is trying to do is to bring the actual data and say, "Look, here is how much people will get." Yes, in Equatorial Guinea, $750 per person.

MALE VOICE:

That-- that basically-- you-- you're declaring a poverty line that's totally-- arbitrary. I mean, the-- the idea would not be towards the poverty line. The idea would be to go towards some sort of relatively decent standard of living, not by-- by-- by general standards. Not to go to a poverty line, you can declare the poverty line at a level that its-- I mean, here we-- say $12,000 is the poverty line. In New York City, you live with $12,000, you-- I mean--

MARCELO GIUGALE:

You die.

MALE VOICE:

--you die, basically. You can't even-- you know, you'll freeze during the-- the-- the (THROAT CLEARING) winter. I mean-- so but-- I mean, and-- and the-- you didn't talk about the variability of these things. Because prices or commodities move. That's where the sovereign wealth fund has a-- a mechanism to show-- to transfer in bad times and to accumulate in good times. But if you-- if you give somebody-- $30 this year and next year you say, "Oh, sorry-- we don't have any," your gonna get into trouble again.

MARCELO GIUGALE:

Well, but--

MALE VOICE:

Not to mention the--

MARCELO GIUGALE:

I-- I--

MALE VOICE:

That the-- that the-- that in-- in this country and in country where you and I come from-- there are a number of people who have long left this world who still vote. And at this-- and you're an example, may-- may still get in a location because one of the problems is-- in accountabilities, you know, people who are long dead, still get-- pensions and stuff like that. So I don't how--

MARCELO GIUGALE:

Sure. Sure. Sure.

MALE VOICE:

--you would-- deal with that.

MARCELO GIUGALE:

You can find holes-- implementation holes of all sorts. You know, (UNINTEL) you are referring to is not just pensioners, it's teachers as well. You know, we always say when countries-- you know, countries come to us when they have problems.

And they say, "Well, one of the problems is that we cannot sustain this fiscal deficit unless you have any clue-- and you can you tell us without saying it too loud, any quick fix?" And when they look at me and my quick fix, which I never say too loud, is audit the teacher, the teacher roster.

And I guarantee you, ten percent of the teachers are dead. And they still get their money, their salary but they're all dead. And sure enough, what they normally do is they say all teachers have to resign again in physical presence. They have to show up to-- have to show up to some place.

And they save a ton of money because-- many of them are dead. So, yes, this will happen this-- whether you do it with the sovereign wealth fund, whether you do it with pensions, whether you do it with (UNINTEL) sector salaries. But it's an implementation issue. It's not in the concept. Yes, if you had that problem, you don't want to touch it.

One the other hand, the sovereign wealth fund, if you can make it work, ala Chile, yeah, sure. You may not need this. Sure. But how many countries do we know who's politics has supported the sovereign wealth fund, ala Chile, in the developing world. I know only two-- Chile and Malaysia, developing.

MALE VOICE:

And Chile started sovereign wealth fund so that--

ALEXANDRA GILLIES:

(UNINTEL) good practices. (CHUCKLE) You could wait for awhile, I think.

MARCELO GIUGALE:

Anyway.

MALE VOICE:

Not until you kill the entire (UNINTEL).

MARCELO GIUGALE:

The answer-- I mean, I touch on them at least, right? Yeah, okay. Let's get more questions.

ALEXANDRA GILLIES:

Good. Let's take maybe two or three more. So start us off.

MALE VOICE:

Well, just-- just to add to-- the long list of reasons why this is probably not gonna ever work in Nigeria. I spent the weekend with a woman from the Niger Delta, (UNINTEL) Resource Center. And-- the-- as I was listening to the discussion, we actually had a discussion-- yesterday about this meeting.

And-- she was sort of saying that while-- the idea of a cash transfer to people in the Niger Delta, in the communities would actually be very popular and would have a good-- impact, even also remove any last remaining vestigial possibility of cleaning up-- the grotesque environmental devastation in that area, because everybody would have a personal interest in maximizing the production of that oil-- and a corresponding interest in (THROAT CLEARING) keeping their cost low, which is the reason why the place got in the mess it is now.

So she was sort of saying, "Yeah, it'd be nice to have the money." You couldn't even increase-- the transfers to people in those communities because there will never be enough individual money-- going into individual pockets to actually clean up the mess. We-- you know, we've got-- we've got a tab for that now, courtesy of the U.N.-- a billion dollars, about 30 years-- to even make a dent in it. And that's just the (UNINTEL) land, one little piece of it. So-- I think that's what she would say. I was intrigued by your billion dollar map. The-- have you guys actually-- actually written that check? No?

MARCELO GIUGALE:

Yeah, the project is going.

MALE VOICE:

It's going.

MARCELO GIUGALE:

Check-- you-- you don't write a billion dollar check.

MALE VOICE:

Oh, yeah. I--

MARCELO GIUGALE:

It was just-- you go slow, no? You go piece by piece. But the projects are going, yeah. And I can put you in touch with the people are doing the things. Can I-- can I answer just this one on Nigeria.

(MALE VOICE: UNINTEL)

MARCELO GIUGALE:

Nigeria-- yeah, yeah. Nigeria has been the-- and is still the battleground for this idea. You know, because that's where the first paper came up. And the now minister of finance was minister of finance then. And she say, "Over my dead body," in away. She's a good friend of mine so I can say these things. And she was-- she's in the bank. So she goes, "No, no, it's too little money. Too little money. (UNINTEL)." (CHUCKLE)

(MALE VOICE: UNINTEL)

MARCELO GIUGALE:

I-- I travel a lot in Nigeria. And I also attest to what your friend about the environmental degradation that the oil industry can do there. Although it's getting better. Moreover, remember any of this is informal oil production, if you may call it. Because a lot siphoning off the pipes and the pipelines.

Having said that, that happens whether you do cash transfers or you take the money to government. You are right that in theory, it will be few-- fewer money of-- as I said, less money to do the cleanup if you distributed the money along. But I was sure the cleanup is going to happen. And that's where the (UNINTEL) good issue comes, no? Is it an issue of they don't have enough money? They just have more money, they will do a cleanup.

MALE VOICE:

That's the probably, yeah.

MARCELO GIUGALE:

That's my issue. But I can see-- you know, in Nigeria, it's a very hard point-- the state of rivers. You know, they are debating now to do it. Because they have most of their social programs are identified, meaning the beneficial is-- are actually known by name.

Pregnant women get the cell phone. And they get the call on the cell phone, is they-- supposed to clean themselves or if they feel contractions, they call that phone. It's-- a government provided cell phone. The schools have also cell phones. When the teacher doesn't show up to teach, dial one. The teacher came to teach but is drunk, dial two-- and so on.

So they have the beginning of a basis to do this. And I think it's a question of time, really. I don't know exactly how it's going to operate because Nigeria's federal. The money goes to the federal government, not to the state. But-- can be a great case to study.

FEMALE VOICE:

Can you-- can you talk about the-- program in Mexico and what's working with that and what's not working. 'Cause I'm having a hard time grappling this-- the benefit of this idea. So if you can kind of talk about Mexico and what's-- you know, and if there's anything unique to Mexico that makes it work there that other countries wouldn't necessarily have?

ALEXANDRA GILLIES:

Okay. Yes.

MALE VOICE:

Yeah. (THROAT CLEARING) You alluded to-- some health indicators that were correlated with economic development. I personally believe that the health of a country actually determines the economic health. And the social determinants include poverty, gender-based violence, as well as education.

And I-- I work in health. But it's really determined by health policy. And as Alexandra pointed out, what's required is political will, good governance and stewardship. Now, (THROAT CLEARING) I never heard anybody address how you're going to generate political will. And as you know, from one of the international meetings some years ago, they-- countries agreed that they were going to spend point seven percent of the national output of their budgets on health.

MARCELO GIUGALE:

Uh-huh (AFFIRM). Uh-huh (AFFIRM).

MALE VOICE:

Now, that reality was not met, except for a couple of countries. And the reason for that is they depend upon donors like U.S.A. ID, DFID, CETA, to create a health system. Now these systems in the developing countries are either broken or non-existent. And women who are the key, really, to be empowered and to develop the economics of the country are totally neglected.

And that's because of their patriarchal societies. And the question that I have really is how are you gonna make these institutions change? I mean, how are you gonna develop functioning healthcare systems? I know from Uganda, when this gentleman brought up the fact about oil and agreements being cancelled, that's exactly what happened in Uganda.

They just totally nixed it because they knew that they weren't getting a fair share. Now-- to get-- they also-- what I wanted to say about health systems, they-- they started a conditional transfer of money, a voucher for the women to come in for anti-natal visits. In other words, the woman would not get the voucher until she came.

Now, the idea of giving women cell phones was not really that useful because they lost cell phones. The husband or partner would steal 'em from them. So we have certain mechanisms in place. But implementation, political will, good stewardship, good governance, how you gonna make that happen?

ALEXANDRA GILLIES:

Good. I'm gonna take advantage of sitting up here and-- throw one more in--

MARCELO GIUGALE:

Sure.

ALEXANDRA GILLIES:

--in terms of questions. (CHUCKLE)

(MARCELO GIUGALE: UNINTEL)

ALEXANDRA GILLIES:

One of the things that jumped out of your presentation was this idea that, you know, when it really comes down to it, life expectancy, child mortality, these are the-- the results that we should really be looking at. But then your research is mostly about getting people above the poverty line.

And this speaks to your point a little bit, that's it's-- you know, it's a line-- it's a useful demarcation of people who are-- you know, have it really tough and distinguishing them from people have it a little bit less tough. If you give a transfer that lifts someone's income above the poverty line.

Is there any way to then assess whether that will affect those outcome indicators around-- life expectancy and-- and child mortality and those kinds of things? I assume it would vary from country to country, that in some countries the constraints people are facing is the money in their pocket.

Whereas it might be the that school and hospitals and security system around them is so deplorable that they could double their income and still their lives would be equally challenging. So whether that-- that can be factored in at all into--

MARCELO GIUGALE:

That's important.

ALEXANDRA GILLIES:

--what you're looking at. So hand it over to you again.

MARCELO GIUGALE:

I mean, this is the problem with speaking to smart people. (CHUCKLE) They ask smart questions. Let me again, build on them. Because I don't really have the answer. On the Mexico-- case, but in all these so-called condition on cash transfers, that then became just cash transfers, of which this is a broader case.

Because this is just-- remember the cash transfer is decided by the government. The one who decides out of the blue, "I'll give you this much," no? So the politician that is in office says, "This much." And it's not linked to any natural resource.

Even though it may be actually paid by them. Because, you know, Mexico got for many years, now less, all the revenue. So who knows. Money's (UNINTEL). Maybe they're actually paying that but there's no link in the mind of the people. Now, this conditional cash transfer programs have been now evaluated to death.

And there's a very good book by Marito Garcia, I think, Alia Fishbine (PH), and Omar Shelley (PH) and one more colleague that is free. By the way, there's so many free books now hang (?) in-- in the internet. And it has an evaluation of all the problem, basically. All the evaluations that are out there is-- what they call the meta-analysis, right?

It's-- they sat with all the evaluations available. Say, "These are good evaluations, scientifically solid, what is the outcome?" And by and large the result is they work. They work. So we'll all happy saying they work. Until last year, the falloff (?) of this, that director of the budget that I mentioned to you in Mexico, he came up with a book called, *Good Intentions, Bad Outcomes*.

I remember I call him, I say, "What are you doing? You just ruined my idea." And he says, "Well, many of the things that we tried to do may not have happened as much as we thought they had happened. We may have distorted decision-making. Maybe some people actually were anyway going to take the kid to school and by us giving them money, the only thing we did is just pay for-- a cerveza, beer."

"Or maybe-- the only thing-- at the margin (?) produce is now a government that was forced to provide a clinic. Otherwise a mother couldn't meet the condition. So the supply response." So even the father of this CCT, as they're are called, conditional cash transfers is beginning to have some doubt.

And he has a book out there. I'm not it's free. But he had a book out there. However, on the whole, the evaluation of the 70 problems that I know of, which are in this book, which is free, is a positive one. Now, let me jump from your question to your question. What does it mean is a positive one?

I mean, I bring you up to the poverty line and what, no? This a deep question, what is poverty? And I remember my editor-- for the book say, "Oh, you've to put the definition what poverty really means in your book," no, "in the first page." And it took me more to write that one page than the whole book. Because there are libraries written on what poverty really is. Just to give you one example. I worked many years, I was country director for the Andean countries, all the way from Bolivia to Venezuela.

And when I got to Bolivia, there was a big change of government, from non-indigenous to indigenous. So all of a sudden, my (UNINTEL) was all indigenous people. And they challenged everything we said. "You World Bank know nothing."

And we said, "Well, but here's the poverty line." And we kept going and going and we never came to any common ground. Until I understood that the definition of poverty was different.

You know, in Aymara, the word for poverty is Juacho (PH), which essentially literally means somebody lonely, somebody orphan, somebody's not accepted by the others. You are poor in the Aymara culture if you are not part of a community. Whether you are a millionaire or you don't have a coin, it's a (UNINTEL) for them. Because the property, any way you would use the land, the patcha (PH) is owned by everybody. So their concept of poverty has nothing to do with-- to $1.25 a day or $3 a day, nothing.

Now, go completely on the other side, no? We have countries now that are trying to define poverty in a more holistic way. And they're not talking poverty, they're talking about happiness. So Bhutan (?) has a happiness index, okay. Which you could attempt. And by the way, there's a lot of mathematics we can (UNINTEL). It's not somebody giving an opinion, you know?

All very true. But we need to find some common ground to say this is poverty as we understand it. Most countries will say if you consume less than a third of the average citizen, then you are poor. Okay, that's how you come up with this poverty line. That's how it's defined.

It's not just a number that somebody picks. So that's how the U.S. came out with this idea, a third of the average consumption, by the way, here, no, is $12,000 a year. Now, when you compare across countries, you need some common number.

And that common number today for extreme poverty is $1.25 a day. By the way, dollar is-- a word which is very difficult to define. We call it PPP dollars, purchasing power poverty dollars. It's not just a dollar in your pocket. Very complex stuff because you got to compare the same price in two different nations. And then to more and more nations, no?

It's very arbitrary. But there's no better solution. And if you are under the poverty line, you know. That's my big take. You know, I remember saying to the indigenous people, you know, "Fine, I buy your story. You have to be in a community. But do you like this thing that you don't have money? When you go to the market you don't make enough or the prices went up and inflation is killing you?"

"No, no, that's terrible. That's terrible." Well, then you need a microeconomist. So I think we need common understanding, at least one to measures these things. But I agree with you, just giving people money and say, "You are on the poverty line, now you're happy," silly. Latin America, you know, the poverty line-- the common poverty line that we use is $4, not $2. And we day from $4 to $10, you are not middle-class. You are vulnerable. The new concept is vulnerability, meaning any time you can fall under the $4 a day.

Very quick, the issue of health. I couldn't agree more with you. One economist that I respect a lot, Larry Summers, is going around saying-- he (UNINTEL) sound crazy. This is the beauty of Larry, you know, he comes up with this. He used to be my boss at the World Bank. But he comes up with this new concept (UNINTEL) view. He says when you look at growth in the developing world, he comes up with a calculation, I think it's a third of the growth is due to better health outcomes.

So in a way, he's in your camp. Health precedes income, no? I never seen a disentangling of this except for what Larry's trying to do. And it's very difficult to disentangle. Because you don't have enough data to control for this, no? Now, the other thing is there is enough evidence, although it's always RCT, it's (UNINTEL) evidence that if you are very, very poor, you don't invest that much in health.

So it works both ways. My (UNINTEL PHRASE) boss, the new president of the World Bank for the last two years, Jim Kim, his entree point in development was to help fight multi-drug resistant tuberculosis. So he started in Peru, in-- in the outskirts of Lima. And, you know, he went into this neighborhood, which I used read was-- it was (UNINTEL) as well. And very (UNINTEL) realized this is not just about drugs. This is about the income of these people.

You know, the reason why they live, you know, in the way they do is because they don't have clean water, you know, it's very humid, they have dirt floors. And so he got a concept of health that it was more holistic-- because he was facing the same issues that you are raising. (UNINTEL PHRASE), I think I covered it for them.

ALEXANDRA GILLIES:

Great.

MARCELO GIUGALE:

Yes, I think.

ALEXANDRA GILLIES:

Should we move on? Any last burning questions in the audience? Well, I'm here and then I think that's it. There's one in the back row. Last two and then we'll wrap up. Go ahead, Sir.

MALE VOICE:

Well, this is just my follow-up question about the map. 'Cause I'm still intrigued by the billion dollar map. The-- you're certainly right about-- hydrocarbon-- exploration-- all up and down Africa now on both sides of the continent, in fact, east and west.

And I think that that's probably what-- your map will would facilitate was the-- the-- (THROAT CLEARING) the identification of yet more reserves. And in addition to the minerals that there-- that would be there. But we already know-- from the climate scientists that-- (THROAT CLEARING) we can only conceivably burn-- about a fifth of the reserves we've got now.

And so we're just adding-- adding-- we're creating a carbon bubble-- in the markets. Because these companies with-- now the World Bank's billion dollar map to help-- we'll be spending an awful lot of money-- developing reserves, which is-- how they're capitalized, that they can't burn. So-- I guess my-- my-- my rhetorical question-- about that is-- wouldn't it have been a better idea than to write that billion dollar check to clean up Agonia land? (CHUCKLE)

MARCELO GIUGALE:

To clean up?

MALE VOICE:

To clean up Agonia Land?

MARCELO GIUGALE:

I see.

MALE VOICE:

Yeah. Yeah.

ALEXANDRA GILLIES:

Please go ahead.

FEMALE VOICE:

My question is much shorter. You talked about also giving part of foreign aid to the people, which is a very nice, you know, view into it. But isn't most foreign aid, at the end of the day, tied and goes back to the country that's the donor?

MARCELO GIUGALE:

Okay. Shall I take these two?

ALEXANDRA GILLIES:

Sure.

MARCELO GIUGALE:

Let me offer to you and to others-- are interested-- if you send me your email, maybe by Twitter, I put you--

(MALE VOICE: UNINTEL)

MARCELO GIUGALE:

--in touch with a past manager of these problems. He's a very senior personal colleague of mine. And he can give you the latest paper. This is the very beginning. Because they are just doing it in a few countries to demonstrate and then do it to other countries.

But the beauty of this is the following. Once you find out what is in there, you find out with certainty and there's no this-- asymmetric information, differential information between you and the explorer company, which tends to be the tricky part. 'Cause the government doesn't really know how much is in there, no? And they probably say, "No, I couldn't find anything." Well-- well, I'll take it. (UNINTEL) it's nothing.

But they have incentive to hide. That's one thing. And the second is, if you socialize information, if you say, "Yes, this country has all this because it's-- technically proven, then the balance sheet of the country improves." And the-- and the (UNINTEL) of the country improves and all kind of other financial measurements will improve.

And everybody's better off because information was socialized. That's the idea of the map. And that's what we are part of. They don't really need our money, apart from the coordination across countries. But let me put you in touch with these people and-- and you judge by yourself.

Now, on the foreign aid, I completely agree with you. I-- it was just such an easy (CHUCKLE) target, no? Because we have to go through the budgets of all these countries. And in the budgets, you see the oil. But then, you know, we'll call below the line, after the deficit, becomes the financing items. And you always find foreign aid, no, concession, along concessions, grants.

So we say, come on, let's repeat this with the foreign aid part. And sure, the foreign aid works as well or better than-- than-- than resource rent. In some countries, very honestly, have no resources but a lot of foreign aid. So it was an easy score, honestly. Now, whether the foreign aid, once it gets distributed as cash, does not anymore fulfill the objective of the donor-- maybe some donor will think, "You know, I give this money as a way to propped-- prompt-- prop-- no prop up-- prop up my contractors." No, I said, "I give you-- government, I give you this money to build that road. But you have to hire companies from my country." So it's a way to subsidize my company, not really to help in the (UNINTEL) country. So yes-- they may not agree then to monetize the foreign aid. But when we were-- what we were after was the dimension of it. And frankly, there is enough foreign aid to go around visa vie the poverty lines, no question about it.

Let me just leave you with one concept. And it's this. Whether it's this particular idea or any other-- I want to repeat the message that the book carries and it's this. Development and the poverty reduction that goes with it has never been more possible for more countries, never.

I've been in this business for now almost 30 years. And I never seen it so possible. If you-- when I go to colleges and universities I say to the kids, "If you ever wanted to get into this business, now is the time." So the work that people like you and the foundation do couldn't be at a better time. So thank you all very much for coming. Thank you. (APPLAUSE)

(OFF-MIC CONVERSATION)

* * *END OF TRANSCRIPT* * *