



Keeping the Promise

World Economic and Social Survey 2010
MDG Gap Task Force Report 2010

Jomo Kwame Sundaram
Assistant Secretary-General
for Economic Development
UN-DESA, New York
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WESS 2010: Main messages

Multiple global crises due to:

- systemic failures
 - policy inconsistencies
 - governance weaknesses

Additional challenges:

- shifting power
- inequality still rising
- ageing
- migration
- environmental threats

Fundamental **reforms needed** for **sustainable globalization**

Fundamental reforms needed



- Strengthen developing countries' capacity to design and implement their **own development strategies**
- Reform aid
- Reform trade
- Reform international finance
- New **global economic coordination mechanism**

Developmental Governments?



- MDGs provides targets, but national development strategies required
- Experience, policy coherence key
- National development strategies:
 - National ownership
 - Policy coherence
 - Global governance must provide sufficient national policy space

MDG 8 Targets



- **Aid**: More generous ODA for countries committed to poverty reduction
- **Trade**: Further develop predictable open, rule-based, non-discriminatory trading system
Address **special needs** of LDCs, LLDCs, SIDS
- **Debt**: Deal comprehensively with debt problems of developing countries
- **Medicines**: Provide **access** to **affordable** essential drugs in developing countries
- **Technology**: In cooperation with private sector, make available benefits of new technologies

MDG 8 Expanding + strengthening international partnerships



- With global economic crisis, esp. urgent to accelerate delivery on MDG 8 commitments
 - share of ODA in developed countries' GNI rose to only **0.3% in 2008** – <0.7% target
- Urgently address rising **external debt** to GDP + external debt service to exports since 2008
- Help developing countries in face of global **credit crunch**
- Developing countries + their partners to reduce fragmentation + **ensure ODA supports national** development strategies

International Partnerships 2



- Urgently implement 2005 Paris Declaration + 2008 Accra Agenda for Action to enhance **aid effectiveness** + reduce aid volatility
- \$20bn over 3 years pledged for **food security** by G8 at L'Aquila + G20 at Pittsburgh should be provided urgently for smallholder farmers, esp. through new multi-donor trust fund
- Fulfil development promise of **Doha Round** of multilateral trade negotiations [with food + financial crises, new waves of protectionism]
- **Aid for Trade** especially vital to compensate for loss of tariff revenue, productive capacities + develop new productive + export capacities

International partnerships 3



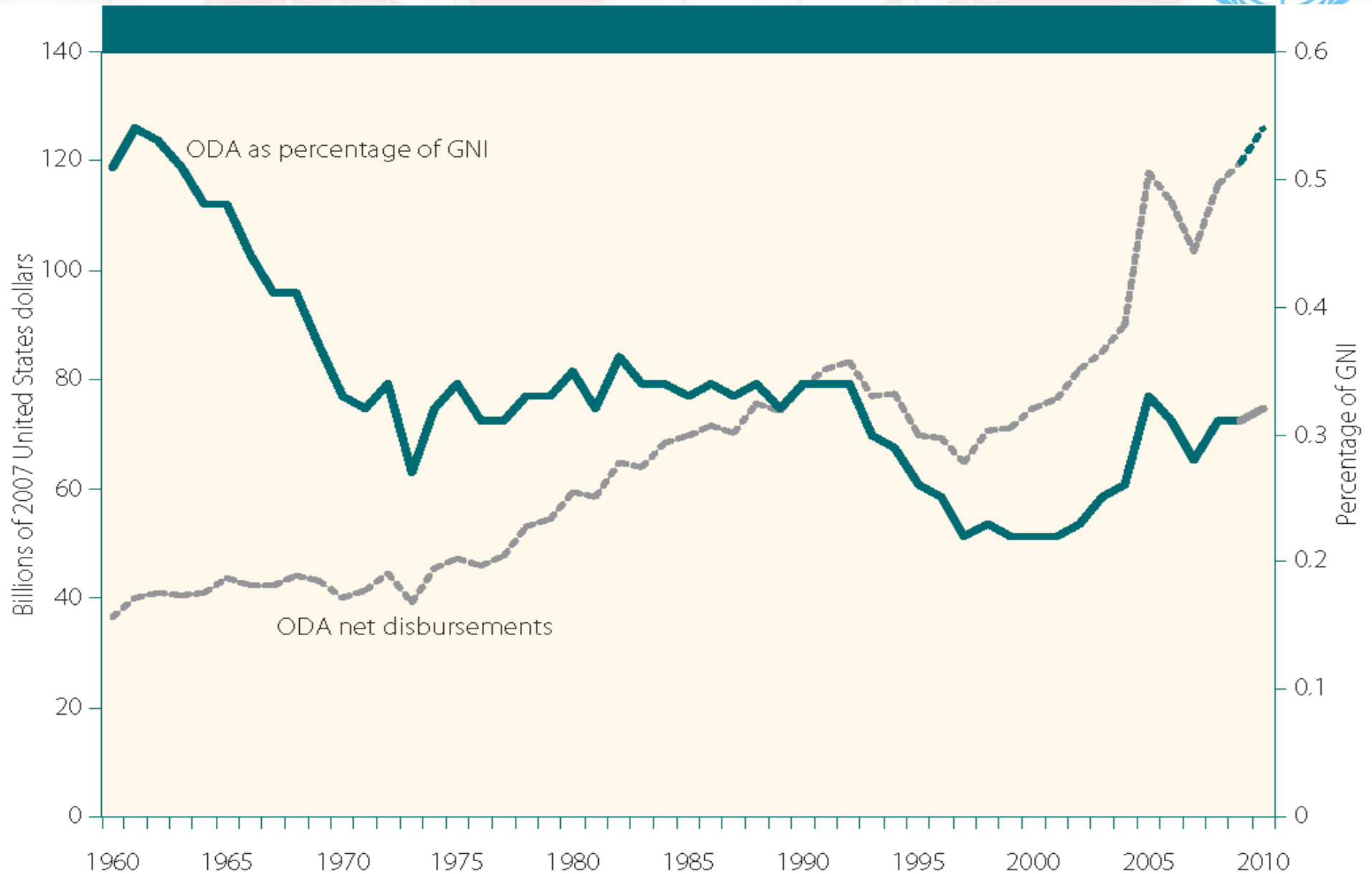
- Fulfil 2005 pledge to eliminate, by 2013, all developed countries' **agricultural subsidies**, adversely affecting farmers in developing countries
- Lower **pharmaceutical prices** in developing countries
- Enhance developing countries' access to finance + **technology for climate change** mitigation + adaptation
- Also for smallholder food agric productivity

Aid Problems

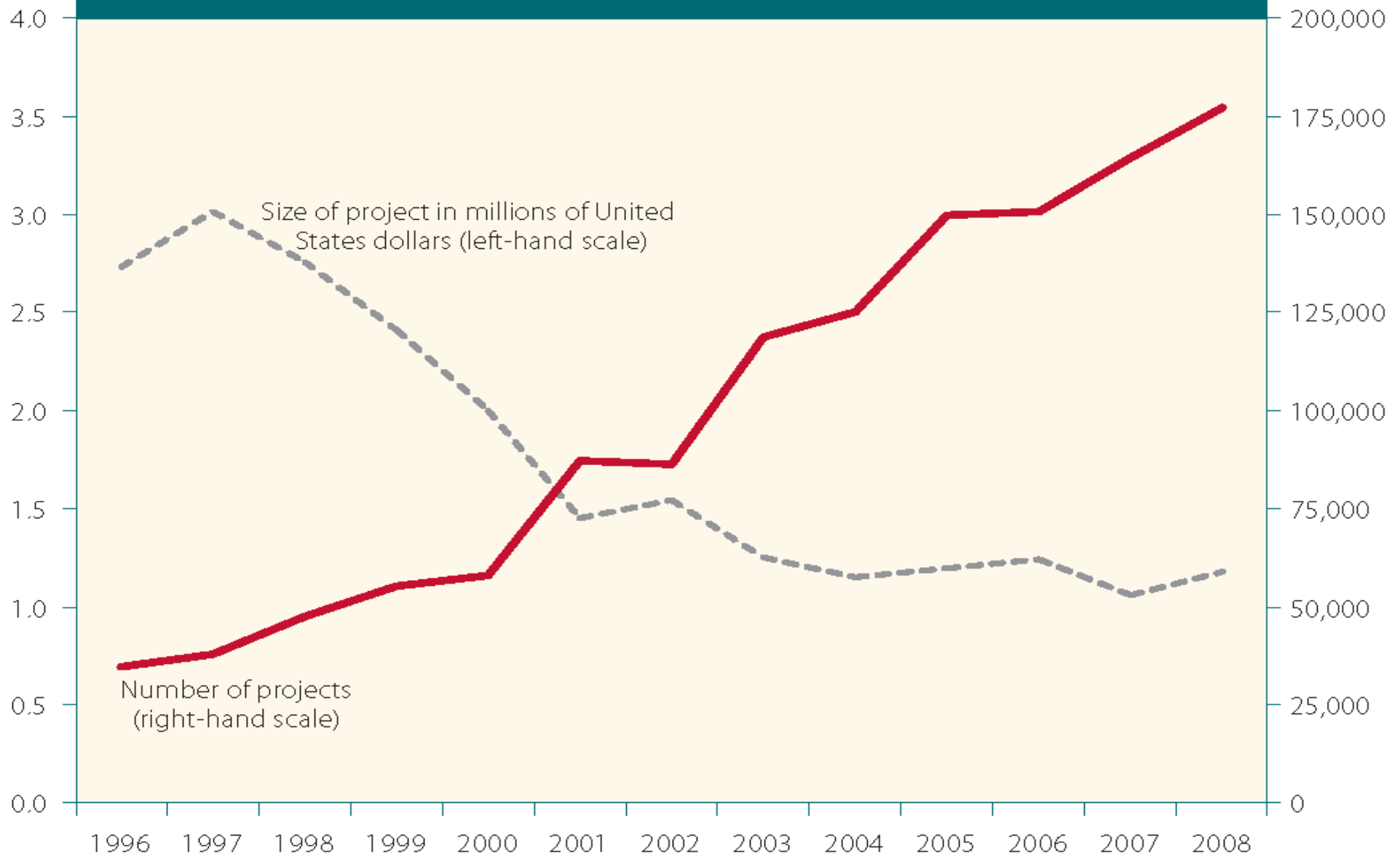


- Too little
- Too fragmented
- Too volatile
- Aid allocation **not aligned** with national development strategies

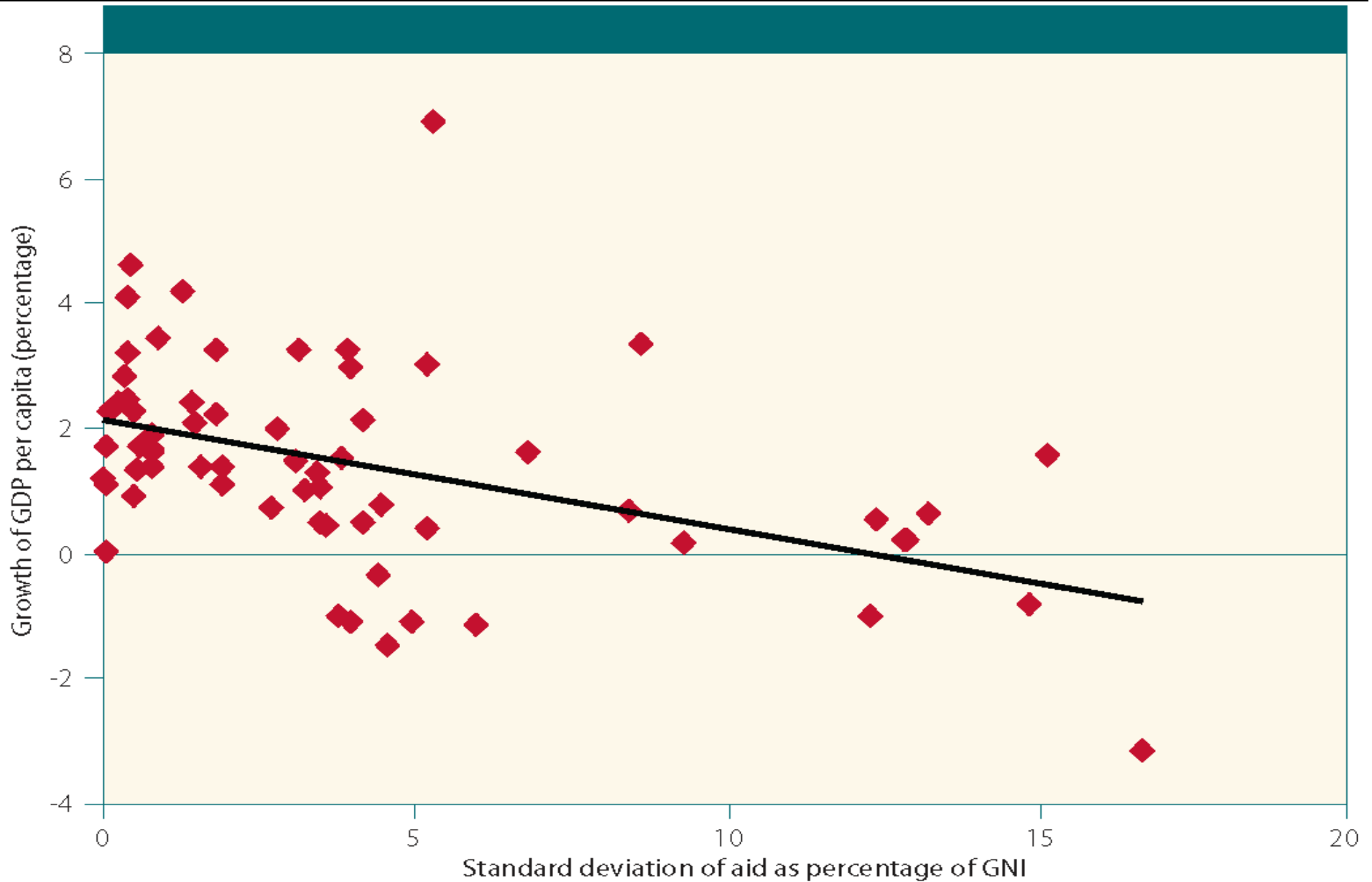
Aid % of donor GNI lower after 1/2 century



Aid fragmentation growing



Aid volatility undermines growth

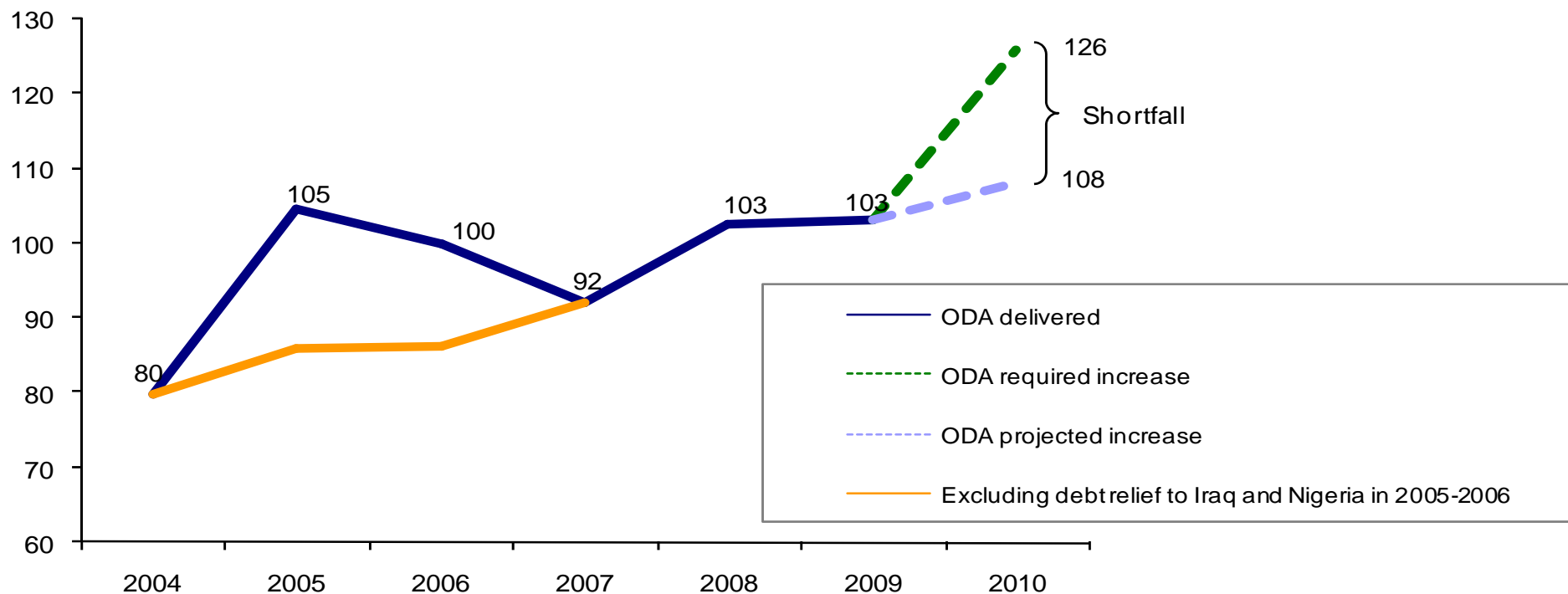


Donors not on track to meet Gleneagles targets



- Expected aid shortfall in 2010 (in 2009 dollars):
 - \$20 billion for total ODA
 - \$16 billion for ODA to Africa

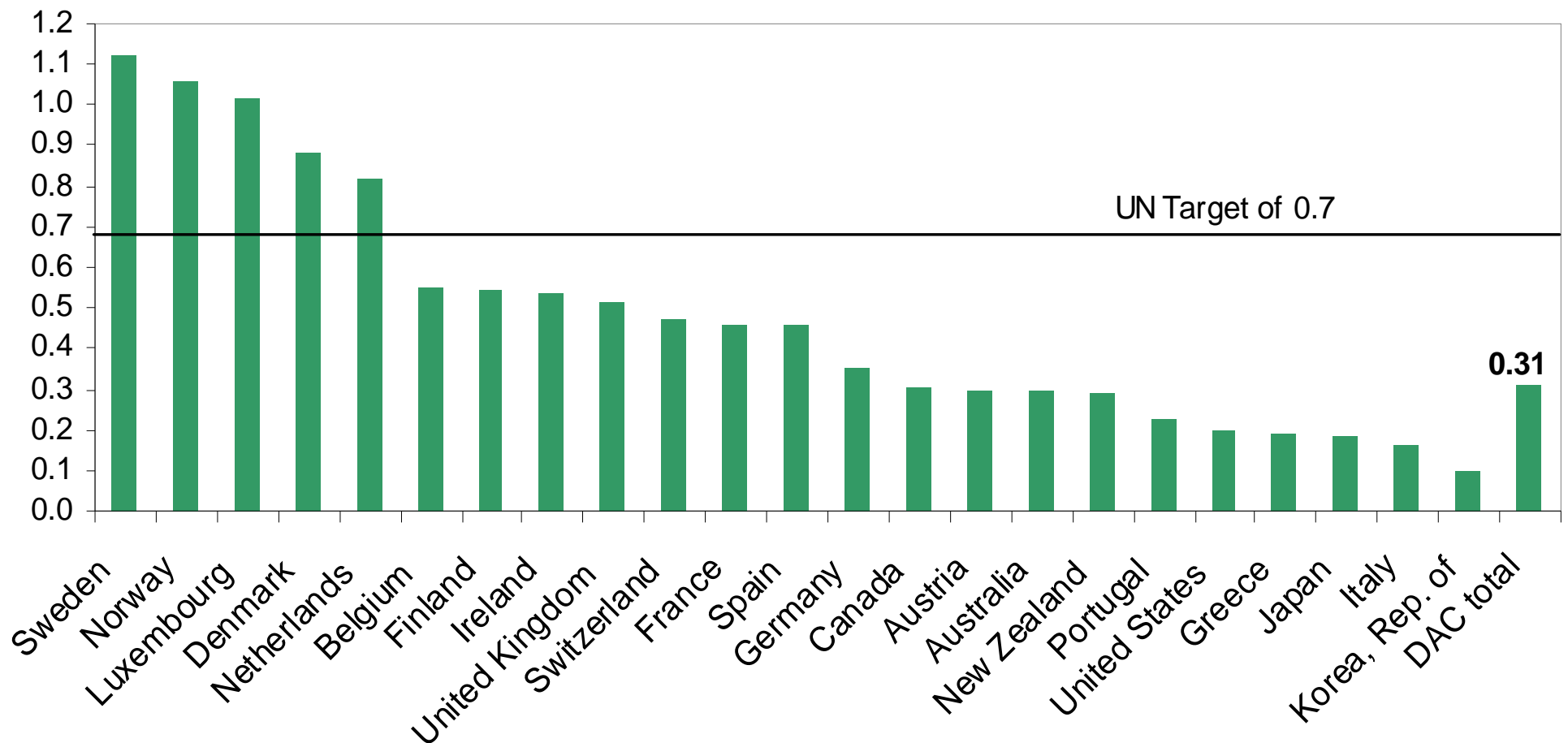
Delivery against Gleneagles target (2004 dollars)



Most donors have not met UN target



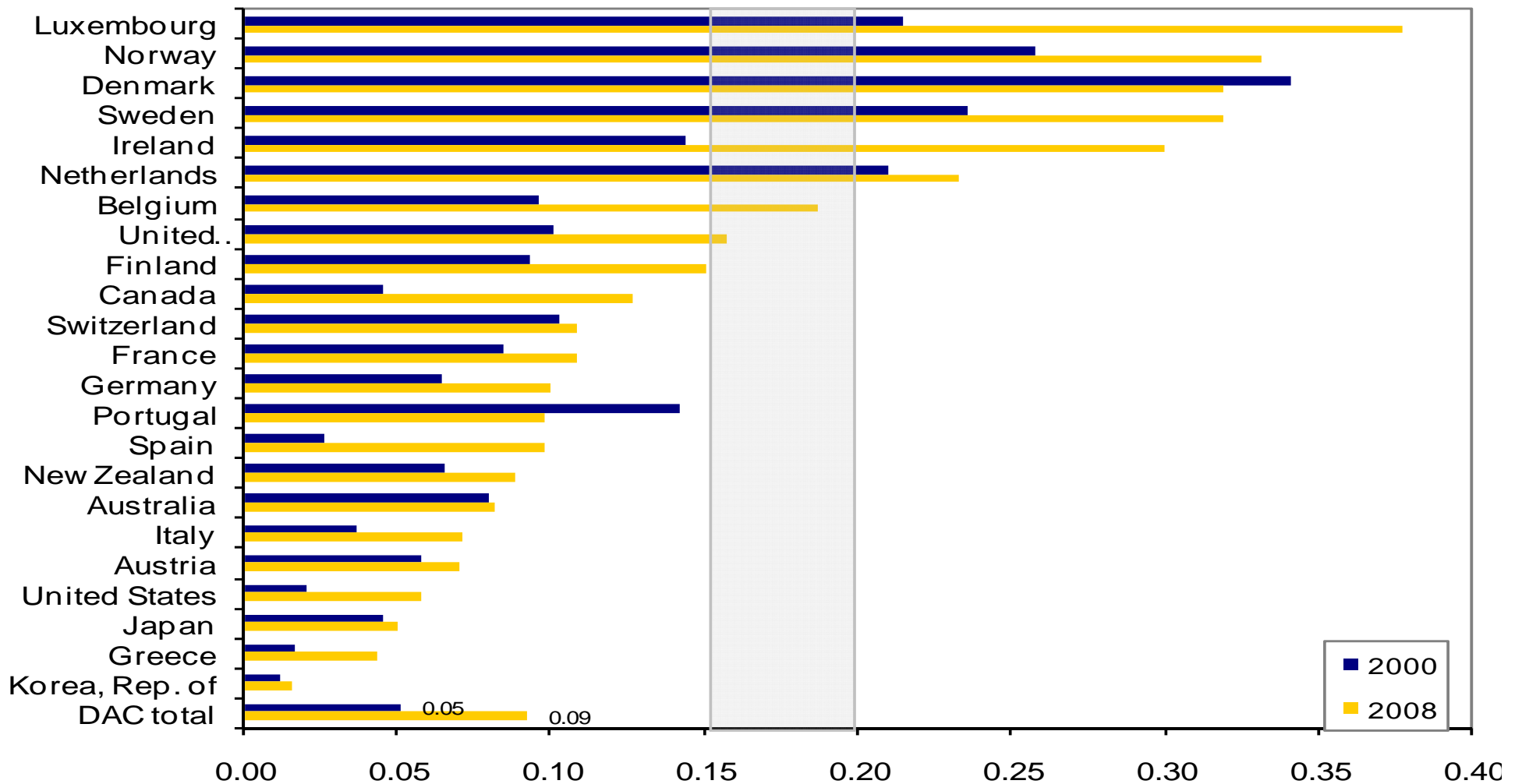
ODA as % of GNI in 2009



Aid to LDCs disappointing



Delivery of ODA to LDCs against the Brussels target



Aid effectiveness



Some progress in:

- Alignment of technical assistance with country programmes
- Untying aid
- Strengthening public finance management systems

Less progress in:

- Donor use of recipient country systems
- Predictability of aid flows
- Reducing aid transaction costs

Reforming Aid



- Recommit to **UN aid target** needs **annual increments of \$35bn/year until 2015**
 - Move to needs-based aid architecture
 - **Aligned** with national development strategies
 - **Consider new modalities** of providing aid
 - **Budget support** allocated to trust funds
 - **Aligned** with other development finance
 - **Greater** resource mobilization

Trade problems



- Terms of trade trends do not favour development
- Trade liberalization undermines developing productive capacities
- Poorest countries still lack capacity to diversify and market access
- WTO single commitment:
one size fits all rules
- **Policy incoherence** among trade, finance and environment regimes

Terms of trade



International terms of trade have moved against developing countries

1. Primary commodities vs. manufactures
2. Tropical vs. temperate agriculture
3. South vs North manufactured Xs

Generic manufactures vs monopolistic manufactures protected by IPRs?

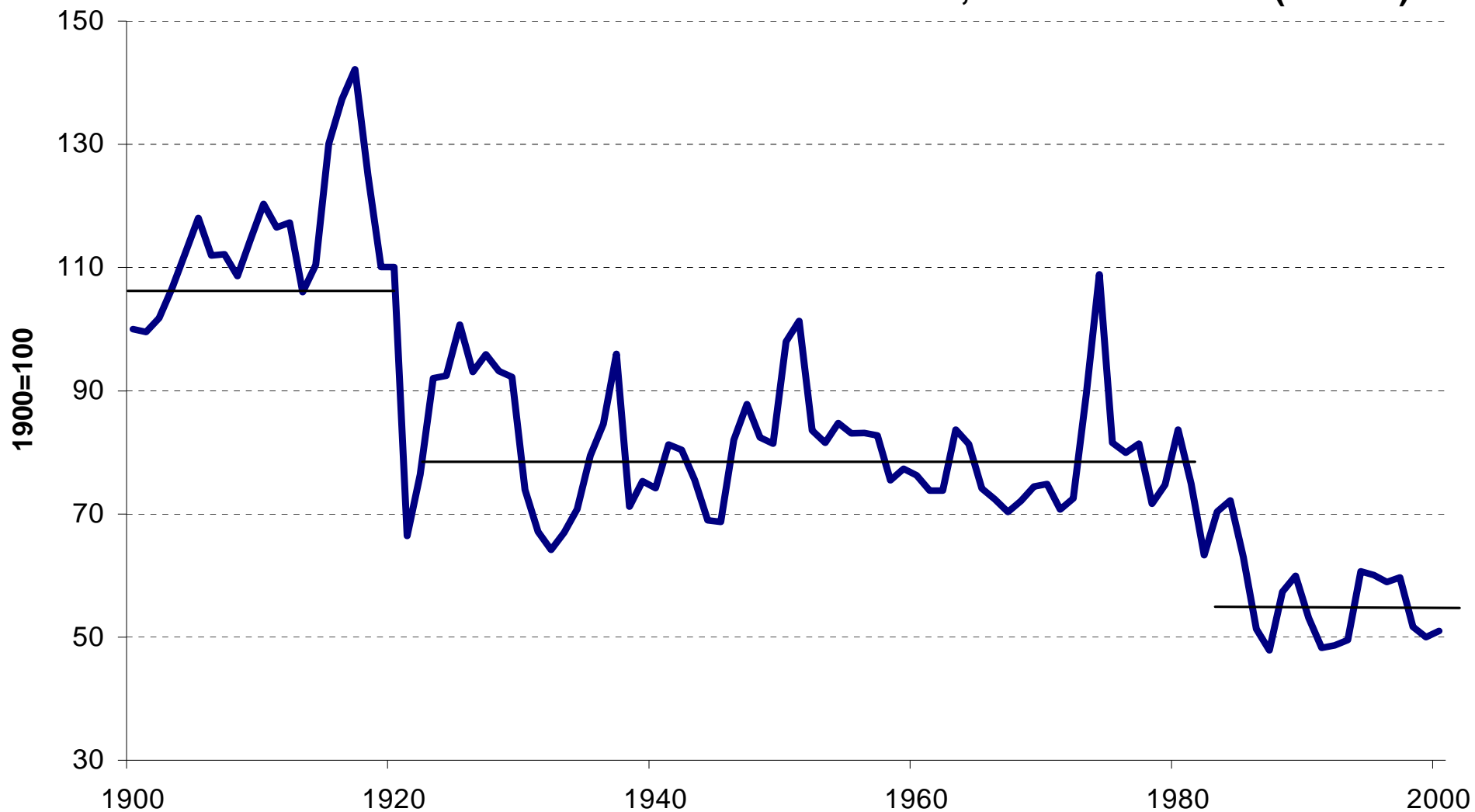
→ Immiserizing growth?

Commodity Price Index, 200C



Figure 1

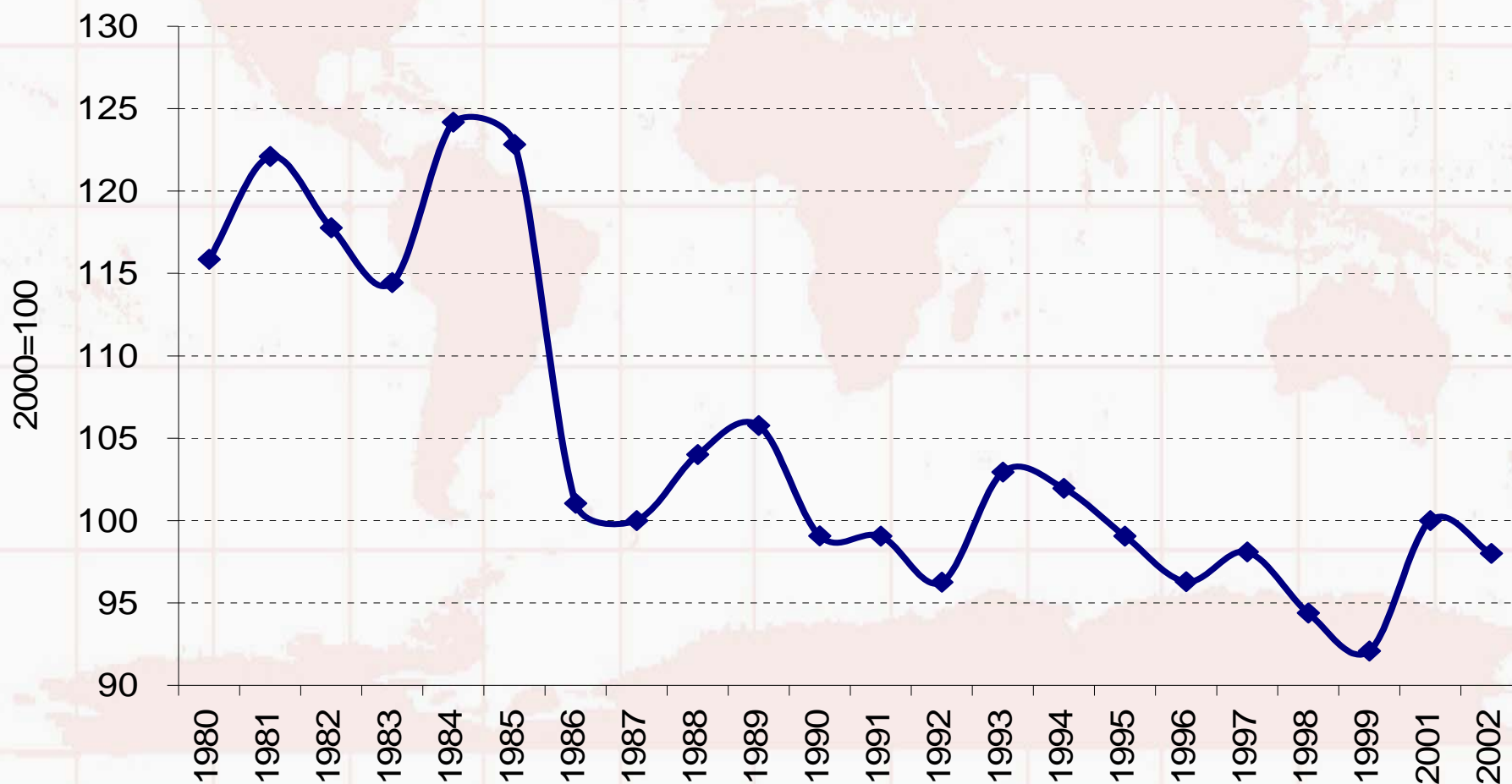
AGGREGATE REAL COMMODITY PRICE INDEX, EXCLUDING OIL (GYCPI)



South vs North Manufactured Exports' Terms of Trade



Unit value of manufactures exported by developing countries relative to manufactures exported by developed countries

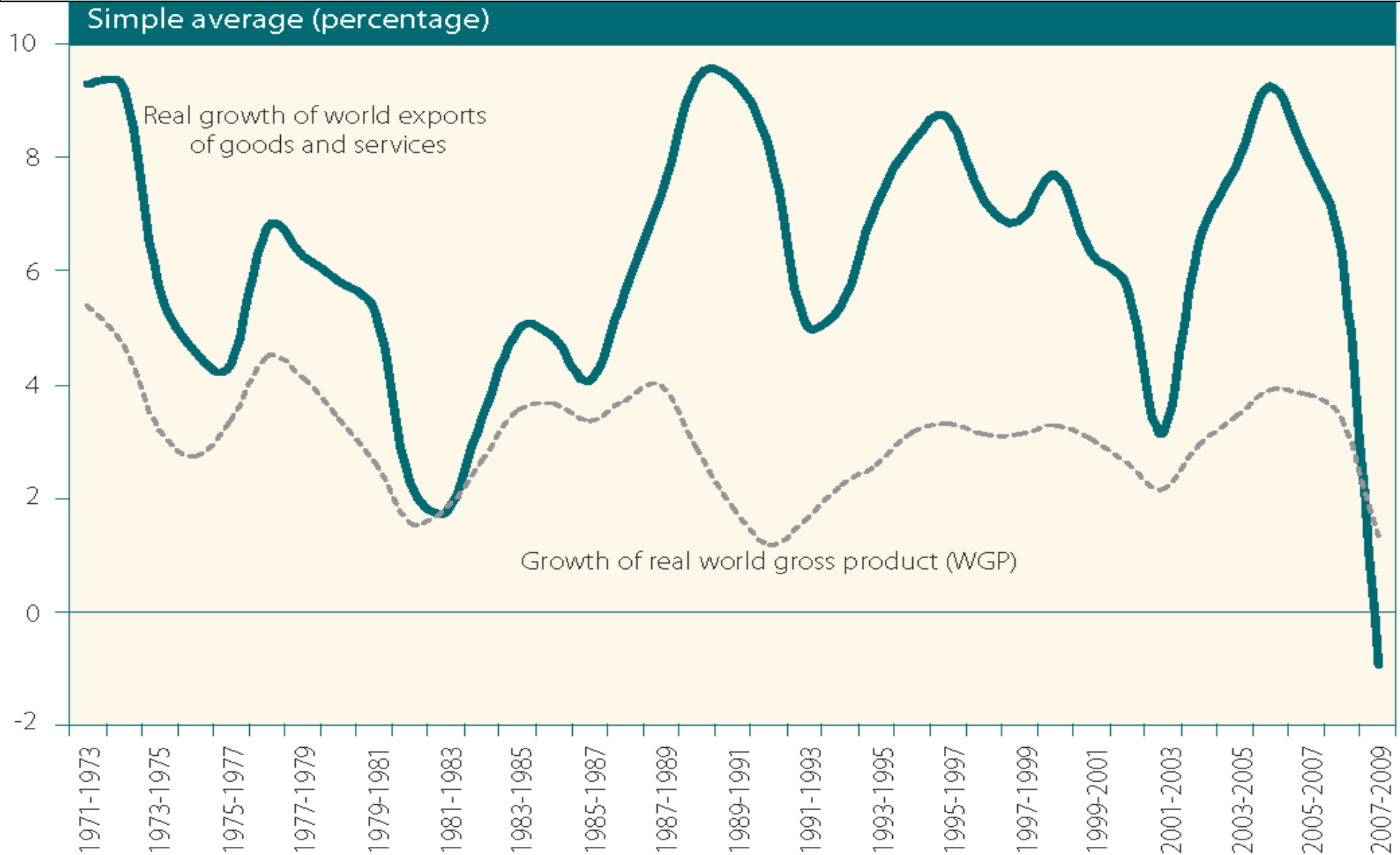


Doha Round: developmental?



- Modest concessions (e.g. 97% market access for LDCs in HK)
- Doha Round gains:
more for developed economies;
most for 5 developing countries
- *Modest, unequal, 1 time* gains
- Clinton: Agricultural trade liberalization vs food security
- WTO GATS FSA → financial services liberalization
- Services liberalization: which services?

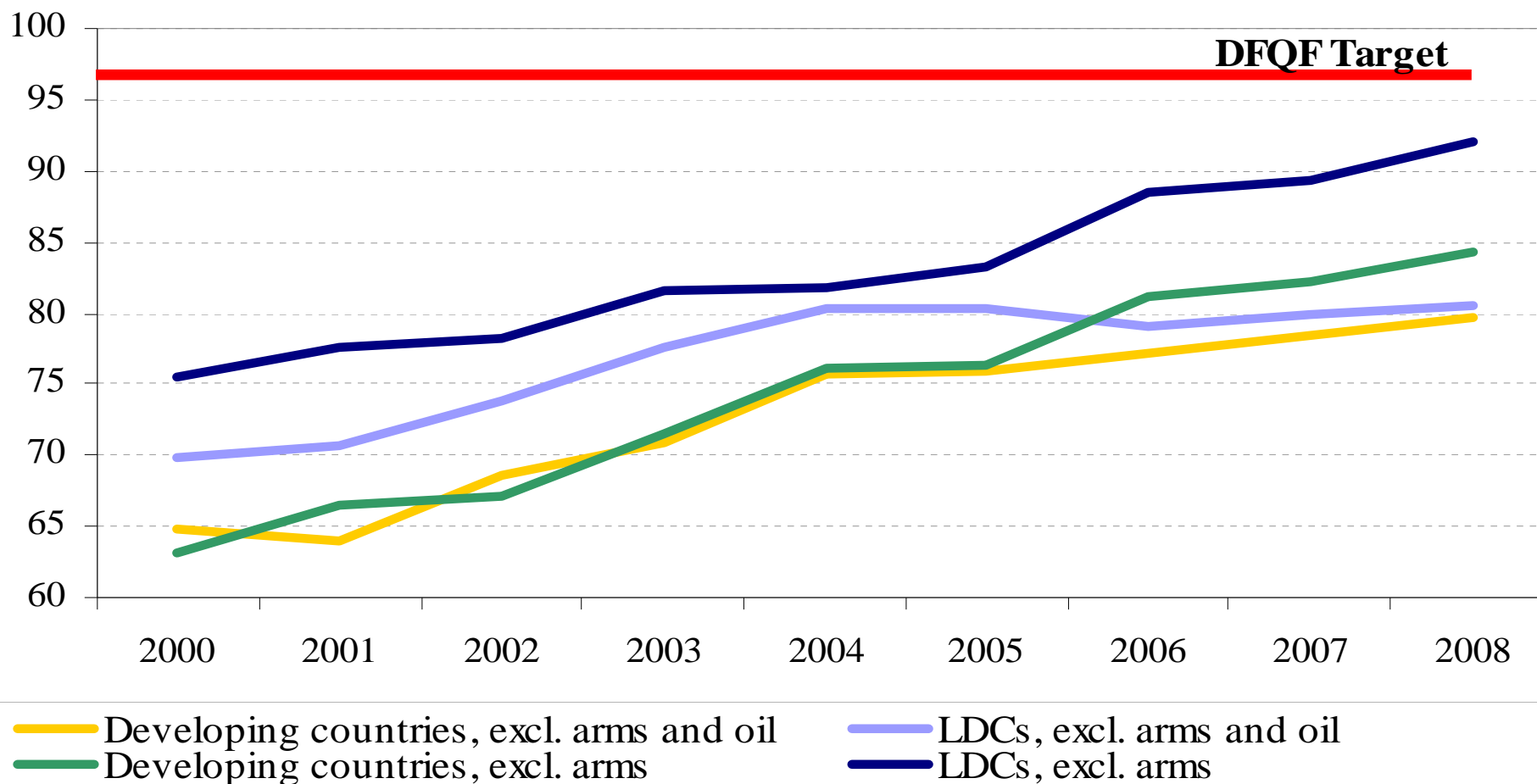
Trade/GDP growth disconnect



LDCs' duty-free access



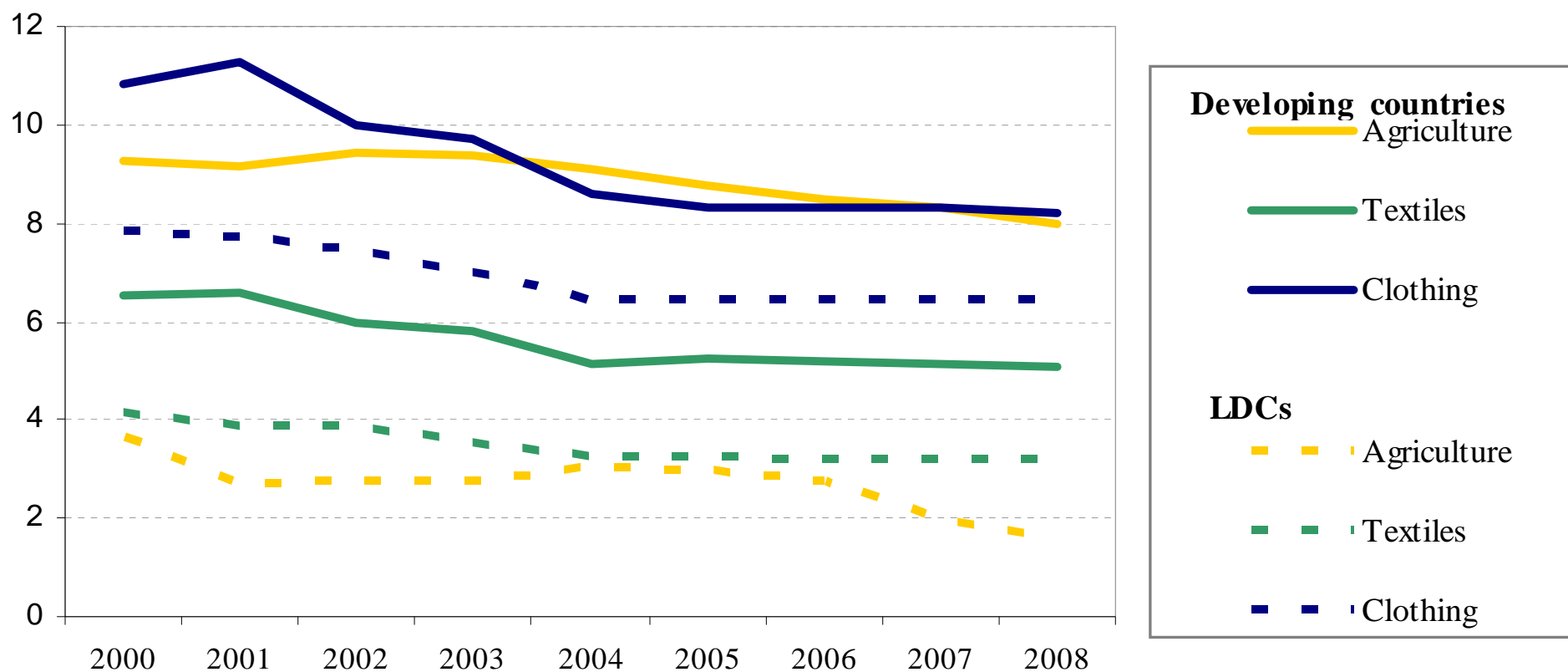
Proportion of developed-country imports from developing countries and LDCs admitted free of duty (percentage)



Tariffs on key products from developing countries still high



Average tariffs imposed by developed countries on key products from developing countries and LDCs (percentage)



Agricultural subsidies in developed countries still high



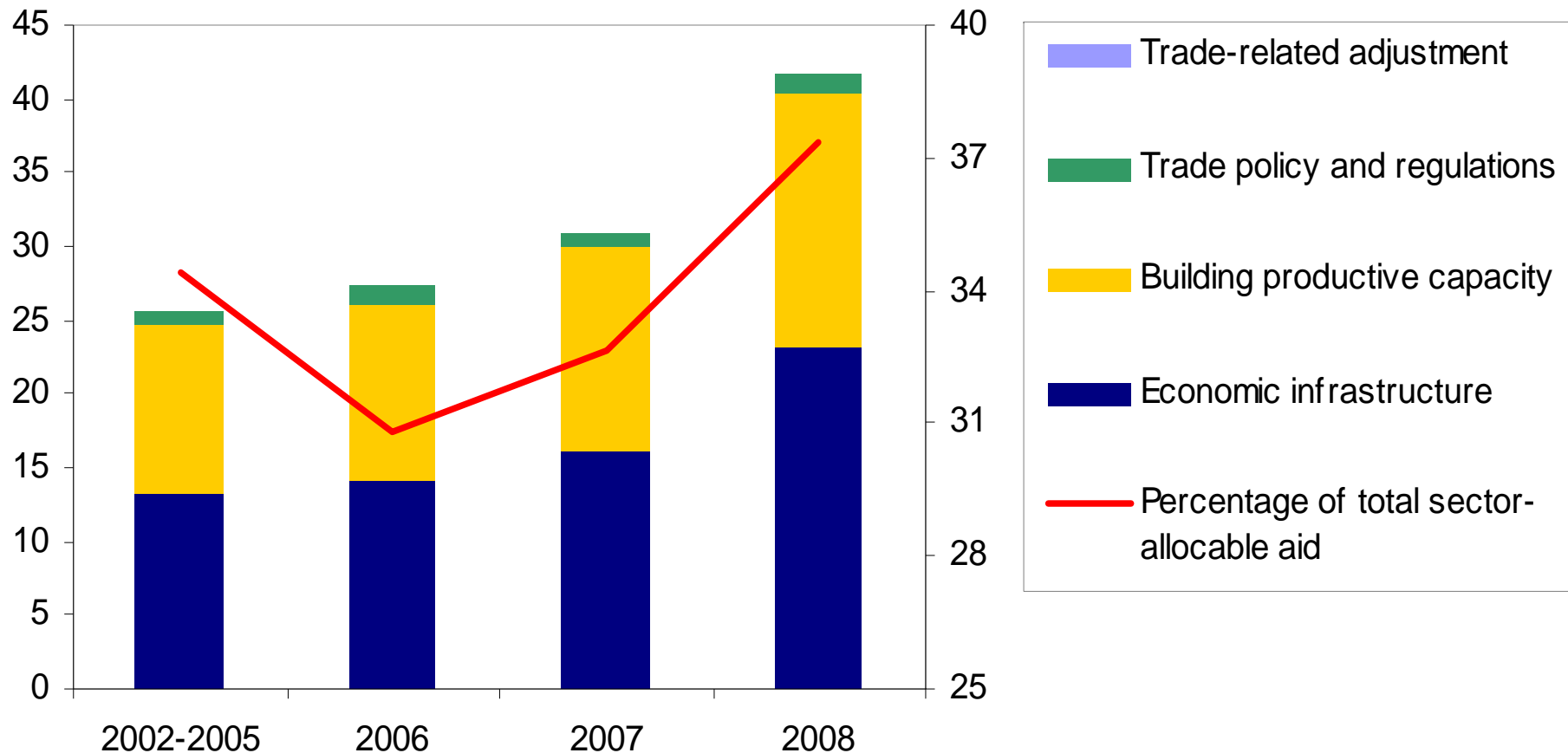
Total agricultural support in OECD countries

	<i>1990</i>	<i>2000</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
US\$ (bn)	327	323	383	375	363	364	376
Euros (bn)	257	351	308	302	289	266	257
As % of OECD countries' GDP	2.0	1.2	1.1	1.0	1.0	0.9	0.8

Aid for trade up 35%, reaching \$42bn, but mainly diverted, not new



Aid for Trade Commitments (2008 dollars)



Trade recommendations

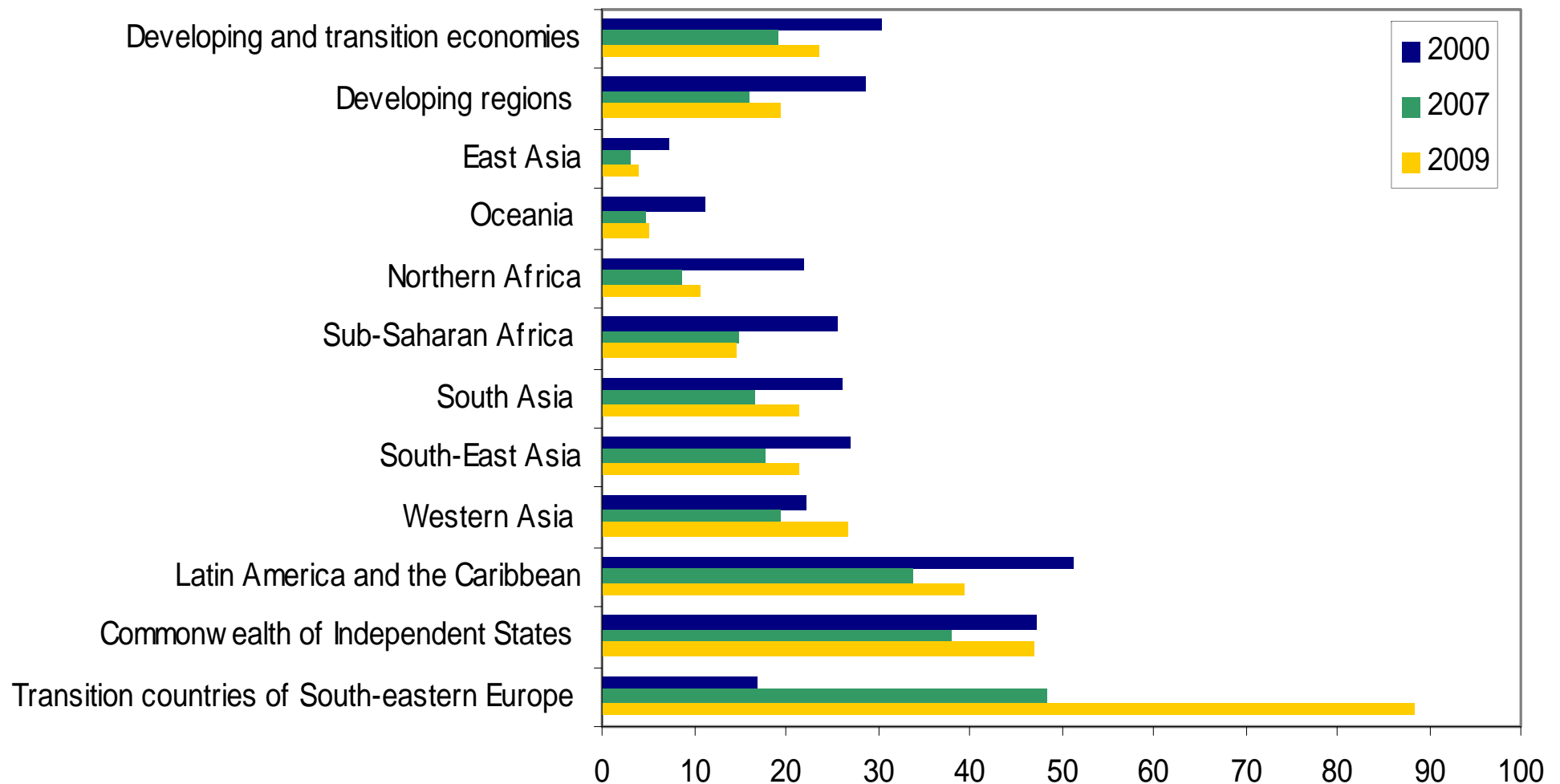


- Conclude *developmental* Doha Round
- Accelerate duty-free, quote-free (DFQF) market access
- Strengthen Aid for Trade which should be truly additional

Crisis worsened developing countries' debt



Ratio of external debt service to exports of goods and services (percentage)



HIPC progressing, but more countries now vulnerable



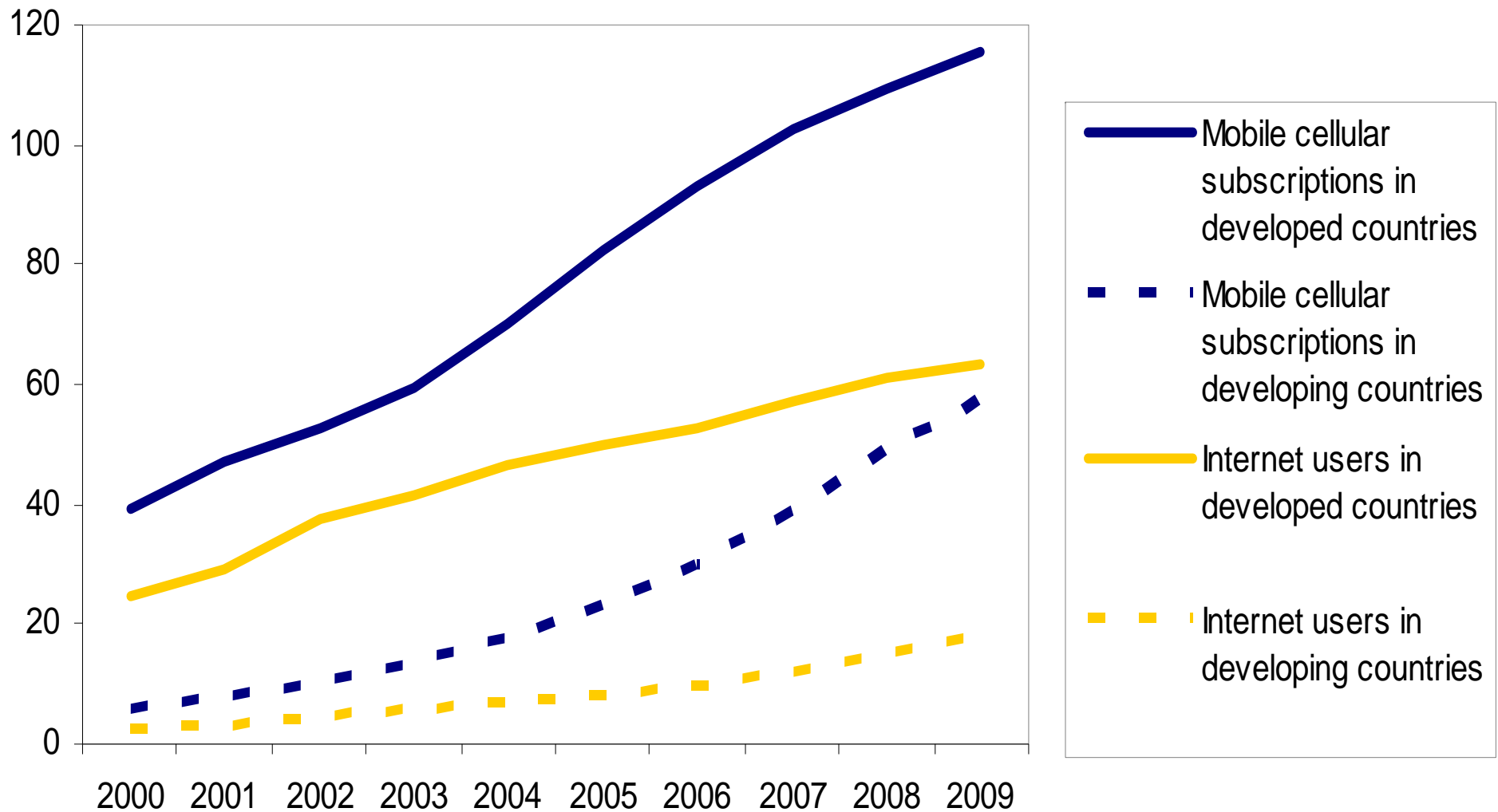
- **28 of 39** countries reached completion point by May 2010
- \$76bn in debt relief provided under HIPC Initiative and \$27bn under MDRI
- Some of 39 HIPC countries still have vulnerable debt situation
 - **11 debt distressed**
 - **16 at high risk** of debt distress
 - Number of vulnerable, needy countries **could be much** higher following crisis
- **Sustainable debt workout mechanism needed**, not sustainable debt framework straight jacket

Essential medicines: Access still poor



- Little improvement in providing affordable access to medicines
 - Low availability
 - High prices
 - Even lowest-priced generic medicines unaffordable
 - Large gap in pharmaceutical prices between developed and developing countries
- Some progress in providing medicines to treat acute diseases

ICT usage rising despite crisis, but large divide persists



Technology challenges



- Addressing climate change requires access to new technologies and large-scale financing
- **Prices** of broadband services in developing countries, particularly Africa, **still very high**
- Telecommunications/ICT sector **increasingly privatized**

Debt sustainability



- **Moratorium option** for **emergencies**
- Provide ODA in grants to low-income countries
- Set up independent arbitration or mediation schemes, while developing **sovereign debt arbitration tribunal**
- Organize ad hoc meetings of a debtor with creditors while developing **new debt workout mechanisms**
- **Extend HIPC** Initiative and re-open eligibility
- Convene a multi-stakeholder expert group on **sovereign debt restructuring**

Essential Medicines



- Developed countries should export affordable generic medicines to developing countries
- Developing countries should be allowed to **export** generic medicines produced under **TRIPs national licensing** provision to other developing countries
- International community should reduce costs incurred by TRIP
- Increase availability of medicines and strengthen national health systems in developing countries

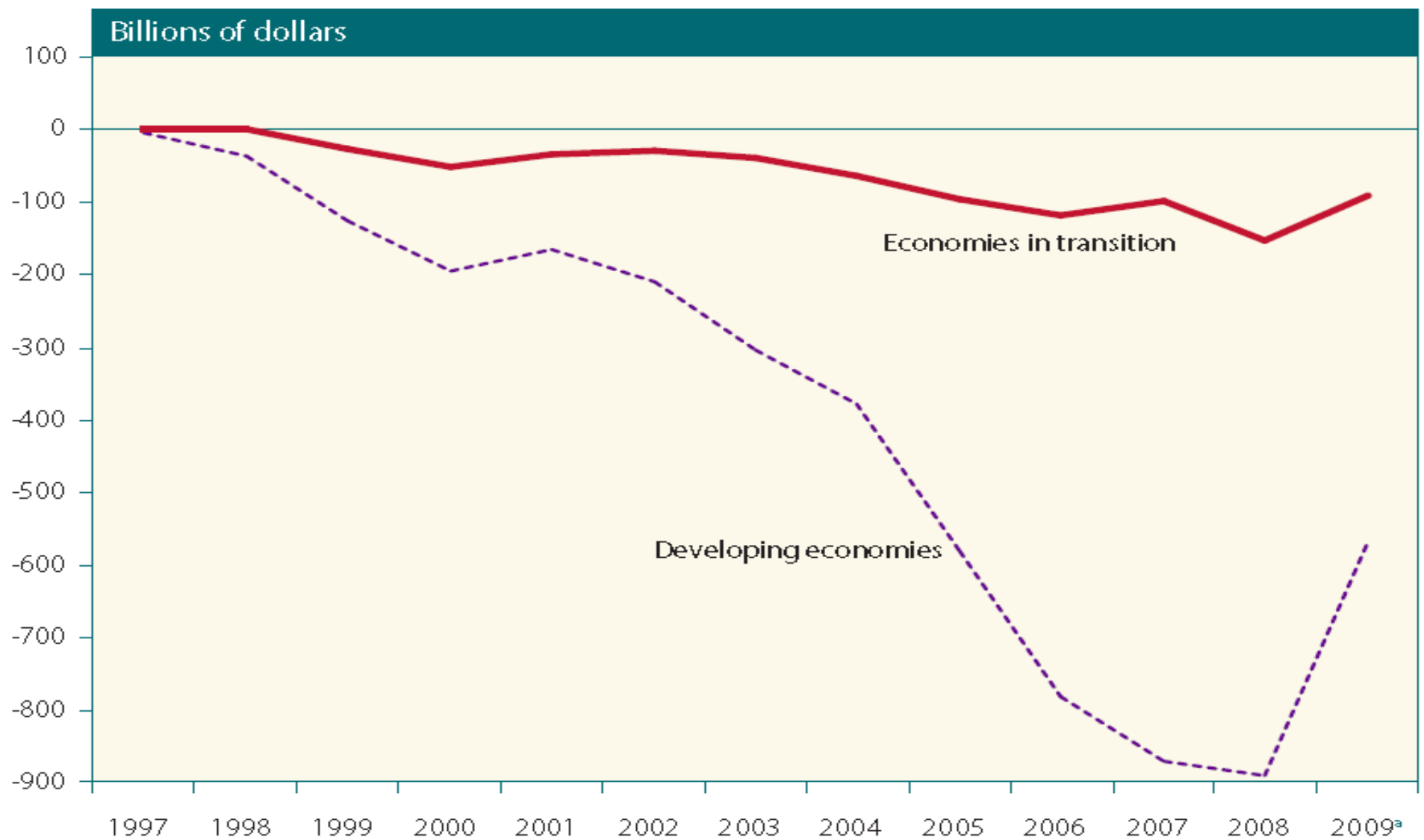
New Technologies



- Strengthen public-private partnerships
- Encourage ICT investment in developing countries
- Promote transfer of technologies for mitigation and adaptation to climate change
- Promote drought-resistant, more productive and nutritious food crop varieties
- Promote affordable renewable energy in poorest countries as alternatives to fossil fuel and bio-mass – **Global Green New Deal**³⁶

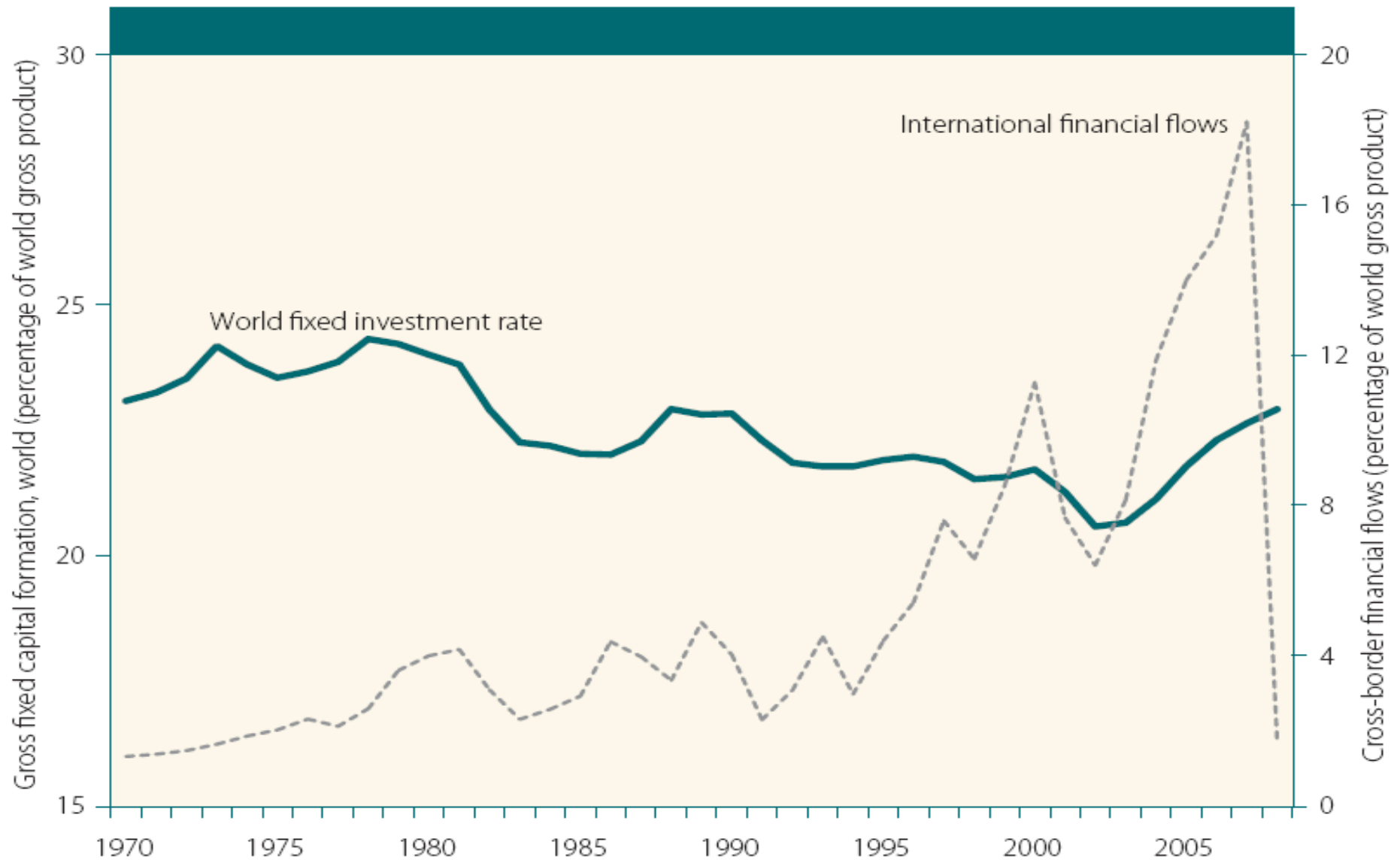
Transfers from poor to rich

Net financial transfers to developing countries and economies in transition, 1997–2009



Financial globalization for whom

Rapid financial growth but stagnant fixed investment, 1970-2008



Financial reform



- Coordinate **international financial regulation** through new multilateral authority
- Create **orderly sovereign debt workouts mechanism**
- Control **volatile capital flows**
- Reform **global reserve system**:
 - International liquidity
 - Better macroeconomic policy coordination

Lessons learnt 1



- ***National ownership development strategies***

One size fits all policies + programmes bound to fail. Successful countries pursued pragmatic heterodox policy mixes, with enhanced domestic capacities

- ***Sustained + equitable growth based on dynamic structural change***

Economic growth necessary, but not sufficient for progress

- ***Developmental macroeconomic policy***

Macroeconomic policies should support growth of real output + employment. Public investment often crucial.

Lessons learnt 2



- ***Universal social protection affordable***

Social impact of crises hardest where social protection weakest. Universal social protection floor to maintain, regenerate livelihoods, particularly of disadvantaged + vulnerable. Social protection not only desirable, but also necessary for inclusive sustainable devt

- ***Address inequalities + social exclusion***

Inequality + social exclusion limit growth contribution → reduce access inequality

Lessons learnt 3



Adequate, consistent + predictable financial support , **coherent + predictable policy** environment, national + international levels

Urgent need to ensure supportive international frameworks for **trade, taxation, technology** + climate change mitigation + adaptation to sustain long-term human development

Sufficient, predictable + well-coordinated financing for development, including budget, ODA, philanthropy, debt relief, new financing sources, instruments, arrangements, institutions

Bretton Woods moment lost, but remember ambition

Bretton Woods, 1944: United Nations conference on monetary + financial affairs

- 15 years after 1929 Depression
- Middle of WW2
- US initiative vs UK Treasury stance
- 44 countries (28 developing countries; 19 LA)
- IMF, IBRD, ITO – UN system
- Clear emphasis on **sustaining growth,
employment creation, post-war
reconstruction, post-colonial development,
*not just monetary + financial stability***

Finance reform priorities



- *Prudential risk management*, including *capital controls* (now IMF OK)
- *Counter-cyclical*: limit pro-cyclicality
- Finance growth (output, *employment*)
- *Development* finance, e.g. crucial for investment + technology policies
- *Inclusive* finance

Global Green New Deal



- **New Deal** for recovery, social protection, jobs, infrastructure, development
- **Green**: more job creation from renewable energy (compared to fossil fuel energy)
- **Global**: cross-subsidization (e.g. regional feed-in tariffs, scale economies)
- **Need public invt to induce private invt**
- Cheap credit → **over-investment** → under-utilized capacity → private investment reluctance → **public investment needed**

Thank you



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