

Global Governance for Sustainable Development: The Need for Policy Coherence and New Partnerships - Major Challenges and Unresolved Issues

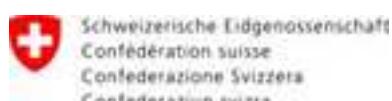
Report of the conference report launch seminar on 25 March 2009 at the Graduate Institute of International and Development Studies Geneva



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Funded by



Swiss Agency for Development
and Cooperation SDC

Published in June 2009



Global Governance for Sustainable Development: The Need for Policy Coherence and New Partnerships - Major Challenges and Unresolved Issues

Summary

The report of the 12th General Conference was officially launched during a public event on 25 March 2009, hosted by the Graduate Institute of International and Development Studies in Geneva and kindly funded by the Swiss Agency for Development and Cooperation (SDC).

Janine Rodgers, development economist and editor of the conference report, presented the main findings of the conference. *Louka Katseli*, EADI Vice-President and member of the Greek parliament, presented a politician's perspective on key issues for policy-makers, *Jean-Louis Arcand*, Professor of International Economics and Development Studies at the Graduate Institute of International and Development Studies, presented a researcher's perspective on major challenges and unresolved issues, and *Branislav Gosovic*, former Executive Director of the South Centre, presented a civil society's perspective. The event was chaired by *Jean-Luc Maurer*, President of EADI and Professor of Development Studies at the Graduate Institute of International and Development Studies. This report summarises the main outcomes of the discussion. More detailed speeches and analysis can be downloaded from the EADI website at www.eadi.org.

Janine Rodgers gave an overview of the main issues discussed during the plenary sessions and pointed out some identified research gaps or suggestions for further research. Three main conclusions can be drawn from the conference:

- First, unresolved or worsening development issues have invaded the agenda of international relations and domestic policies worldwide. Hence the relevance of development research in setting today's global agenda.
- Second, in the current period of multiple crises the need for global governance is more pressing than ever.
- Third, a change of paradigm is necessary to make sustainable development possible. In that context J. Rodger emphasised that two areas badly need to be researched further: (i) the process of change at different levels of society (individual, national and worldwide) and (ii) the links between the local and the global.

Global governance for sustainable development: Eight areas that deserve attention both from economists and development studies

Jean-Louis Arcand concentrated in his comment on eight key issues that were addressed at the General Conference but would deserve much more attention from both economists and development researchers as regards field research and data collection, interdisciplinarity and policy impact. The issues Arcand presented were multidisciplinarity, equity at the global level, missing markets/creation of markets, illegal migration, food security, policy co-ordination, institutions and local governance. This report will focus on four of these issues.

Multidisciplinarity

"The lack of interdisciplinarity is killing people," he said, giving an example from the fight against HIV/AIDS. A lack of communication between epidemiologists and economists, for example, who are both working on solutions to combat the disease, leads to bizarre policy decisions like the promotion of adult male circumcision by UNAIDS in countries where this practice is very common (i.e. most of the Muslim world). Evaluations of the same programmes by both disciplines each lead to contradictory results, and communication between the two would help to find better adapted solutions.

Illegal migration

There is a substantial research gap concerning illegal migration. Very few data are available and it is a difficult research area that desperately requires the formulation of an appropriate policy response to illegal migration. J. L. Arcand gave an example from a survey in Senegal which showed that illegal migrants migrate based on wrong assumptions about salary levels in Europe due to a lack of information. A policy response there would be to provide information.

Food security

"Let us go back and read the classics, we have 40 years of data on these issues, and it is a scandal that development researchers do not have a bigger impact on the policy arena," J. L. Arcand argued. A lot of research was done in the fifties, sixties up to the seventies on the importance of agricultural productivity and food security for the development process and

this is clearly an arena where development researchers have a deep knowledge and should be able to produce a co-ordinated policy response (as Etienne and Ziegler already do).

Local governance

The success or failure of community-driven development programmes have to do with local governance and the links between populations at the bottom of the food chain, applying methods of local governance in the programmes. There is more and more research on these links and it is a very important area in which economists and development studies should co-operate. It is essential to move away from a central planning process as done traditionally in most bilateral and multilateral institutions to a more inclusive and community-driven planning process. On the bright side, the World Bank is actively supporting such decentralised development programmes.

In conclusion, Arcand defined a strong need for data collection in the eight key areas so that the political discourse can be based on quantitative criteria. Development researchers are used to thinking in terms of local governance and decentralization, which is a strong point. Interdisciplinarity between economists and development researchers and other disciplines and better co-ordination and articulation of existing knowledge is strongly needed to formulate successful policy responses.

Global guidelines for action and a global bargain

Branislav Gosovic elaborated on the question of "Who is going to lead the planet and in what direction?" He gave an example of how the topic of environment had been disconnected from the topic of development in 1974 by the United States, which decided not to contribute to the Environment Fund and slowed down the spread of the idea of sustainable development. He emphasized the fact that the question of global leadership depends on the decision we take regarding who is going to lead. He also criticized the still growing divisions and barriers between disciplines and institutions, which does not allow us to meet the complexity of problems which are increasing day by day. He introduced the idea of a global brain comprising small local brains which have to be connected and he emphasized the need for global guidelines for action.

Branislav Gosovic strongly believes in UN organisations, but also emphasised the fact that research on international organisation needs to be reinforced in order to give the UN back that capacity for thinking which was lost in the 1980s. He has a vision of a place where people are educated across national divides and age barriers and reach a perspective on the global situation. "My hope is that there will be financial resources to educate people," he said. He concluded by saying: "Sustainable development: When the issue was put on the agenda in 1972, a naïve hope was that the countries in the North would become more cooperative on the issue of development. This was not the case. Today we have the same situation with climate change, developing countries feel very disadvantaged. There is a need for a global bargain with regard to climate change. This has to be done and the question remains of how to convey this to decision-makers."

Global Economic Crisis: Will the Post-crisis World Order be Inclusive?

In her presentation, Louka Katseli focused on the global economic crisis, which opens up a lot of opportunities for development studies and global governance. Katseli pointed out that the financial crisis is likely to batter global economic activity in advanced, emerging and developing economies, and that global activity is expected to contract in 2009 for the first time in 60 years.

In this context, Louka Katseli raised the following questions:

1. How fast will the global economy bounce back and with what results? Will the recovery be sustainable or will the globalisation process be linked to recurrent financial crises?
2. Is there likely to be a shift in financial and economic power in the world, as the recovery will not be symmetrical? What will the implications be for the world's new power poles? Will new financial centres be formed, maybe in Asia?
3. Will this post-crisis world order be inclusive?

"Sustainability and inclusiveness of a new world order are major challenges and now is the right time to put them on the agenda", Katseli said. Much will depend on the policies adopted, but also on the actors who will mobilise to provide answers to the policy debate that is wide open. "If the NGO community and/or progressive parties do not mobilise, then powerful financial interests will resume business as usual," she argued. "Already, the current debate is focusing on the prospects for world recovery and on how to mitigate the negative effects for emerging and developing countries; few are asking 'What will the post-crisis world order look like?' This question is not adequately addressed in economic and financial circles," Katseli said.

Louka Katseli argued that the current financial crisis has highlighted once again the importance of interdependence across various policy domains, including debt, trade, migration, security, energy and development. Policy coherence is back on the policy agenda. "The financial crisis opens up the door for a new alliance between emerging and developing countries, which might make a difference", Katseli said.

Can Policy Coherence and Partnerships Help?

Katseli defined policy coherence as "the pursuit of development objectives through the systematic promotion of mutually reinforcing policy actions on the part of both OECD and developing countries" and raised the question of whether the crisis would facilitate or hinder the pursuit of policy coherence.

She introduced five important realisations that could pave the way for policy advances and new strategic alliances: "If we were to pursue a global policy coherence agenda, we need to identify and address cases of incoherence, to create and strengthen institutional mechanisms that facilitate policy co-ordination, to provide incentives for the systematic promotion of mutually reinforcing policies, and to ensure credibility and predictability in national and international economic systems; more importantly, we need global governance reform that would give voice and would bring around the table those stakeholders that have

more to gain from the pursuit of policy coherence, namely the developing countries,” Katseli emphasised.

She added: “Only when emerging and developing countries succeed in bridging their differences and assume a common stance on important global issues, such as global governance reform, will progress be achieved. It is for this reason that the G20 should include at least some regional representatives from developing countries.”

Can the Crisis Become an Opportunity for the Reform of Global Governance?

In conclusion, Louka Katseli stressed that a reform of global governance is needed to fill institutional gaps and to enhance the voice and representation of emerging economies and developing countries in the Bretton Woods Institutions. She supported the 1998 proposal by the UN and its Committee for Development Policy for creating a World Financial Organization (WFO) that would avoid micro-prudential risks, provide oversight and coordinate the regulation of financial markets, and for the creation of a UN Sustainable Development and Security Council to oversee human security and sustainable development policies at the global level. She also called for the regional representation of developing countries in the G20 on a rotation basis, as well as for the reform of the IMF and the World Bank voting and governance structures to ensure adequate representation of emerging and developing countries’ interests in policy-making.

Global governance for sustainable development: Eight areas that deserve attention both from economists and development studies

Prof Jean-Louis Arcand concentrated in his speech on eight key issues that have been addressed at the General Conference but would deserve much more attention from both economists and development researchers with regard to field research and data collection, interdisciplinarity and policy impact.

Multidisciplinarity

“The lack of interdisciplinarity is killing people,” he said, giving an example from the fight against HIV/AIDS. A lack of communication between epidemiologists and economists, for example, who are both working on solutions to combat the disease, leads to bizarre policy decisions like the promotion of adult male circumcision by UNAIDS in countries where this practice is very common (i.e. most of the Muslim world). Evaluations of the same programmes by both disciplines each lead to contradictory results, and communication between the two would help to find better adapted solutions.

Equity at the global level

J.L. Arcand refers to the remarkable paper by Morrisson/Bourgignon¹, on the world distribution of income and on the evolution of intra-country differences versus inter-country differences since the 19th century. The idea of “Earthland – The world as a single country” presented by Tariq Banuri at the EADI General Conference has crystallised this discussion. “The tragic thing is that we have these data for income, but what we do not have are data on other forms of inequality” (apart from some limited information on inequality in educational attainment). One key contrast is that between intra- versus inter-country differences in terms of education, access to water, and their historical trends are not similar. “We do not really understand these broad trends, due to a lack of interdisciplinarity, and continue to repeat the same mistakes”, J.L. Arcand fears.

Missing markets-creation of markets

An impact evaluation of a Bill Gates Foundation funded project on multifunctional platforms, which are installed in villages which have little hope of ever being connected to the electricity grid in Senegal, Burkina Faso and Mali gives an insight into what criteria need to be considered to create new markets. How does the Foundation sell this project? They do not sell it in terms of technology, but in terms of gender and the MDGs. The topic of access to energy is closely related to gender issues, as women collect water and firewood. “The access to energy is a perfect example of the link between environmental issues and gender issues, and the MDGs in general, and where this link is used to create markets. There is a huge potential”, J.L. Arcand stated.

Illegal migration

There is a substantial research gap concerning illegal migration. Very few data are available and it is a difficult research area that desperately requires the formulation of an appropriate policy response to illegal migration. J. L. Arcand gave an example from a survey in Senegal which showed that illegal migrants migrate based on wrong assumptions about salary levels

in Europe due to a lack of information. A policy response there would be to provide information.

Food security

"Let us go back and read the classics, we have 40 years of data on these issues, and it is a scandal that development researchers do not have a bigger impact on the policy arena," J. L. Arcand argued. A lot of research was done in the fifties, sixties up to the seventies on the importance of agricultural productivity and food security for the development process and this is clearly an arena where development researchers have a deep knowledge and should be able to produce a co-ordinated policy response (as Etienne and Ziegler already do).

Policy co-ordination

We do not know the impact of policy co-ordination as it tends to be faith-based. We do not have anything to compare it with. Sequencing of policies at the country level would probably be an area where researchers could contribute, in terms of the interventions of different international institutions. At the global level, historians can compare historical periods, but J.L. Arcand doubts that policy co-ordination is an area where social scientists could contribute, as they do not have anything to compare it with. There is a huge literature on economic growth since the 1980ties, but this literature has nothing to say about policy co-ordination. A systemic view is needed.

Institutions

There are two schools of thought, the "institutionalist" one (Daron Acemoglu) and the "geography" school (Geoffrey Sachs) who discuss the determinants of growth from different angles. This is definitely an area where interdisciplinarity is needed, in order to look at institutions in a different way, to "unbundle" them and to examine institutions at a micro- and meso-level and to understand how the constituent elements of institutions have an impact on the overall institutional framework and therefore on growth. This is an area where the development studies community has been too absent and has not had enough interaction yet with the economist community. "There is a lot that development studies has to offer here but has not been able to articulate so that it gets in the mainstream literature", J.L. Arcand regrets.

Local governance

The success or failure of community-driven development programmes have to do with local governance and the links between populations at the bottom of the food chain, applying methods of local governance in the programmes. There is more and more research on these links and it is a very important area in which economists and development studies should co-operate. It is essential to move away from a central planning process as done traditionally in most bilateral and multilateral institutions to a more inclusive and community-driven planning process. On the bright side, the World Bank is actively supporting such decentralised development programmes.

Conclusion

In conclusion, Arcand defined a strong need for data collection in the eight key areas so that the political discourse can be based on quantitative criteria. Development researchers are used to thinking in terms of local governance and decentralization, which is a strong point. Interdisciplinarity between economists and development researchers and other disciplines

and better co-ordination and articulation of existing knowledge is strongly needed to formulate successful policy responses.

¹Inequality Among World Citizens: 1820-1992

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American Economic Review, Vol. 92, No. 4, September 2002

Abstract:

This paper investigates the distribution of well being among world citizens during the last two centuries. The estimates show that inequality of world distribution of income worsened from the beginning of the 19th century to World War II and after that seems to have stabilized or to have grown more slowly. In the early 19th century most inequality was due to differences within countries; later, it was due to differences between countries. Inequality in longevity, also increased during the 19th century, but then was reversed in the second half of the 20th century, perhaps mitigating the failure of income inequality to improve in the last decades.

Global Economic Crisis: Will the post-crisis world order be inclusive?

Prof Louka Katseli, development economist, currently State MP of the Hellenic Parliament, commented on the General Conference Report from a political point of view. Her presentation focused on the impact effects of the current financial crisis on emerging economies and developing countries as well as on the prospects for the pursuit of greater coherence in development policy and greater inclusiveness in global governance.

L. Katseli structured her presentation around the following set of questions:

1. What is the impact of the financial crisis on global economic activity, cohesion, inequality and poverty?
2. How relevant is the policy-coherence agenda for a sustainable recovery?
3. Can the crisis become an opportunity for the pursuit of policy coherence and the reform of global governance?

What impact will the financial crisis have on global economic activity, cohesion, inequality and poverty?

L. Katseli pointed out that the financial crisis is likely to batter growth in both advanced and developing economies for two or more years and that global economic activity is expected to contract in 2009 for the first time in 60 years. According to the IMF , global GDP is estimated to have fallen by an unprecedented 5% in the fourth quarter (annualized) of 2008 led by advanced economies which contracted by around 7%. GDP declined in the fourth quarter by around 6% in both the US and the euro area, while it plummeted at a post-war record rate of 13% in Japan. In addition, global growth dropped significantly. Across a broad swath of emerging economies external demand weakened, financial constraints have risen and commodity prices have plunged.

L. Katseli argued that growth in developing counties will be impeded by renewed financial constraints, lower commodity prices and terms of trade deterioration, weak external demand and associated spillovers to domestic demand. In addition, the effects of the crisis will likely exacerbate both inter-and intra-country inequality as well as poverty in many developing countries while aid allocations are likely to slow down. The channels of transmission vary across countries:

- Among emerging countries, Central and Eastern Europe (CEE) and the Commonwealth of Independent States are being the most adversely affected. Several countries are facing a sharp contraction in capital inflows, with those suffering the greatest damage having sizeable fiscal or external deficits (Baltic countries, Hungary, Croatia, Romania and Bulgaria)
- In Latin America, tight financial conditions and weaker external demand are expected to lower growth in the region. Growth in Brazil is already decelerating sharply and Mexico is projected to enter a recession
- Emerging Asia is being hurt through its reliance on manufacturing exports: IT exports are collapsing and growth in China is also slowing down.

- In Africa, growth has slowed down but more modestly than in other regions. It is expected to be moderate particularly in commodity exporting countries, while several countries are experiencing reduced demand for their exports, lower remittances, and FDI flows. Aid flows are also under threat.
- In the Middle East, the effects of the financial crisis are more limited so far. Despite the drop in oil prices, government spending is largely being sustained to cushion the toll on economic activity.

How relevant is the policy-coherence agenda for a sustainable recovery?

L. Katseli argued that the current financial crisis has highlighted once again the importance of interdependence across various policy domains, including debt, trade, migration, security, energy and development and that the crisis and its negative effects put policy coherence back on the policy agenda. She defined policy coherence as “the pursuit of development objectives through the systematic promotion of mutually reinforcing policy actions on the part of both OECD and developing countries”.

She offered five realisations that could facilitate greater policy coherence and pave the way for new strategic alliances and global institutional reforms:

1. *The deeply intrinsic belief in the auto or self regulation of markets has been shattered.* The financial crisis and its denouement have demonstrated the importance of state institutions for market stability and social protection as well as the need to combine market and political institutions to serve the public interest. Exclusive reliance on markets to allocate resources and promote development can lead to instability, inequality and extreme poverty. Proactive regulation, capacity building, employment and income redistribution policies are needed to mitigate the adverse effects of the functioning of markets; these are important aspects of public policy. This realisation has always been at the centre of development thinking and comes back with full force today even in conservative circles.
2. *The growing importance of sensible global demand management and of addressing effectively global imbalances.* Global imbalances have been shown to fuel the global crisis; their correction requires policy coordination and greater policy coherence. Main actors, including Japan, China, the emerging economies and developing countries need to engage in policy dialogue to resolve differences, to coordinate macroeconomic management and to pursue more coherent policies at the global level.
3. *There is an emerging consensus that the distribution of income inside the countries and worldwide must shift towards less concentration at the top, supporting a broad based expansion of consumer demand.* The crisis has demonstrated the dangers of excessive inequality for the stability and viability of market economies; this has led to an unprecedented call for sensible pay-schemes and appropriate redistributive policies.
4. *The need for greater policy coherence.* There is by now a broad-based consensus which was absent a few years ago, regarding the interdependence of financial markets and the real economy that spans debt, trade, migration, development, security and environmental considerations. This calls for both national and

international institutional reforms that would facilitate the promotion of policy coherence.

5. *Global risks need to be managed on a global level by international institutions.* Financial instability has given rise to risks that need to be addressed through collective action on a global level.

"If we were to pursue a global policy coherence agenda, we need to identify and address cases of incoherence, to create and strengthen institutional mechanisms that facilitate policy coordination, to provide incentives for the systematic promotion of mutually reinforcing policies and to ensure credibility and predictability in national and international economic systems; more importantly, we need global governance reform that would give voice to all main actors and would bring around the table those stakeholders that have more to gain from the pursuit of policy coherence, namely the emerging economies and the developing countries" L. Katseli concluded.

Can the crisis become an opportunity for the pursuit of policy coherence and the reform of global governance?

In view of the fact that both emerging economies and developing countries have been hit by a crisis which originated in the unregulated financial markets of advanced countries, it would be to the advantage of these countries to rekindle old alliances which have been disrupted for the last 20 years and to promote policy coherence and a win-win global governance reform agenda.

L. Katseli stressed the need for leadership in promoting global governance reform and noted the lack of a common agenda by developing countries. She stressed that global governance reform is needed to fill institutional gaps and to enhance the voice and representation of emerging economies and developing countries in international organizations. She supported the 1998 proposal by the UN and its Committee for Development Policy to create a World Financial Organization (WFO) that would mitigate micro-prudential risks, provide oversight and coordinate regulation in financial markets as well as a UN Sustainable Development and Security Council to oversee human security and sustainable development policies at the global level. She also called for the regional representation of developing countries in an enlarged G20 on a rotation basis as well as for the reform of the IMF and the World Bank's voting and governance structures to ensure adequate representation of emerging and developing countries' interests in policy making.

In summary, she highlighted the need for leadership to promote international coordination of economic and development policies, to fill institutional gaps and to mobilize and involve key players and social partners in the pursuit of a more democratic and inclusive global governance reform. Such an agenda could provide a rallying point for development studies and development policy makers.

L. Katseli concluded by saying: "the post-crisis institutional architecture will influence the sustainability and inclusiveness of the post-crisis world order and will shape future policies and development outcomes. It is a pity that these issues are not discussed more widely in academic and policy fora".