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Introduction

by Kate Higgins

There is no doubt that we are witnessing a shift in the economic, political, and environmental forces that shape the world as we know it. Indeed, as North-South Institute (NSI) President Joseph K. Ingram noted in his foreword to our 2011 Canadian Development Report, “[i]t has become almost axiomatic for serious analysts of world affairs to acknowledge that we are today part of a process of unprecedented global transformation.” Emerging economies are growing as Western economies falter, while economic growth in Africa has led to the emergence of a popular “rising Africa” narrative. Threats to human security and prosperity are increasingly trans-boundary in nature, requiring internationally coordinated commitments to global public goods. But this all comes at a time when confidence in the multilateral system is waning and global governance is increasingly diffuse. The geography of extreme poverty has shifted from low-income to middle-income countries, as countries with large populations of poor people cross the middle-income threshold. This shift has sparked questions about the role of aid in global poverty reduction efforts. Relatedly, while we know that aid remains a critical resource for many low- and middle-income countries, the importance of taxation, private sector investment, trade, and remittances as sources of finance for development is receiving greater attention.

The dynamics of this global transformation are well-documented. Less explored, however, is what these global changes mean for how we conceive, coordinate, and implement international development.

To examine this question, between May 2012 and April 2013, NSI, through its Canadian International Development Platform, published an online series titled “International Development in a Changing World.” Seeking perspectives from a range of Canadian and international experts, we sought to unpack what these global changes mean for international development.

This collection is a compilation of highlights from this series. It is structured in three sections, based on the themes of NSI’s Governance for Equitable Growth program: inclusive growth and models of development, the changing aid landscape, and global governance for development.

Inclusive Growth and Models of Development

The global financial crisis has resulted in widespread acknowledgement of the importance of focusing on the quality, as well as quantity, of economic growth, and the critical role of the state in steering an economy. It is now commonplace to observe that the global balance of economic power is shifting from advanced economies, where growth is slowing, to emerging and developing economies that are growing faster. Identifying lessons from fast-growing emerging economies, in terms of their development strategies and unorthodox models of development, is of heightened interest.

Danny Leipziger opens this collection examining these issues. He argues that in the context of slow growth, financial risk, and rising income inequality, the role of the state is indispensable in restoring growth. He also emphasizes the critical importance of governments coordinating at the global level to restore economic growth and manage volatility, and warns that inward-looking “go-it-alone” policies will mean that growth prospects will be bleak for all. Joseph K. Ingram reflects on the state of the global economy, and argues that at this critical juncture, we need a new paradigm on economic growth that far more consciously and explicitly focuses on the quality of economic growth. Daniel Poon focuses his contributions on the BRICS in the context of global economic power shifting East and South, arguing that South-South alliances, illustrated by the proposed BRICS development bank, are no longer political and ideological in nature, but rather represent policy “pragmatism” that may have significant implications for the international economic order. In an analysis of China under new President Xi Jingping and his potential inclination toward a more liberal reform agenda, Poon concludes, in line with former World Bank Chief Economist Justin Lin, that it is most likely that China will adopt a “hybrid” model of development in the decade to come, one that combines Washington Consensus and state planning policy frameworks.

Léonce Ndikumana focuses his contribution on one of Africa’s most vexing problems: unemployment. He offers a “recipe” for full employment in Africa that comprises three ingredients. First, broadening economic policy frameworks to address employment. Second, utilizing the full capacity of financial systems to boost investment, trade, and job creation. Third, curbing capital flight and repatriating Africa’s stolen wealth.

Following analysis of economic policy and development models, the section concludes with a contribution by Robert I. Rotberg, who offers a simple but important message. Leadership matters for a country’s development, but it matters more for development in Africa because African countries have typically lacked strong political institutions, and their political cultures and governance values are still being consolidated. This is a vital message that those contributing to and analyzing public policy in Africa should not forget.
The Changing Aid Landscape

This section opens with an analysis of a recent and critical shift in Canadian aid policy: the amalgamation of the Canadian International Development Agency (CIDA) with the Department of Foreign Affairs and International Trade (DFAIT) to form a new international policy “mega” ministry called the Department of Foreign Affairs, Trade and Development (DFATD). In their analysis of this merger, Aniket Bhushan and Joseph K. Ingram reflect on other governments’ experiences with merging aid and foreign ministries. Their key message is that DFATD offers an opportunity to elevate the profile of international development in Canadian foreign policy. Specifically, they argue that, despite recent commentary in Canada to the contrary, there is no real reason why shorter-term commercial interests and longer-term development interests should be at loggerheads, and that the amalgamation of CIDA with DFATD has the potential to bring a uniquely longer-term perspective into Canadian foreign policy. But to achieve this, they believe Canada must offer a clear international policy statement that includes a re-emphasis of Canada’s commitments to aid and international development, and a robust recognition of their importance to Canada and to global stability.

Developing a vision for Canadian aid is also the focus of Shannon Kindornay’s contribution to this section of the collection. She discusses the 2012 Peer Review of Canadian aid by the Organisation for Economic Development Co-operation’s Development Assistance Committee, particularly its key recommendation that Canada establish “a clear, simple and consistent vision for Canadian aid – one that is anchored sustainably within its foreign policy and that remains stable over the longer term.”

Moving from a focus on Canada to global aid practices and norms, Gerd Schönwälder asks whether the increasing complexity of the global aid landscape, with a range of new development actors that includes emerging economies, private philanthropic foundations, and new non-governmental organizations, and new development challenges, which are global and trans-boundary in nature, represents a new “aid biosphere.” Liam Swiss discusses the aid effectiveness agenda, examining the extent to which donor norms, endorsed in a series of high-level meetings on aid effectiveness over the past decade, are being put into practice. Looking specifically at donor commitments to focus their aid and harmonize it with other donors to avoid fragmentation, he concludes that in both instances donors have failed to “walk the talk” in their aid programming. He notes, however, that shrinking aid budgets—responses to fiscal concerns in donor countries—could have the unexpected outcome of donors, as they concentrate and coordinate their aid efforts, adhering more closely to these norms. On a related note, Jennifer Erin Salahub reflects on the messages that Lord Paddy Ashdown conveyed in his recent visit to Ottawa. His most important message, she notes, is the need for the

Global Governance for Development

The section on global governance for development focuses on four inter-related but separate global development policy processes: the Rio+20 conference and Sustainable Development Goals, the Global Partnership for Effective Development Co-operation, the post-2015 development agenda, and the New Deal for Engagement in Fragile States. I open the section with a brief analysis of Rio+20, the recent United Nations Conference on Sustainable Development held in Rio de Janeiro in June 2012. I argue that despite the global, environmental, and urgent nature of many of the world’s most pressing problems, Rio+20 was a disappointment overall. In contrast to the optimistic Earth Summit held 20 years earlier, Rio+20 had low expectations due to the ongoing global recession, fading faith in multilateral processes, and shifting geopolitical dynamics that make international negotiations more complex. Amidst the disappointment, one tangible outcome from the conference was a commitment to agreeing Sustainable Development Goals, which are now in the process of being identified.
Shannon Kindornay analyzes the Global Partnership for Effective Development Co-operation, a key outcome of the Fourth High Level Forum on Aid Effectiveness held in Busan in 2011. She argues that the success of the Global Partnership depends on the extent to which stakeholders see the governing mechanism as legitimate in terms of its inclusivity and representativeness, quality of decision-making processes, and effectiveness in achieving outcomes. A number of contributions focus on the post-2015 development agenda, the process for establishing the global development framework to be put in place when the Millennium Development Goals (MDGs) expire in 2015. I outline the process underway for establishing this framework, and note that given the success of the MDGs, it is likely that the post-2015 framework will be framed in a similar way, with goals and targets that are clear, quantifiable, and time-bound in nature. I argue, however, that to be fit for purpose the priorities need to be re-oriented to reflect the nature of development challenges in 2015 and the decades beyond. John Sinclair looks at two specific dimensions of the post-2015 architecture: the universal applicability of the goals to all countries and tiered goals and targets to ensure relevance to country context. In a separate contribution, Sinclair examines the linkages between what he describes as “a new development triad,” comprising the post-2015 development agenda, the Global Partnership, and the Sustainable Development Goals. Aniket Bhushan discusses the financing options for the post-2015 agenda, examining tax mobilization as a source of development finance, particularly in sub-Saharan Africa, and outlining areas where international actors could do more. Bill Morton’s contribution argues that it is time for Northern and international actors, who have dominated the post-2015 discussions to date, to take a step back. This is because Southern stakeholders, whom the agenda will affect the most, need time and space to advance their own thinking and identify strategies for shaping the agenda. He does not advocate that developed country actors should ignore this process completely, but rather that the time is right for them to take a “do nothing for now” approach. The final part of this section features contributions on fragile states, vulnerable populations, and global frameworks. Alastair McKechnie explains the new Peacebuilding and Statebuilding Goals, an initiative of the G7+ group of fragile and conflict-affected states that forms part of the New Deal for Engagement in Fragile States, announced at the Fourth High Level Forum on Aid Effectiveness. These goals represent an effort to develop goals that are more relevant and appropriate to fragile states than the existing MDGs. Jennifer Erin Salahub also examines the New Deal, arguing that a more meaningful inclusion of civil society organizations, particularly locally based organizations, in the New Deal process will contribute to better, more sustainable implementation of the agreement. Lorna Read concludes the section, calling for the inclusion of and a focus on fragile states and vulnerable populations in the post-2015 development framework.

*International Development in a Changing World: A Time of Transformation*

This collection, and NSI’s “International Development in a Changing World” series from which it is derived, is intentionally broad in scope, and seeks to capture a diverse range of perspectives. A unifying feature of the contributions, however, is that they focus on the meaning of changes in the global economy, international politics, and the environment for international development. If there is one takeaway message from the contributions, it is that in response to or in anticipation of global transformations, the way we think about, organize, implement and evaluate international development is undergoing transformations as well. The collection also demonstrates how think tanks, such as NSI, can act as conveners of expertise, facilitators of knowledge exchange, and synthesizers of evidence. At a time when the world is increasingly complex and multi-polar, and research, data, and information proliferate, the role of knowledge brokers, such as NSI, is more important than ever. We can harness expertise across disciplines, bring together different points of view, and present evidence in policy-relevant and accessible ways. This, I believe, is critical for inclusive, balanced, and evidence-based public policy.
Inclusive Growth and Models of Development

In Need of a New Paradigm on Economic Growth?

Global Growth, the Quality of Growth, and the Critical Need for a New Paradigm

BRICS: A New International Economic Order

Reform in China: Crossing the River on a Bridge of Slogans

A Recipe for Full Employment in Africa

Leadership Matters in Africa
In Need of a New Paradigm on Economic Growth?

Danny Leipziger

The Group of Twenty (G-20) summit in Los Cabos, Mexico, concluded in June 2012 without much tangible progress on the vexing issues facing the global economy. This demonstrates that in the toughest times countries look out for themselves. The great pity is that even in this narrow ambit of economic self-interest, the majority of them are not doing it well. The results are low-growth traps for many countries that affect through global markets and lower both confidence and growth prospects for all.

There is no doubt that many of the advanced economies are facing difficult choices, and that politics is making those options even more complicated. First among the current dilemmas is the question of how to promote economic growth and avoid a second severe synchronized downturn, while also shoring up public finances in the longer run. Second is how to reduce financial risks and add to capital in depressed asset markets, while also providing liquidity to finance economic activity and job creation. And third is how to deal with worsening income inequality and stagnant prospects for many in the middle class, whose consumption drives economic activity, while not increasing taxes and deterring new investment.

These issues and others were recently examined at the Bellagio Symposium on New Growth Paradigms, a successor to the Commission on Growth and Development organized by the Growth Dialogue. Participants debated whether the underlying fundamentals had changed or whether circumstances simply made it harder to generate sustainable economic growth. The balance tended toward the second school of thought, namely that losses of jobs, incomes, and confidence were weighing the global economy down and that the economic stewardship of advanced economies’ governments was insufficient. Moreover, the growth provided by emerging-market economies was no longer sufficient to keep global momentum going. A Growth Dialogue White Paper (see Kharas, Leipziger, and Spence 2012) was the result of the conference.

One key conclusion of the Bellagio conversation among academics, policy-makers, and leading thinkers was that the role of the state was indispensable for restoring growth. Governments play crucial roles in economic management, regulation, and redistribution. Increasingly, however, they need to be strategic long-term investors without resorting to beggar-thy-neighbour policies. Being successful in this, as some countries like Germany and Singapore have been, requires a compact between business, labour, and government and a sense of fairness within society. At the international level, governments are lacking both coordination and coherence among policy actions. The G-20 seemed to coordinate well back in 2009, but unfortunately the group has failed in the past three years to maintain the sense of urgency and the sense of purpose needed to act together.

Much of the blame can be placed on the economic policies of the advanced economies, which—despite the growth of emerging markets—still account for the lion’s share of world gross domestic product. In the United States, the failure to support the fiscal plan proposed by the bipartisan Simpson-Bowles commission, the political bickering, and the lack of a growth strategy have hurt confidence and slowed the global recovery. In Europe, the incremental approach to policy-making and crisis resolution has produced an unnecessary downturn and the too-little, too-late bailouts have hindered the pace of reform and dragged down growth. Japan continues to be caught in an unfortunate downward spiral and the United Kingdom is treading water as well.

Governments are not thinking globally. Each is mired in its own domestic difficulties. China is desperately trying to slow the decline of its growth while others, such as Brazil, are employing nationalist policies to try and bolster growth. Mercantilist policies are resurfacing and activist industrial policies are becoming more acceptable. Looking ahead, differing financial standards will make financial market arbitrage more attractive. This is not the world that the G-20 promised us—it is a world of “every person for him or herself.” Both economic theory and practice teach us the perils of such short-sighted unilateralism.

Rather than scripted meetings, the major economies need to come together around policy actions and domestic policy choices that can restore economic growth. Without a reversal of current go-it-alone policies, growth prospects for all will continue to be bleak.
Global Growth, the Quality of Growth, and the Critical Need for a New Paradigm

Joseph K. Ingram

Not since the great depression of the 1920s has the global economy faced such stark challenges as it does today. These challenges are particularly daunting in that they have become truly global in nature—not just confined to the world’s most advanced industrial economies. They also represent a sharp contrast to the record of extraordinary global economic growth that has occurred since the end of the second world war, with global per capita GDP increasing by more than 350 per cent and hundreds of millions of people lifted out of poverty by the accelerated pace of globalization.

At the same time, the rapid spread in the use of information technology has raised the expectations of hundreds of millions more who, at least until recently, believed that they too would share in the benefits of economic growth and globalization. These aspirants include not only those who are already part of the growing global middle class of emerging and lower-income economies, but also the poor and the youth of those societies, a youth whose expectations are fed constantly by their exposure to the latest iPads and social networking sites. We saw the results of these unrealized expectations in 2011 with the Arab awakening, riots in the UK, Israel and other parts of Europe, civil disturbances here in China, and with the anti-Wall Street movement in the United States and Canada.

And yet today, what began as a financial crisis in the United States in 2007, remains stubbornly in place, reminding us not only that economic growth cannot be taken for granted, but that it needs to be nurtured in a manner which will sustainably close the gap between today’s economic reality and those raised expectations.

As was concluded in the Growth Dialogue White Paper (Kharas, Leipziger, and Spence 2012), a paper produced following the Bellagio Symposium on New Growth Paradigms, in which I participated:
After what appeared to be a rebound in 2010, today we have again an anemic global recovery with growth expected to be below trend in 2012 and 2013. It is characterized by the weakest United States recovery since the 1920s, and a European crisis that, though somewhat improved, still hangs in a balance of political uncertainty. Weakening demand generated by widespread deleveraging in the advanced economies has the emerging economies seeing significant slowdowns in economic performance with new vulnerabilities being exposed (Wong 2012). In some of the emerging economies, rapid growth in the early years of this recessionary period led to inflationary pressures and imbalances in property markets and credit creation. At the same time, many advanced economies continue to carry significant deficits in their external accounts, despite weak domestic demand, while many emerging economies have the opposite problem, large current account surpluses with recent reductions in these surpluses due more to slowing global growth than to structural adjustments.

Adding to the difficulties of emerging from this global anemia in the growth process are a series of equally complex longer term challenges. These include:

- Demographic trends which will inhibit labor force growth and productivity, especially in parts of Europe and in China. Indeed, it is estimated that in the next several years nearly half the growth in the globe’s working age population will come from sub-Saharan Africa and South Asia;

- A need for the emerging economies to continue to attract global capital for investing in infrastructure, not necessarily a certainty in today’s world;

- Possible commodity constraints due to soaring demand and prohibitive prices;

- Growing strains on the environment as commodity demands increase;

- A growing incidence of jobless or job-poor growth as technology displaces labor in those economies moving into higher technology manufacturing and services; and

- Widening income gaps as public policy continues to target growth quantity as the solution for today’s anemic performances.

What is most worrisome about the failure of public policies to address growing inequality is that, as Professor Joseph Stiglitz has emphasized, “empirical evidence has shown time and again that controlling for all other factors … higher inequality is associated with lower growth” (Stiglitz 2012). The converse is also true, with lower inequality associated with higher growth.

What then can be done, especially in emerging and lower-income economies, to put themselves on a more rapid and more sustainable growth path?

While it is acknowledged that in today’s globalized economy a comprehensive solution that includes resolving the Eurozone crisis and restoring United States growth (through a delicate process of deleveraging while sustaining aggregate demand) is imperative, policy makers in the emerging economies also need to be bold and strategic in their policy responses to the global crisis. They need to think of economic growth more broadly – not just in income terms – with drivers which produce jobs and more widely distributed income gains, without environmental destruction. To quote from the World Business Council on Sustainable Development’s World Vision 2050 (2010), a strategic proposal drafted by the CEOs of 29 of the world’s largest multinational corporations:

“Vision 2050 is not only about economic development and sustainability challenges for business. It suggests governments and civil society must create a different view of the future, one where economic growth has been decoupled from ecosystem destruction and material construction, and recoupled with sustainable economic development and societal well-being.”

Notably, this is the private, not the public, sector talking.

While such a conceptual change in how growth is conceived could be considered a paradigm shift - if it were to be applied in policy terms - it needs to be pursued with a sense of urgency, not relying solely on the early prospect of growing demand for products from today’s advanced economies. Given the widespread political gridlock in the United States, Europe, and Canada, generated by hardening ideological positions around the role of the state versus the market, as well as the growing propensity to save rather than to consume, that demand may be slow in coming. Indeed, unless there is a dramatic shift to a green-growth economy in the United States and Europe, tepid demand from today’s advanced economies may be the norm for some time to come.

In the meantime, emerging economies will need to target new markets with demand generated by the newly emerging global middle-class. Both Justin Yifu Lin (2010), the former World Bank
Chief Economist now at Beijing University, and Professor Dani Rodrik (2011), of Harvard University, have demonstrated that for emerging and low-income economies to drive a more equitable form of growth, producing wide-spread job creation, they must at the outset recognize their particular comparative advantages – at that particular point in time – and then through active policies, promote economic diversification and foster structural change that allows lower value-added activities to shift to mostly tradable, higher value-added activities. As Rodrik has emphasized:

> It requires pulling the economy’s resources into those sectors that are on the automatic escalator up … The trick is to get a toehold in those automatic convergence industries and to expand domestic employment in them” (Rodrik 2011).

As most development economists acknowledge, however, and as demonstrated by Asia’s so-called “tigers”, such a structural transformation is not part of a natural evolution, nor is it divinely predetermined. It is rather the result of active public policy interventions by the state, ranging from targeted industrial and sector policies, to targeted and subsidized credit, to advantageously valued currencies. And there are no guarantees that the risks inherent in such an approach will allow it to succeed. While the "tigers" did succeed, there are just as many examples of economies which failed to use such approaches successfully, due to internal governance failures and/or as a result of pushback from the international trade and donor communities.

Failure to generate a more equitable and sustainable form of growth comes at a high cost, especially in today’s world of heightened expectations. As history has shown, with almost biblical consistency, any growth model that does not properly address growing inequality will ultimately force a crisis of legitimacy and an erosion of trust. As Professor Stiglitz has reminded us in referring to the United States economy:

> We have explained how the long-term success of any country requires social cohesion … Experiences elsewhere have shown, however, the fragility of social cohesion. When the social contract gets broken, social cohesion quickly erodes (Stiglitz 2012).

The global challenges we face today will not be resolved by using only our existing analytical and policy tools in different doses and combinations. We do need a paradigm shift, not just in terms of redefining where we are going, but equally in terms of where and how we are growing. We need to recognize that today’s challenges are in several respects both unprecedented and urgent. Human activities are reaching certain global limits, and with increased frequency, global rather than just national policy responses are needed. Until today, economic growth and national well-being have been largely formulated in terms of goals, but it now seems clear that sustainable growth also needs to be formulated in terms of limits.

Since World War Two, the dominant proxy for measuring economic progress has been GDP, inspired largely by Professor Simon Kuznets in a 1934 presentation he made to a United States congressional committee. But what we as public policy economists have forgotten, is what Kuznets added in an interview almost three decades later, namely that:

> Distinctions must be kept in mind between quantity and quality of growth, between costs nd returns, and between the short and long-term. Goals for more growth should specify more growth of what and more growth for what (Kuznets 1962 in Government of Maryland 2011).

In other words, as has been recently talked about by David Cameron, Nicolas Sarkozy, Joseph Stiglitz, Amartya Sen and others, and as is being practiced by the Government of Bhutan and several state governments in the United States, to measure progress we need to use broad-based indicators that measure more than income. As is being done by the state of Maryland in the United States, and the city of Edmonton in the province of Alberta in Canada, a basket of indicators which assess progress in well-being, including health, education, employment, the environment – what they refer to as Genuine Progress Indicators (GPI) – are being used as their proxy for economic progress. A number of other states in the United States are considering or have adopted similar progress indicators. What GPI does as a composite, is to mimic GDP, but additionally account for the benefits provided by non-market activities, as well as for the social and environmental costs that may result from the pace of economic growth.

To quote from a recent paper prepared by the Government of Maryland (2011), “to track the quality of growth, one must bring not only people but also the planet into the understanding of economies and economic progress.” More widespread use of such an indicator would constitute a real paradigm shift both in how we view and measure growth, but also in terms of how we drive growth through our public policies.

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At the fifth BRICS summit, convening in Durban, South Africa, from March 25 to 27, 2013, delegates from Brazil, Russia, India, China, and South Africa have a window to make gains on the elusive “promise of development” that preoccupies the developing world. It is this “tryst with destiny,” which largely went unfulfilled during previous movements of third-world struggle and solidarity, that is now undergoing a renaissance.

Ironically, while some “South-South” rhetoric is still alive and well today, the substance and potential interactions among developing countries have changed dramatically in a global economic context where global power is shifting East and South. Whereas South-South alliances were once essentially political and ideological in nature, today the key feature could very well be described as policy “pragmatism”—perhaps more solid footing for stronger and more effective South-South development ties.

For instance, intra-BRICS trade was roughly US$310 billion in 2012, an 11-fold increase from US$28 billion in 2002. In all, the BRICS countries’ share of global trade has grown to nearly 16 per cent in 2012, up from 10 per cent in 2008 (Freemantle and Stevens 2013).

Building on these trends, the plan to establish a BRICS development bank—to feature prominently at the Durban meetings—is intended to provide an institutional backbone to bolster the existing commercial momentum and allow for more dynamic linkages among the BRICS members. Beyond just more trade flows, however, this bank initiative potentially symbolizes a structural breakthrough in global capital flows that third-world movements of times past could only dream of attaining.

According to a report by South African-based Standard Bank, it is expected that each of the five BRICS members would contribute US$10 billion in seed capital to the bank (to leverage in global capital markets) and establish a working group to determine technical and operational details (Freemantle and Stevens 2013). There is much work to be done including decisions on funding sources, target borrowers, types of projects, geographical reach, personnel, and bank headquarters, among others.


This contribution is based on a speech given at the “Road Towards Sustainable Development: The Future of Emerging Economies” conference, in Haikou, China, November 3-5, 2012.
And yet, despite the uncertainty, the policy implications of such a bank should give Canadian policy-makers pause. While the report downplays the proposed bank as a direct challenge to incumbent multilateral banks—like the World Bank—it does recognize the continued dominance of American and European interests in the Bretton Woods institutions as an ongoing problem. As such, the BRICS bank is portrayed as a tool to guide development processes to better reflect BRICS priorities (such as infrastructure and job creation) and policy experiences, which were often driven by more heterodox policy approaches including the active use of industrial and sector strategies.

Controversially, former World Bank President Robert Zoellick has argued that the desire by BRICS countries for their own new financing vehicle was in reaction to the World Bank’s decision to diminish its support for middle-income emerging markets in preference for poorer countries. As Mr. Zoellick pointed out, “If you believe in a multilateral system then India and Brazil are going to become more important over time and we need to draw from their knowledge and, in time, their finances” (Lamont 2012).

Left unsaid is the outsized role played by China. And this is where Canada should take note. China not only drives the convergence in trade flows among BRICS members, but also strategically deploys its accumulated capital in driving state-led trade and investment links with other emerging markets. Unlike the other BRICS members, China acts as the partner in 85 per cent of all intra-BRICS trade flows. Moreover, in 2011, the Export-Import Bank of China issued loans worth roughly US$15 billion to African countries, double the amount provided by the World Bank that same year, solidifying a trend that began in 2005 (Minto 2012).

Crucially, the terms of these loans are not connected to policy conditionality with regards to what are considered sound “best practice” free-market economic policies. As an analyst from Fitch, the ratings agency, noted: “Chinese loans are more flexible – they often have longer grace periods, and longer repayments. And they are less restrictive in their financial conditions, unlike World Bank loans which have more stringent fiscal conditions” (Minto 2012).

Such beneficial features, unique to present-day South-South links, do not go unnoticed for long and would likely be enhanced by a BRICS development bank. Despite his warning in July 2012 that China would need to change the unbalanced and “unsustainable” features of its trade ties with Africa, South African President Jacob Zuma in March 2013 cautioned Western companies and institutions that they would lose out to new partners, especially China, if they do not shed the old paternalistic “colonial” approach in deciding what’s best for Africans and viewing the continent primarily for its energy and natural resources.

This also applies to Canada, as they do to other Western countries, with serious implications for our own economic fortunes—not just Africa’s. As Bank of Canada Governor Mark Carney noted last year, Canada’s deteriorating export performance can be explained more from the drag caused by our export market structure—only 8 per cent of Canada’s exports directed toward fast-growing emerging markets from 2000 to 2010—than from competitiveness effects (exchange rate, productivity, wages) (Carney 2012). Actively engaging with the BRICS members and sorting out our own China policy could help reverse these trends.

Ultimately, fulfilling the developing world’s tryst with destiny is likely to involve striking a pragmatic middle ground between the two stances articulated by President Zuma. Cynics may lament the lack of cohesion among the BRICS countries and their toned-down political overtures, but that may actually be more conducive to effective South-South development ties than ever before.

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Reform in China: Crossing the River on a Bridge of Slogans

Daniel Poon

Stay a length of time in China, or study some Chinese, and you quickly learn the indispensable role that proverbs and idioms play in the language. This certainly isn’t something unique to Chinese by any means, but it may be a key feature of the Chinese government’s policymaking processes that isn’t seen in those of other governments.

For over 30 years, the Communist Party of China could be said to have one overarching idiom—“crossing the river by feeling the stones”—that embodied its gradual and selective approach to economic reforms. With the 18th Party Congress and the composition of the top leaders finalized, the burning question now is whether the new team will stick with this old saying or coin a bold new one for the times.

The signals have been mixed, but the post-Mao Party has been particularly adept at finding its own way to blend continuity with change.

Many foreign commentators have speculated about President Xi Jinping’s possible inclination toward a more liberal reform agenda. If the speculation is accurate, we’ve yet to see any hints of a new token Party jingle to foreshadow a sudden policy shift. Indeed, just weeks after becoming the new Communist Party leader and making his first official trip outside Beijing to Shenzhen and Guangzhou, two cities in southern Guangdong province, Xi is already borrowing from the reform path of former leader Deng Xiaoping.

That China’s so-called Fifth Generation leaders are harking back symbolically to ghosts of China’s reform past could be telling. At this critical juncture in China’s catch-up modernization, such decisions will have enormous significance for the changing contours of China, Inc.’s growth model, its domestic performance, and the weight of China in global affairs for the decade to come and beyond.

To be sure, all political slogans are works in progress, but they are still used as handy devices to publicly signal a new policy direction, or to lay the ideological groundwork for deeper economic, social, and political reforms. For instance, former President Hu Jintao’s first term in 2003 coincided with the inception of China’s “peaceful rise” concept, which was later complemented with terms like “scientific development” and “harmonious society” as Chinese leaders sought to counter the “China-threat” discourse in foreign capitals, while also stressing the quality of growth after decades of mainly prioritizing its quantity.

A conference hosted by the China Institute for Reform and Development (CIRD) and organized in partnership with the German Development Cooperation (GIZ) and the United Nations Development Programme (November 3–5, 2012) focused on these issues and China’s future growth path, as well as the challenges facing other emerging economies. The goal was to promote a wider policy discussion on what many see as a watershed moment—where China will rely more on the domestic market to drive slower, but more sustainable, growth.

Chang Xiuze, a Deputy Director at a research institute under the Chinese government’s National Development and Reform Commission, perhaps described China’s reform predicament best by suggesting that having achieved relative success over three decades, support for more reform is splintering. While some want to take steps forward in “crossing the river,” others are clamouring for a standstill in the reform process for fear of pushing too many changes too quickly. Other members of the old guard are calling for backward steps to return to a kind of Communist orthodoxy.

Mr. Chang’s own reformist impulses became apparent when he argued that “you can’t cross the same river twice,” and then asked (rhetorically), “How long have we spent feeling the stones?” Such views were echoed by others, such as CIRD President Chi Fulin, who advocated a transformation in the structure of national investment by actively expanding the purchasing power of household consumption. According to Mr. Chi, promoting consumption-led development and speeding up urbanization could support an economic growth rate of 7 to 8 per cent for many years to come.

These sentiments run parallel to the sweeping reform program proposed by a joint research report of the World Bank and Development Research Center of the State Council, released in February 2012 (World Bank and DRCSC 2012). For China to move from applying technologies from abroad to creating new technologies, the report calls for the fundamental restructuring of the role of the state vis-à-vis the private sector and allowing greater space for competition and market decisions to allocate resources in land, labour, and finance.

To achieve a “modern, harmonious, and creative high-income society” by 2030, the report argues for a shift to a consumption-led growth model and a dismantling of policy measures used to tilt the Chinese economy toward high rates of investment.

To conclude, however, that there is an emerging consensus among government policy-makers would be an exaggeration. For example, former World Bank Chief Economist Justin Lin dismisses the notion...
of a straight-line transition to consumption-led growth as “bad International Monetary Fund policy advice.” He suggests that China can and needs to continue with its high investment policy for some time as it continues to play catch-up with advanced industrialized countries.

In a recent interview in Caijing Magazine, a Beijing financial magazine, Mr. Lin asserts that market mechanisms are important, but “the market is by no means omnipotent,” which he offers as justification for an active guiding role for the state, particularly in industrial upgrading (Yang 2012).

The lack of a stand-alone Xi-sponsored political idiom or slogan may perhaps reflect the difficulties thus far in forging consensus among a diversity of domestic views on China’s future. So far, Xi’s mention of the “China dream” and emphasis on the “great revival of the Chinese nation” signal nationalist affinities rather than a clear economic agenda.

The closest thing available may be what Mr. Lin conveniently calls development economics “version 3.0,” a hybrid of Washington Consensus (version 2.0) and state-planning (version 1.0) policy frameworks—the product of China’s own decades-long exercise of calibrating continuity with necessary change.

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A Recipe for Full Employment in Africa

Léonce Ndikumana

Unemployment has become the top emerging challenge in Africa today, especially in light of the critical role of the educated but unemployed youth in North Africa’s revolutions in 2011. International organizations are paying attention, as the launch of the World Bank’s World Development Report 2013, simply titled Jobs, attests (World Bank 2012). Rising unemployment reflects the failure of current policy frameworks to fully utilize the potential of African economies, including their financial resources. Here, I propose policies that should be central to a national strategy to achieve full employment.

To achieve a goal, that goal must be explicitly targeted. Yet, in most African countries, achieving full employment remains tangential in national policy frameworks. Macroeconomic stability remains the overarching goal, and in a very narrow sense that involves focusing on achieving low inflation. In a recent conversation with a senior official of an international development institution, I asked why most African countries systematically target an inflation rate of 5 per cent. The answer was: “Five is a good number.” An inflation target ought to be country-specific. A target that is too low imposes excessive constraints on economic growth. When countries pursue very low inflation by constraining domestic demand—notably domestic credit—they do so at the cost of growth. While disciplined monetary and fiscal policies may have enabled African countries to stabilize prices over the last two decades, it is clear now that real outcomes, especially employment, must rise to the top of the policy agenda. The first policy recommendation, then, is to broaden policy frameworks to address employment.

Second, policy must be geared to utilizing the full capacity of financial systems to boost investment, trade, and job creation. Evidence from African countries reveals vast unexploited potential in savings mobilization and inefficiencies in resource allocation. In African financial sectors, “banks lend only to those that do not need their money,” as the old saying goes. A recent study on Burundi’s financial sector finds that agriculture receives less than 1 per cent of total bank credit, while the sector contributes over 42 per cent of national income and employs 84 per cent of the population (Ndikumana, Nkurunziza, and Nyamoya 2012). The share of credit to industry is just 2 per cent.

At the same time, there is substantial idle financing capacity in the commercial banking sector. The story of Burundi is indicative of a general problem in other African countries, namely underutilization of financial resources.
Leadership Matters in Africa

Robert I. Rotberg

Leaders matter more in the countries of the developing world, especially in Africa, than they do in the countries of the developed North. The former group lacks strong political institutions and their political cultures and governance values are still being consolidated. In such embryonic contexts, political leaders exercise far more influence than those of the North do.

But they also exercise that powerful sway irresponsibly. For the third time in six years, the Mo Ibrahim Foundation announced its decision not to award its munificent Ibrahim Prize for Achievement in African Leadership. A key member of its prize committee said that Africa simply had a leadership deficit. “That is a fact,” reported Nobel Laureate and Egyptian reformer Mohamed ElBaradei. Former Botswana President Festus Mogae, the second recipient of the prize, bemoaned the fact that many African leaders start off well and then turn dictatorial. “Something happens,” he said ruefully.

At a minimum, the foundation’s prize committee searches for former heads of state and government who have finished their terms of office honourably, without personally profiting from Africa’s rampant corruption, restricting the human rights and personal freedoms of their constituents, and going to war against a neighbouring country or an internal minority group. Free and fair elections are a plus. So are improvements in (or at least little deterioration of) a country’s governance. If a country’s peoples are better educated, in better health, and more prosperous than they were when the incumbent took office, jobs were created, remittances were ample, and the leader strengthened rule of law and increased transparency, then the country’s head of state or government led well.

In 2012, there were no African leaders who met these criteria. Even though Rupiah Banda left the Zambian presidency quietly in 2011 after losing an election and former South African President Thabo Mbeki has mediated the Sudanese-South Sudanese conflict, the prize committee found that the accomplishments of both men in presidential office wanting. Former Namibian President Sam Nujoma did not receive the prize because he changed Namibia’s constitution in his favour.

At the regional level, there is also scope for pooling resources to achieve full employment. According to the World Development Indicators database, in 2010 the 12 major African oil producers as a group had a resource surplus—savings minus investment—of about US$60.3 billion, while the rest of the continent faced a resource deficit of US$24.1 billion (World Bank 2010). Pooling resources regionally would help fill the resource gaps in oil-importing economies and promote regional trade, with beneficial effects for employment.

All these measures, however, will have limited effects so long as Africa continues to lose its resources through capital flight. Thus, the third policy recommendation is to curb capital flight and repatriate Africa’s stolen wealth. By keeping most of its financial resources onshore, the continent will not only achieve higher employment but will also reduce its dependence on external financing.

So what does it take to implement these policies? While the onus is primarily on African leaders to embrace flexible and employment-targeted policies, optimize resource utilization, and commit to strategies that prevent illicit financial flows, the international community must do its share by promoting transparency and accountability in the global financial system. If it does not, poverty reduction and aid effectiveness—goals central to international cooperation—will remain elusive.

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Governance attainments are critical in winning the prize as well as in ranking countries on the annual Ibrahim Index of African Governance compiled by the foundation. To rank highly, countries need to be safe and secure (with little crime), exhibit strong rule of law, hold fair elections, respect human rights, encourage economic growth, and provide good health outcomes and positive educational opportunities.

Well-led and well-governed African countries such as Mauritius, the Seychelles, Botswana, Cape Verde (the home of the third Ibrahim Prize winner), South Africa, Ghana, Namibia, São Tomé and Príncipe, and Lesotho have typically occupied the top places in the index. In 2012, Zambia and Tanzania were added to the top dozen, while Malawi and Benin fell in the rankings. Countries such as Kenya, Uganda, and Rwanda are well back in the next tier, along with Senegal, Gabon, and Mozambique (the home of the first recipient of the prize).

The bottom-ranking countries on the index in recent years were perennially dismal performers such as Nigeria, both Congos, Chad, both Sudans, Guinea, Equatorial Guinea, Guinea-Bissau, Côte d’Ivoire, Central African Republic, Eritrea, Zimbabwe, and Somalia. In each of these cases, governance attainments have been few. Indeed, in the cases of Zimbabwe and Eritrea, not to mention Sudan and the Democratic Republic of the Congo, long-time leaders have preyed mercilessly on their own peoples, presided in an authoritarian manner, and profited from the corrupt practices of their regimes and their cronies.

The foundation is right to give African leaders a handsome incentive to govern responsibly and well. That they largely have not governed effectively says much more about the current state of the mostly aged leadership in Africa than it necessarily does about future leadership abilities. The great hope of Africa’s peoples lies with a few in office now, such as Joyce Banda of Malawi and Ellen Johnson Sirleaf of Liberia, and successive generations.

Those who are currently in politics and still in their 40s will likely fill the ranks of future prize winners. They are the future heads of state and government who should be nurtured locally and internationally and given all possible support to emulate the Ibrahim Prize laureates. Exceptional leadership will determine the future of much of Africa and the rest of the developing world.

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The Changing Aid Landscape

DFATD an Opportunity to Elevate the Profile of International Development in Canadian Foreign Policy

What’s Your Vision for International Development, Canada?

Toward a New “Aid Biosphere”?  

Fragmentation or Concentration in a New Era of Aid Decline?

Ashdown’s Third Law

Whose Business Is It How We Fund Foreign Aid?

“Big Data” is a Big Deal for Development

Aid Innovation: Motivating Reforms from the Outside?

In Defence of State Fragility Rankings
DFATD an Opportunity to Elevate the Profile of International Development in Canadian Foreign Policy

Aniket Bhushan and Joseph K. Ingram

In its 2013 budget statement, the Government of Canada announced the “amalgamation” of the Canadian International Development Agency (CIDA) into the Department of Foreign Affairs, Trade and Development (DFATD). Much of the discussion surrounding this move has been entirely insular and backward looking. This merger offers a unique opportunity to think bigger on development.

First, let’s shed some light on the channels of aid delivery. While bilateral aid agencies provide the bulk of foreign aid, they are hardly ever the only channel of delivery. French aid for instance is delivered through six different ministries and departments, Spanish aid through seven, German aid (until recently) through seven, and in the most extreme example of fragmentation, US aid is delivered through 15 different departments and agencies (Center for Global Development 2011).

So at the outset there is a clear case for reform within donor countries, and this has been happening. The most recent example is Germany, which in 2011 undertook major reforms that restructured and consolidated three large aid and technical cooperation agencies into one ministry, to both drive efficiencies but also increase the profile of international development.

In Canada, CIDA never provided aid alone. DFAIT, the Department of National Defence, Department of Finance Canada, International Development Research Centre, and Royal Canadian Mounted Police are all important channels of Canadian aid. Back in 2000, over 75 per cent of Canada’s aid was delivered through CIDA. By 2011, CIDA’s share declined to around 63 per cent (CIDA 2011).

It is hard to glean anything solely from whether a bilateral aid agency is independent or part of a wider ministry. However, that several bilateral donors have been simplifying complex aid bureaucracies is not only important from the perspective of administrative efficiency, but also from the perspective of reducing the burden on partner countries.

An interesting case study for Canada could be Denmark. In the 1990s, the Danish government undertook a major administrative reorganization, where the Danish International Development Agency (DANIDA) went from being an independent unit to being part of a single-string service in the Ministry of Foreign Affairs. What happened to the volume of Danish aid? According to the latest figures, Danish aid, expressed as a share of gross national income (GNI), exceeded the global 0.7 per cent of GNI target. In 2011, Denmark gave 0.85 per cent of GNI in aid, while Canada gave only 0.32 per cent (OECD-DAC 2012).

Folding DANIDA into the Ministry of Foreign Affairs did not lead to reneging on aid commitments. What about the quality of Danish aid? According to the latest data from the Quality of Official Development Assistance report, on both “fostering institutions” in aid receiving countries, and “reducing the burden” on its recipients, Denmark fares better than Canada (Center for Global Development 2011). In fact, folding DANIDA into the Ministry of Foreign Affairs had the effect of raising the profile of development assistance in Danish foreign policy.

Are aid agencies located within foreign affairs ministries more cost effective? The average administrative cost of providing aid as a share of bilateral assistance is around 6.5 per cent. At 7.6 per cent, Canada places above average. The costs of more generous donors, including Norway, Sweden, Netherlands, Switzerland and Denmark, where aid is located within the foreign affairs ministries, are similar or even higher than Canada (OECD-DAC 2012). The costs of UK, US, German and French aid, on the other hand, are far lower. Clearly, there is a case for making aid at least more efficient by rationalizing big aid bureaucracies, regardless of whether independent or located within foreign affairs ministries.

Is there a case for closer alignment between foreign aid and commercial interests? One may ask what commercial ends has aid ever served? Consider the following. While Haiti and Afghanistan are the largest Canadian aid recipients today, historically the bulk of Canadian, as well as global, aid has gone to countries like India, China, Indonesia, Vietnam and Bangladesh. Aid has played a critical role in the “emergence” of emerging economies, as it has the potential to do in Africa and other countries of Asia today.

Back in the 1960s and 1970s, aid played a huge role in countries like Thailand, Malaysia, Singapore and South Korea. Strikingly, South Korea in 1961 was as aid reliant as a share of national income as Benin, Nicaragua, Madagascar and Senegal are today. Yet, today
Korea is one of Canada’s most important trading partners and a major aid donor in its own right. There is no real reason why commercial and long-term development interest should be at loggerheads.

The amalgamation of CIDA with DFAIT to create DFATD has the potential to bring a longer term perspective into foreign policy thinking. But amalgamation should not become an excuse for policy paralysis or indifference.

It is now even more important to have a clear international policy statement that helps calibrate short term (diplomatic strategy) and long term (development outcomes) priorities, which some observers perceive to be contradictory. A policy statement could be the place to build a narrative and coherent set of programs that bridge diplomatic strategy with development outcomes. This is also an opportune moment to re-emphasize Canada’s commitment to aid effectiveness, transparency and accountability. Ultimately, if we want it to, this reorganization presents a unique opportunity to elevate the profile of development in Canadian foreign policy.

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What’s Your Vision for International Development, Canada?

Shannon Kindornay

On June 19, 2012, the Organization for Economic Development and Co-operation’s Development Assistance Committee (OECD-DAC)—the forum through which bilateral donors coordinate their aid efforts—released its 2012 Peer Review of Canada’s official development assistance (ODA) (see OECD 2012). Prepared by the Secretariat with the help of examiners from France and the Netherlands, the review highlights both the positives and negatives of Canada’s approach to the developing world. The key message throughout is that when it comes to international aid and development, the Canadian government needs to do better at communicating its vision, policies, plans, and decision-making criteria and processes to its partners, both domestic and foreign.

Official Development Assistance Accountability Act

The reviewers highlight a number of strengths in Canada’s development approach, such as the Official Development Assistance Accountability Act (ODAAA) (see Canada 2008), which has led to improved reporting and accountability on the provision of Canadian aid. Yet, they also argue that there is a need for the Canadian International Development Agency (CIDA) to integrate the ODAAA into all strategies and programs. The ODAAA states that Canadian aid must contribute to poverty reduction, take into account the perspectives of the poor, and be in line with international human rights standards. However, it has been argued that policy-makers at CIDA seem to see their work as already meeting the requirements of the act, “but they haven’t actually developed any mechanisms to evaluate or really translate that into [CIDA’s] core practice” (Reilly-King 2012).

Focus, effectiveness, and efficiency

The reviewers commend Canada for improving its focus by reducing thematic priorities and the number of partner countries. However, they argue too that CIDA needs to develop exit strategies for old sectors and partners and make these strategies public to avoid confusion. Reviewers also suggest that CIDA still has a long way to go in terms of incorporating international aid effectiveness principles. Canada has made progress on transparency through its Open Data portal and by joining the International Aid Transparency Initiative. Yet, Canada is lagging when it comes to aid predictability. Part of the problem, according to the reviewers, is that CIDA’s 2009 Aid
Effectiveness Action Plan (see CIDA 2009) combines domestic accountability and internal efficiency with international aid effectiveness principles, to the detriment of the latter. Despite the focus on improving CIDA’s efficiency in the plan, reviewers highlight continued business modernization as a key area for improvement. The Peer Review suggests that streamlining approval processes and placing a greater emphasis on international aid effectiveness principles would improve predictability.

Declining aid flows
Reviewers also express concern over Canada’s declining aid budget, suggesting that Canada needs to develop a strategy for reaching the international aid target of 0.7 per cent of gross national income. The reviewers do, however, commend Canada on meeting its targets for doubling aid over the 2001–10 period.

Engaging the private sector
In light of Canada’s increasing engagement with the private sector on development—in line with the outcomes of the Fourth High Level Forum on Aid Effectiveness (see HLF-4 2011)—reviewers caution Canada to ensure that development objectives and commercial interests are not confused. Development priorities and partner country ownership should be central to activities and programs in this area. Canadian debates on this issue suggest that it could be hot. Reviewers recommend that Canada develop a strategy for working with the private sector based on analysis and broad consultation. The strategy should outline a clear rationale for Canada’s engagement. This recalls the approach taken in the creation of CIDA’s 2003 Policy on Private Sector Development (see CIDA 2003).

Humanitarian aid
The reviewers highlight Canada’s cross-government coordination and rapid response tool box in humanitarian efforts as strengths. But they feel that the government needs to be more transparent in how decisions are made on humanitarian situations, including when it decides to match public donations, and better communicate the results it hopes to achieve through humanitarian programs to the public and Canadian parliament.

Policy coherence for development
The reviewers recommend that Canada give sufficient weight to policy coherence for development in decision-making processes. The government has some policy coordination mechanisms and has had some success in establishing development-friendly non-aid policies in areas such as trade—Canada offers favourable market access to least-developed countries—as well as taking a whole-of-government approach in fragile states. However, reviewers recommend that the government further improve policy coherence for development on priority issues and establish objectives for relevant government departments in consultations. The reviewers highlight the need to articulate an overarching vision for development situated in the context of Canada’s foreign policy.

What does it all add up to?
The OECD-DAC states that:

It now recommends establishing a clear, simple and consistent vision for Canadian aid – one that is anchored sustainably within its foreign policy and that remains stable over the long term . . . . Canada lacks a clear, top-level statement that sets out its vision for development co-operation. The new approach to Canadian aid is not yet supported by sufficient or transparent decision-making criteria, complicating its processes and public accountability and constraining discussions with key stakeholders, including parliament (OECD 2012).

This key message is reiterated throughout the Peer Review. The government needs to better articulate its overall vision for development (and what this vision means for relevant government departments beyond CIDA), develop policies, plans, and procedures that take into account the ODAAA, improve effectiveness and efficiency, mitigate the potential negative effects of declining aid flows, engage with the private sector, and improve humanitarian donorship and policy coherence for development.

In response to the Peer Review, then Minister of International Cooperation Beverley J. Oda said: “Since our government took office in 2006, we committed to making Canada’s international assistance more effective, focused and accountable. This is a process that takes time, but we can be proud of our progress and the steps we took to make our international work more effective” (Provost 2012).

A reading of the Peer Review suggests that while this progress is welcome, the next step is for the Canadian government, in consultations with the broader Canadian development community, to articulate its vision for development cooperation and ensure that this vision finds its way into transparent priorities, policies, and programs.

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Toward a New “Aid Biosphere”?  

Gerd Schönwälder

If the Rio+20 summit in Rio de Janeiro in 2012, the High Level Forum on Aid Effectiveness in Busan in 2011, and the growing debate on the future of the Millennium Development Goals have one thing in common, it is the realization that the international development enterprise is becoming more and more complex. A whole range of new development actors—not least the “emerging countries” of the developing world, but also private philanthropic foundations as well as other non-governmental organizations, both large and small—are challenging the dominance of Western donor governments, along with that of the Organisation for Economic Co-operation and Development’s Development Assistance Committee, which has been central in coordinating their views and framing most contemporary debates and policies. At the same time, new (and old) questions are being asked about what really matters in international development today and indeed, what the whole enterprise should be all about.

At first glance, it’s easier to see what separates these different views than what unites them. Western donors—and their electorates!—continue to be preoccupied with greater aid effectiveness, often worrying about not getting enough “value for money.” Focusing on the needs of the poorest, they tend to condition their aid on compliance with governance, human rights, and other criteria. The emerging countries reject such strictures and instead put the emphasis squarely on economic development. Providing assistance to less-developed countries in a spirit of mutual solidarity, they aren’t shy to admit that building roads, laying track, and installing other infrastructure serves their own interests, too, not least in supplying their growing economies with natural resources. Philanthropic foundations add other elements to the mix, bringing business thinking to bear on today’s “grand development challenges,” promoting new tools and methods to deliver aid, or spearheading social causes such as social justice or democracy. This is even more central for non-governmental organizations, which see development chiefly as a means to expand the rights of the poor and excel at holding donors’ feet to the fire, reminding them of their various pledges and commitments.

Virtually everyone agrees that more and better coordination among these various development actors is needed, but perfect alignment may not be necessary. As the Busan participants recognized, distinct strengths may imply “differentiated responsibilities,” as long as these remain based on a common set of “shared principles.” What form this coordination will take is hard to predict: it may well fall short of the new Global Partnership for Effective Development Co-operation envisaged at Busan, which ideally would contain not just principles but rules and standards that apply to everyone, and instead resemble a more fluid and less structured new “aid biosphere.” But this is not to say that there is no common ground. Take, for example, the kind of global cross-cutting challenges—climate change, the spread of infectious diseases, and state fragility, to name a few—that affect all countries, not just the developing world. Confronting these challenges and creating global public goods requires truly novel forms of collaboration—including new governance arrangements—that go far beyond current aid practices. Such collaboration would put a whole new spin on the meaning of “development” since it would revolve around a set of shared challenges, not concerns specific to developing countries in which more developed countries have little or no stake. Of course, approaches would differ and developing countries may adopt a “development perspective” or “development lens,” given their diverging capabilities and resources as well as the specific ways in which they are affected.

More coordination and collaboration may be desirable but it’s obviously not a given. In addition to new governance arrangements, tighter policy coordination, and greater transparency and accountability, more and better research can help. Collaborative research designs that favour shared learning and capacity building seem particularly suited to finding joint solutions to contemporary development challenges. At the very least, research can play a crucial role in sifting through the diverging viewpoints that exist, illuminating underlying drivers and interests, and supplying vital evidence. It can certainly give voice to those that otherwise would remain voiceless. If nothing else, this would make for more informed debate and—hopefully—better policy and practice.

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Fragmentation or Concentration in a New Era of Aid Decline?

Liam Swiss

Following the arrival of aid effectiveness norms and guidelines nearly a decade ago, a common refrain among donors has been to focus their aid and harmonize with other donor agencies. At its extreme, this has called for a “division of labour” among donors, whether within recipient countries or, less often, between recipient countries. Implicit in this is the expectation that donors should limit the number of countries to which they provide aid with hopes of creating a critical mass of aid within fewer countries, rather than spreading the same pot of aid among more recipients and subsequently reducing the impacts in each. My intention here is not to question the validity of this norm (though it does merit more scrutiny than it generally receives). Instead, I will examine the extent to which this norm is being put into practice by donors. I will also speculate about the possible impact of declining bilateral aid on the implementation of aid effectiveness norms going forward.

While these norms were most strongly voiced in 2005’s Paris Declaration on Aid Effectiveness (see OECD 2005/2008), they retain salience and were again echoed in 2011’s Busan Partnership for Effective Development Co-operation:

We welcome the diversity of development co-operation actors. Developing countries will lead consultation and co-ordination efforts to manage this diversity at the country level, while providers of development assistance have a responsibility to reduce fragmentation and curb the proliferation of aid channels. We will ensure that our efforts to reduce fragmentation do not lead to a reduction in the volume and quality of resources available to support development (HLF-4 2011).

Clearly the norms of focus and countering fragmentation have staying power, but to what extent have they been implemented in practice? In “The Hollow Ring of Donor Commitment: Country Concentration and the Decoupling of Aid Effectiveness Norms from Donor Practice,” soon to be published in Development Policy Review, my co-author Stephen Brown and I argue that there has been only limited commitment to these norms by donors, in effect leading to a decoupling of aid effectiveness norms from their implementation by donor agencies (Brown and Swiss 2013). Our study shows that not only is there meagre evidence to support the necessity or efficacy of the anti-fragmentation norm, but also that most bilateral donor agencies have failed to “walk the talk” when it comes to honing the focus of their aid.

Arguably, the simplest metric of whether donors have focused their aid is a count of the number of recipient countries to which they provide aid. Using Organisation for Economic Co-operation and Development (OECD) data on bilateral official development assistance (ODA) flows, we can contrast recipient country counts from the pre-Paris Declaration period with those after. Overall, only 10 of 23 OECD’s Development Assistance Committee (DAC) donors reduced the number of countries to which they provide aid between 2001 and 2010. Of those donors reducing the number of recipients, five donors reduced their aid by four or fewer countries. Given that the average number of recipient countries per donor in 2001 was 100 countries, a reduction of only a handful of countries in a 10-year period represents just a drop in the barrel. Canada is one of only four countries to reduce their number of recipients by 10 per cent or more in this period, with only the Netherlands undertaking a reduction of more than 30 per cent.

If donors have shown only fleeting commitment to countering fragmentation, what can we expect going forward now that a series of significant shifts appear to be altering the aid landscape? According to the OECD, ODA declined by 2.7 per cent in 2011 compared to 2010, while ODA to least-developed countries (LDCs) shrunk by nearly 9 per cent in that time (OECD 2012). These data point to both the worrying decline in total aid funds as a result of the ongoing global economic crisis, as well as to a shift of aid away from the poorest countries toward middle-income countries with significant pockets of poverty.

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Both of these trends seem likely to continue given the ongoing financial situation in the West and the fact that few donors seem willing to ring-fence their aid budgets like the United Kingdom has in the face of austerity. Does this mean that as we enter an era of declining aid we may indeed begin to see donors start to concentrate their aid in fewer countries in a more significant way? Or are we likely to simply see reductions across the board from those donors with shrinking aid...
budgets? Will austerity in aid budgets going forward be the catalyst to inspire a tighter coupling of donor practice to norms of concentration? Answers to these questions will be revealed in time.

If Canada’s experience since the cuts to the Canadian International Development Agency announced in the 2012 budget is any indication, the trends of country concentration and shrinking aid budgets may go hand in hand. If this trend is mirrored among other DAC donors, we may witness less aid that is focused in fewer countries, and with the shift away from LDCs in 2011, we may also see countries being left out of the mix. If aid levels continue to shrink in the years to come, we may witness an ironic turn of events: as the result of reductions in aid, we may finally see donor implementation of aid effectiveness norms that to this point have been paid little more than lip service.

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Lord Ashdown’s talk on the second topic centred around three key arguments that he has been making for the past while: first, we are experiencing a horizontal shift in power away from a unipolar world focused on the United States; second, we are experiencing a vertical shift in power away from the nation-state; and third, the world—including nation-states—is more interconnected than ever before.

These talks were an important reminder of the need to think and work at and across several levels of analysis and in interdisciplinary ways.

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Whose Business Is It How We Fund Foreign Aid?

*Joseph K. Ingram and Julia Sánchez*

For several months now, Canadians have been publicly debating the Canadian government’s new approach to international development: promoting and partnering with the private sector.

The release in November 2012 of a report by the government’s Standing Committee on Foreign Affairs and International Development on aid and the private sector (see Allison 2012) and subsequent comments made by Minister of International Cooperation Julian Fantino signal a larger role for the private sector, and in particular Canadian businesses, when it comes to international development.

But this increased focus on partnership with the private sector raises questions about which private sector, to what end, and on whose terms.

For the most part, members of the Canadian development community agree that the private sector has a role to play in development. Countless groups have been working for decades in developing countries with smallholder farmers, local co-operatives, and micro, small, and medium-sized enterprises. They have enhanced value chains, access to financial services, and local business capacity. And the Canadian International Development Agency (CIDA) has been a strong supporter. The World Bank’s *World Development Report 2013* shows that, in most developing countries, it is the micro and small enterprises that account for the bulk of job creation (World Bank 2012). So any strategy focused on jobs should continue to pay particular attention to these economic players.

What is new is including Canadian corporations as preferred funding and implementing partners for development. Canada is actually late to the game as far as partnering with the private sector goes. Donors such as the United States, Denmark, and the Netherlands have been engaging with their domestic private sectors for more than a decade and Sweden and the United Kingdom recently established grant-making competitive funds and programs to leverage private sector finance and expertise. Despite this international trend—and perhaps precisely because of it—donors still need to clearly demonstrate the benefit that such partnerships with the private sector can bring to development beyond just new sources of finance.
There have been some responses to address this gap. For instance, Denmark, the Netherlands, and Sweden will only fund companies that can demonstrate they meet certain funding requirements. Other donor-private sector partnerships try to include civil society, local governments, academics, and consultants in their programs to maximize impact.

But beyond these piecemeal efforts and the select success stories that donors like to profile, a joint study conducted by The North South Institute and the Canadian Council for International Co-operation concludes that very few donors have developed robust tools to assess, monitor, and evaluate the broader development impacts of these new partnerships (Kindornay and Reilly-King 2013). Looking forward, this will be a key challenge for donors that are committed to transparency, accountability, and aid effectiveness.

Even if partnerships with the private sector represent the future of development, donors’ money will only go so far if partnerships do not generate the results needed to ensure equitable development. Donors, such as Canada, will need to build on their development expertise and prior experience with private sector development to ensure that these partnerships generate long-term sustainable development.

Specifically, this will require four actions. Donors should:

- Support ownership by developing countries over this new growth and private sector agenda. Donors often favour their own commercial interests to the detriment of developing countries’ own plans. Instead, donors must support country-led multi-stakeholder development plans that can build progressive taxation systems and provisions to address capital flight, generate stronger social and environmental policies, encourage citizen engagement, and establish safeguards and safety nets for the poor and marginalized. This can help turn a country from being aid-dependent to being self-reliant.

- Develop common criteria for assessing private sector partners. This means establishing funding eligibility criteria that go beyond technical requirements (like years incorporated) to address the track records of these partners in delivering positive development outcomes for poor and marginalized populations.

- Establish indicators to ensure added value in private sector development and partnerships, with an emphasis on finance and investment. To achieve this, donors should establish a set of indicators that assess financial need, promote investment in risk-averse markets, encourage financial eligibility that favours developing countries’ private sectors, and assess the opportunity costs of resources used for this against other development priorities. These indicators will help donors assess both the quantity and quality of new resources, similar to how they assess their aid money.

Finally, donors need to ensure that aid resources to, and for, the private sector work toward reducing poverty and achieving other development goals. This means clearly articulating (and publishing) intended development and poverty reduction outcomes for their investments.

These suggestions are not controversial. They coincide with commitments that many donors have already made to aid effectiveness, transparency, and accountability.

Partnering with the private sector is no silver bullet. But we need to make sure that when donor agencies such as CIDA do, they are ensuring that aid dollars are used to support the recipient country’s priorities, target poverty reduction, and help realize the rights and needs of the poorest and most marginalized.

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This was first published on January 31, 2013, in the Vancouver Sun.
“Big Data” is a Big Deal for Development

Aniket Bhushan

A recent essay of mine on why I think “big data” is a big deal for development (see Bhushan 2012a) was published by the United States Agency for International Development (USAID) in its collection *Frontiers in Development* (see Shah and Radelet 2012). The book contains interesting contributions by luminaries such as Microsoft founder Bill Gates, Liberian President and Nobel laureate Ellen Johnson Sirleaf, and the University of Oxford’s Paul Collier, while introductions by former US Secretary of State Hillary Clinton and USAID Administrator Rajiv Shah capture its essence.

My contribution makes the points below in support of the following thesis: how we think about data and analysis in the field of international development is changing rapidly, and faster than many organizations that “do development” are prepared for (Bhushan 2012b).

- International development as a field of research and practice has been a laggard in using big data and powerful analytics. How we know what we know in development (about what works, what doesn’t, and why) and what meets the criteria of “evidence” is at times shocking when compared with other sectors. Much of the data are of poor quality and there are huge gaps in the information base that we rely on.

- This situation is changing faster than anyone predicted, and the set of tools driving this evolution—which I provide a synopsis of—represents the single most important trend in development.

- The open data movement has already widened access to a broad range of contextual information in the public sector and now a similar push is needed to open access to private sector data—the main repository of big data—in the service of social good. Consider that the entire US Library of Congress totals about 235 terabytes of information, while Walmart processes and stores 2,500 terabytes of data per hour and Twitter generates the same amount of data in about two weeks. The unprecedented innovations in tools, techniques, and methodologies that are helping make sense of what this means for how we do development, and how we think about success and failure, are exciting.

- In particular, analytical tools are becoming cheaper, faster, and easier to use than ever before. First, analytics helped retailers discover unlikely trends, most famously that customers who came in to buy diapers also tended to buy beer! Analytics can do the same for complex social systems. Developments in analytics have kept pace with the speed with which big data has grown. Bringing this capacity to bear on challenges such as food security and urbanization is just getting started. Second, it is the developing world that is leading in the proliferation of mobile sensors. The number of mobile phones has grown from less than 750 million, with less than one-third in developing countries at the start of the 2000s, to more than five billion, with four times as many phones in developing countries as in developed countries. About one billion subscribers live on less than US$5 a day. The developing world is leading the big data “exhaust” (autonomously generated transactional, locational, positional, text, voice, and other data signatures). Coupling terabytes of mobile big data with census information, research labs have modelled slum development in Kenya, responses to socio-economic shocks in Rwanda, and food security in Uganda. In addition, virtualization and visualization tools have similarly “democratized” (becoming cheaper, faster, more open, and easier for non-technical users), allowing us to keep pace with the data deluge and extract meaningful inferences for poverty reduction and economic development.

- For the first time, we have a feedback layer, which has made possible deep and near real-time awareness of what is working, not working, where, and why, with feedback sourced directly from intended beneficiaries and aggregated with other localized data to make sense of highly contextual issues without losing the ability to generalize.

Together, big data, democratized analytics, and the ability to tap deep contexts are rapidly changing the way we think and do development.

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Aid Innovation: Motivating Reforms from the Outside?

Rachael Calleja and Aniket Bhushan

Disillusionment with the effectiveness of foreign aid has led donors to seek new and innovative modalities of aid spending. At the heart of new models is a general commitment to providing aid to countries with “good policy environments.” By targeting aid to development-minded recipients—including in “fragile states,” as the examples below demonstrate—donors have sought to limit policy interventions in favour of domestic ownership. Innovative modalities offer an approach to aid allocation that replaces general efforts toward “development” and “growth” with targeted, incremental, and measureable policy goals. But do they work?

Millennium Challenge Corporation

The Millennium Challenge Corporation (MCC) is a big-budget, target-oriented aid agency that adopts a selective approach to aid allocation. Since 2004 it has allocated over US$8.4 billion across 39 developing countries. Using a series of 24 indicators that measure economic, social, and policy performance, MCC allocates funds exclusively to countries that demonstrate a clear commitment to “good governance” (MCC 2011). MCC promises to break from traditional United States Agency for International Development (USAID)—type programs by untying aid from US interests. Large MCC aid grants are used to reward development-minded governments in the hopes of sparking further policy reforms.

Cash on Delivery

The “Cash on Delivery” (COD) model uses aid to reward specific development outcomes, transferring aid to recipient governments based on the “delivery” of specified target goals. Underlying the COD model is an attempt to build local capacity while limiting donor interference in domestic policy via a “hands-off” approach to aid allocation, where recipient governments are tasked with program design and implementation and maintain unconditional control over aid “rewards” from program achievement. While COD remains a fairly new avenue for aid allocation, it was put into practice in 2012 when the United Kingdom’s Department for International Development launched a COD program in Ethiopia that promises to provide a cash reward to each Grade 10 student who sits for or passes standardized national exams, up to a total amount of £30 million over three years.

Fixed Amount Reimbursement Agreement

A Fixed Amount Reimbursement Agreement (FARA) is a pre-financing aid contract that commits a government to reimburse another government for the successful completion of specified outcomes up to a predetermined amount. In 2011, USAID signed a FARA with the Liberian government, worth US$42 million over four years, for the implementation of specific performance-based activities listed in the National Health Plan. The FARA acts as a form of indirect budget support (for a country which otherwise may not be eligible) and since it better utilizes Liberia’s national financial and payments architecture than project assistance, it also rewards achievements the country has made in this area.

GAVI Alliance’s Advance Market Commitment

The GAVI Alliance, in pursuit of the common goal of universal immunization, initiated its Advance Market Commitment program, which pools development resources from donor governments and agencies in efforts to speed up the development and increase the cost-effectiveness and availability of pneumococcal vaccines for low-income countries. Once vaccines have been developed, donors use aid commitments to determine a set price for the sale of vaccines and subsequently promise manufacturers a predetermined price for vaccines produced over a 10-year period (GAVI Alliance 2013).

Limits of Results-Based Allocation and Outside Incentives

These new modalities bring new opportunities, but are not without problems. Such approaches operate under the assumption that the countries targeted possess both the willingness and capacity to implement reforms in key policy areas. The appropriateness of results-based programming in countries that tend to have generally unaccountable and untransparent governments is questionable at best. In the absence of accountable, transparent governments and evidence-based programming, the concern becomes one of whether outside approaches can be fundamentally sustainable.

Methodological difficulties arising from the reliance on indicators to measure policy performance deserve careful consideration, since potential biases and time lags may threaten results and the ability of future funding to provide adequate incentives for reform.

The emphasis on results increases the burden of measurement and deepens the problem of attribution. Measuring the “right indicator” is yet another problem. For instance, just as Tanzania won the Millennium Development Goal award for achievements in primary education, one of the largest surveys of Tanzanian children found that more than half of Grade 4 students could not read at the Grade 2 level (Uwezo Uganda 2011). Official statistics, which place Tanzania close to achieving universal primary education, are therefore far from believable (Morisset and Wane 2012).
The time lags associated with results, pitted against the less patient annual congressional approval cycle, are evident in the case of MCC, which has a longer track record than other innovative modalities and yet has produced mixed results as far as incentivizing reforms is concerned.

Additionality is another concern. As new modalities emerge, there is a temptation to simply move money around or “rebrand” existing initiatives under new names. If new modalities are not “additional,” it is hard to see how they would affect recipient incentives.

**Size Matters**

The scale of policy reforms driven by innovative modalities differs greatly according to the approach. In the case of MCC, large disbursements of aid are granted to eligible recipients in the hopes of generating substantial reforms to domestically identified developmental concerns.

Alternatively, COD approaches appear to target smaller reforms. COD programs attempt to encourage ownership over development results and accountability by providing aid as direct budget support.

**The Bottom Line**

Speaking about COD, Center for Global Development President Nancy Birdsall said: “It’s time to stop worrying about getting what we’re paying for, and start paying for what we get” (Birdsall 2012). Indeed, this applies to innovative modalities more generally. As aid budgets decline in the wake of the global financial crisis, movement toward results-based programming is increasingly viewed as the prudent way forward. In Canada, for example, Engineers Without Borders has been promoting COD to parliamentarians as a possible model for Canadian foreign aid.

Do these innovations help build local capacity? There is little evidence so far. The actual effectiveness of new approaches is hard to judge, given their relative newness and experimental nature, but the possibilities offered warrant further research. Ultimately, innovations in financing modalities will be judged by the outcomes and impacts that they generate, as well as their sustainability. At least part of the test lies in whether such innovations reduce the high (and increasing) transaction costs associated with aid.

Will these innovations replace old mechanisms and change traditional ways? Yes and no. There is some evidence that they help move procurement, for instance, in the right direction—from being donor-tied to being chosen by recipients. But they remain marginal and are unlikely to affect traditional aid motivations, such as rewarding geopolitical allies and other strategic considerations.

What is more evident is that there is competition between donors on the issue of innovation. Donors are increasingly keen to be associated with success and seen as innovative, indicating that it is not just recipients’ incentives that are being affected. In the case of FARA, there is evidence that donors are unwilling to “underwrite” each other’s innovations. For example, health sector pool-fund donors did not want to spend money on “inputs” when USAID would only spend money on “results.”

Perhaps the elephant in the room is that everyone has an incentive to act in their own interest: recipients have been known to game the international aid system, just as much as donors need to show off success to congress, parliament, or taxpayers. In the end, results-driven innovations may have less to do with effectiveness and the sustainability of results and more to do with looking innovative.

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In Defence of State Fragility Rankings

Yiagadeesen (Teddy) Samy

Despite a lack of consensus around the term, there is now a well-established literature that conceptualizes and measures “state fragility” (Mata and Ziaja 2009). Several organizations—public, private, and academic—produce annual lists of fragile states, which are used by policy-makers to make important decisions such as aid allocation. These lists tend to be highly correlated, which should perhaps not be surprising given that they use partially overlapping definitions and data sources to arrive at composite indices of fragility.

Of late, these rankings have received a lot of criticism, not all of which is valid in my view. Let me lay my cards on the table. I believe that rankings matter. Fragility indices and their subcomponents (that is, the broad underlying indicators that are used to calculate indices) can be helpful tools for policy-makers to identify entry points for meaningful intervention. Ratings and rankings are everywhere. We get evaluated and ranked in schools and at work, the organizations that we work for get ranked, and so do our favourite sports teams. I could go on and on.

There is no reason why we cannot rank states according to levels of fragility, no matter how difficult and challenging this task may be. At a minimum, fragility rankings should motivate us to address the conceptual and empirical challenges faced in the construction of indices. A case in point is the well-known Human Development Index (HDI) published by the United Nations Development Programme, which tries to obtain a broader assessment of development than what is provided by income alone by combining income, education, and life expectancy in a composite index. We know how difficult it can be to measure “development,” but this is what the HDI tries to do. In fact, a new method of calculating the HDI was recently introduced in the Human Development Report 2010 (see UNDP 2010), 20 years after its creation!

To be sure, indices, much like economic models, must by necessity involve a certain degree of abstraction and simplification. We should not be asking more of them than they are supposed to be. The key, however, is to anchor an index to a theoretical explanation of what it is trying to represent and then make sure that the assumptions made in its construction are transparent. Just as producers of such indices need to be transparent about their construction and recognize their limits, users should be equally careful when applying them. For example, users cannot and should not expect a composite index to provide the full contextual information that is necessary for assessing states.

Proper risk assessments combine different levels of information. Far too often, however, critiques of fragility indices tend to fixate on a particular state’s ranking relative to others and fail to appreciate the nuances that can be obtained by examining different aspects and characteristics of states. By examining the subcomponents of these indices, one can address the weaknesses that states face and build on the strengths that are identified. To put it differently, even the worst cases of fragility may have certain areas of relative strength. On the other hand, states that appear relatively strong overall may also be weak in certain areas.

With my colleague and co-author David Carment, we have in the past few years produced a fragility ranking as part of our work on failed and fragile states for the Country Indicators for Foreign Policy (CIFP) project at Carleton University. The fragility index produced by CIFP brings together three different research streams—development, conflict, and stability (Carment, Prest, and Samy 2010). Other indices that measure fragility tend to assign more weight toward one of these streams. For example, the Failed States Index of the Fund for Peace is more biased toward conflict, while the State Fragility Index developed by Monty Marshall and Jack Goldstone draws heavily from the stability research stream.

When we examine the top 10 list of countries from each of these indices for 2010 data, it is somewhat comforting that the same six countries (Afghanistan, Chad, Côte d’Ivoire, the Democratic Republic of the Congo, Somalia, and Sudan) show up on each list. The rankings differ because of the way that fragility is defined, but the usual suspects are all there. Somalia, at least for 2010, is the exception: all three indices rank Somalia in first place.

We have just released a new report that assesses state fragility across 197 countries over the last three decades (see Carment and Samy 2012). In addition to a global fragility ranking, we rank countries along different characteristics of “stateness” (authority, legitimacy, and capacity) and different clusters (governance, economics, security and crime, human development, demography, and environment, with gender as a cross-cutting theme). By profiling countries along several dimensions, we are able to identify both their strengths and weaknesses. Our examination of the evolution of fragility over time allows us to identify countries that are trapped (for example, Afghanistan, the Democratic Republic of the Congo, and Somalia), that have oscillated between periods of relative stability and instability (for example, Central African Republic, Guinea, and Mali), and that have stabilized in the last decade (for example, Guatemala and Mozambique).

Fragility rankings and their subcomponents are a useful starting point for country risk assessments—better to start somewhere than be stuck on the starting blocks with nothing. Fragility rankings can be
combined with analyses of real-time events and dynamic actors that can provide the contexts that indices cannot.

So, for those who question the utility and relevance of fragility rankings, I invite you to engage more constructively with them and their subcomponents. They are not a silver bullet, but rather a useful starting point for contextual analysis of state fragility.

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Global Governance for Development

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Will the Global Partnership for Effective Development Co-operation Deliver?

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Disengaged from Development: Fragile States and Vulnerable Populations
Rio+20 and Sustainable Development in a Changing World

Kate Higgins

In June 2012, world leaders gathered in Rio de Janeiro for the United Nations (UN) Conference on Sustainable Development. The conference, better known as Rio+20, marked the 20th anniversary of the historic first Earth Summit held in the same city in 1992.

As Helen J. Chenard and I discuss in a recent NSI report (see Higgins and Chenard 2012), the first Earth Summit was held in the wake of the Cold War, a time when the world was brimming with optimism, and attended by over 100 heads of state and government, including then Canadian Prime Minister Brian Mulroney and then US President George H. W. Bush. It was a significant UN conference that raised expectations about the world’s capacity to solve pressing global problems and build a more sustainable future.

This time around, things looked a little different. A disappointing outcome on climate change in Copenhagen in 2009, an ongoing global recession, and shifting geopolitical dynamics that make negotiations more complex reduced expectations for Rio+20. Preparatory negotiations lagged and key leaders, such as US President Barack Obama, confirmed that they would not attend. A number of high-profile groups, such as The Elders, expressed their disappointment with the lack of urgency demonstrated in the lead-up to the conference.

Priorities for the conference, outlined in the zero draft of the outcome document (see UN 2012), and the leaked negotiating text, included securing renewed political commitment for sustainable development, supporting the green economy in the context of sustainable development and poverty eradication, and enhancing the institutional framework for sustainable development. A number of issues remained contentious and reaching consensus was sure to be difficult. Take, for example, the green economy. This is an approach which, according to the UN, requires a move away from resource-intensive growth models and a transformation in production and consumption patterns. The European Union has been a strong supporter of such a move, while the Group of 77 and China have stressed states’ sovereign right to exploit their own natural resources and their right to choose an appropriate path toward a green economy.

Sustainable Development Goals (SDGs) received considerable attention in the lead-up to Rio+20, not least because they had the potential to be a “tangible win” at a conference where prospects for agreeing on concrete actions were dim. These would be measureable targets against which to track global progress on sustainable development, similar to the Millennium Development Goals (MDGs), which are set to expire in 2015. From an international development perspective, the SDGs could be a vehicle for bringing back together the international development and environment agendas, which have largely been on parallel paths over the past two decades. Critical in the Rio+20 negotiations were which issues these new goals would cover, which countries would be required to take action, and how the SDGs and post-MDG framework would fit together.

While concrete commitments by member states at Rio+20 were limited, the conference generated a plethora of new analyses, supported a global dialogue, and fostered partnerships on sustainable development among civil society groups and private sector organizations. The agenda was huge and expectations were low, but there were some concrete outcomes in Rio. For international development, this was the SDGs, and the placement of the environment and sustainability more squarely on the international development agenda.

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Will the Global Partnership for Effective Development Co-operation Deliver?

Shannon Kindornay

At the Fourth High Level Forum on Aid Effectiveness (HLF-4) held in Busan in 2011, participants agreed to establish a Global Partnership for Effective Development Co-operation.

The Global Partnership replaced the Working Party on Aid Effectiveness (WP-EFF), launched in 2003 and hosted by the Organisation for Economic Co-operation and Development’s Development Assistance Committee (OECD-DAC), with a more inclusive multi-stakeholder governance structure that is “global-light and country-heavy.” The WP-EFF oversaw efforts to improve aid effectiveness and organized four High Level Fora on Aid Effectiveness (in Rome, Paris, Accra, and Busan) between 2003 and 2011 in order to establish norms and evidence-based frameworks to improve the quality of aid.

Although by 2011 the WP-EFF comprised many different stakeholders, including donors, recipients of aid, South-South Cooperation providers, and civil society actors, its early beginnings in the OECD as a donor-dominated forum undermined the WP-EFF’s legitimacy as a mechanism to govern international development cooperation efforts. This issue was largely why the United Nations (UN) Economic and Social Council’s Development Cooperation Forum was created in 2007.

Nevertheless, HLF-4 set the goal of establishing a legitimate and inclusive multi-stakeholder partnership that would better reflect the changing nature of international development and the increasing roles of actors such as the private sector and South-South Cooperation providers in this context. Following HLF-4, the Global Partnership, with a two-tier governance structure for its operations, was finalized in June 2012. There will be no more High Level Fora.

Instead, high-level ministerial meetings will be held every 18–24 months—the first is scheduled for the second half of 2013—and participants will engage in political dialogue and work toward the shared principles and commitments outlined in the Busan outcome document (see HLF-4 2011). These shared principles include ownership of development priorities by developing countries, a focus on results, inclusive development partnerships, transparency, and accountability to each other. The meetings will also likely review other commitments made in Busan, namely: reviewing plans to untie aid; implementation of a common standard for publishing information electronically; implementation of Accra commitments on predictability; and establishing agreement on principles and guidelines to reduce the proliferation of multilateral institutions and improve aid allocation between developing countries.

Moreover, a Steering Committee will meet every six–12 months, or more frequently if necessary, to ensure the smooth running of the ministerial meetings and follow up on decisions made at them. The Steering Committee comprises three co-chairs—United Kingdom, Nigeria, and Indonesia—representing a donor country, a recipient country, and a donor/recipient country. Other members representing various constituencies include: recipient countries (five), including one from the g7+ group of fragile states; donor/recipient countries (one); donor countries (one); the private sector (one); parliamentarians (one); civil society organizations (one); multilateral development banks (one); United Nations Development Programme/United Nations Development Group (one); and OECD-DAC (one). It is expected that membership will rotate every two years so that more actors have a chance to participate.

Finally, the Global Partnership secretariat—or support team, as it is being referred to—combines resources from the OECD and UN to support the effective functioning of the Global Partnership. Busan commitments will be monitored through 10 global targets or indicators (PBIG 2012), with 2010 as the baseline year for most of them. These will be complemented by qualitative approaches as well as country-level monitoring efforts to provide a broad assessment of progress. Some of these targets are the same as those in the Paris Declaration monitoring framework, while others pertain to an enabling environment for civil society participation, private sector engagement, transparency, gender equality, and women’s empowerment.

The Steering Committee met for the first time in December 2012 to begin planning for the first ministerial meeting. It addressed outstanding issues for the Global Partnership including the establishment of key substantive priorities and progress on establishing the global monitoring and evaluation framework for HLF-4 commitments. The Global Partnership has certainly begun to take form, begging the question: is it set for success?

As a colleague and I argued in the NSI report Establishing a Legitimate Development Co-operation Architecture in the Post-Busan Era (see Kindornay and Samy 2012), success with the Global Partnership will depend on the extent to which stakeholders see the governing mechanism as legitimate in terms of its inclusivity and representativeness (input legitimacy), quality of decision-making processes (throughput legitimacy), and effectiveness in achieving outcomes (output legitimacy).
First, consider input and throughput legitimacy. The composition of the Steering Committee, which is a constituency-based model, indicates that input legitimacy will likely be a challenge. In fact, the issues of Steering Committee representation and requests for representation by different constituencies were discussed at the first meeting. Civil society organizations have voiced their concern that they are not one of the co-chairs and have been allocated only one seat on the Steering Committee to represent the diverse views within civil society. Recipient countries are also far from being a homogeneous group and face different problems, even when considered as regional groupings. It will thus be difficult to ensure that the views of constituents, through the five seats for recipient countries, are collected and properly represented, although the establishment of regional developing country initiatives engaging on this agenda, such as the Africa Platform for Development Effectiveness, and the use of online consultative fora may help.

Other representatives will likely have problems too. Donor/recipient countries—that is, South-South Cooperation providers—will also find it difficult to represent the views of its members. For instance, Indonesia is a co-chair while the donor/recipient seat is currently held by Peru—not an important player—largely because of reluctance on the part of influential emerging donors such as China and Brazil to engage. As pointed out by Homi Kharas (2012), donor/recipient countries and the private sector do not have clear constituencies to get feedback from and represent on the Steering Committee. Unlike traditional donors and developing countries, which, respectively, have the OECD-DAC and regional platforms that look at issues relating to effective development cooperation, donor/recipient countries and the private sector do not have similar coordination mechanisms. Funding and burden sharing is obviously important, but it is unclear what kind of support will exist to ensure that recipient countries have ownership over the global agenda and the capacity to engage through the Global Partnership’s governing structures to ensure input and throughput legitimacy. Thus, the current structure has yet to meet the challenge of establishing a truly inclusive partnership.

When it comes to output legitimacy, it is unclear how achieving outcomes will unfold since the monitoring framework is not yet complete. Challenges in its finalization still remain, namely the establishment of viable indicators to measure the new targets established in Busan. Some of the commitments from Busan, such as addressing the proliferation of multilateral institutions, do not have indicators in the monitoring framework. The choice of 2010 as the base year for the global targets takes into consideration what has happened since Paris. However, it also hides the lack of progress since the Paris Declaration. The 2011 Survey on Monitoring the Paris Declaration (see OECD 2011) showed that only one (coordinating technical assistance) of the 13 targets had been met, partly because timelines were too short and there was a lack of political will on the parts of donors.

Furthermore, given a target date of 2015—to coincide with discussions about the future of the MDGs—some of the new targets may be too ambitious. If the view is that these targets will simply feed into a larger process involving policy dialogue and the assessment of progress, as opposed to ranking countries on performance, fixating on them may not be too important. However, the exact role of these targets, how they feed into the country-level accountability processes, and how they are complemented by qualitative approaches are all unclear thus far.

Notably, how the Global Partnership will engage in other international processes such as the creation of the post-2015 development framework and Sustainable Development Goals (SDGs) also remains unclear, though observers suggest that linking up the Global Partnership, post-2015, and SDG agendas will be important for ensuring coherency across international development cooperation efforts and avoiding duplication (Sinclair 2012). Despite commitments to engage with the UN Economic and Social Council’s Development Cooperation Forum in the Busan outcome document, the exact nature of the relationship between these two fora is uncertain.

It is far from clear whether the Global Partnership will deliver on the commitments made at Busan. Its development is underway, but it still remains a work-in-progress. What will be interesting will be to see how it develops in 2013 in order to satisfy the demands of its different members, how it engages with and remains relevant to a range of global policy processes in the lead up to 2015, and, ultimately, how it contributes to the goal of effective development cooperation.

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On the Road to Replacing the MDGs

Kate Higgins

In the year 2000 at the United Nations (UN) Millennium Summit in New York, world leaders adopted the Millennium Declaration. A commitment to a peaceful, prosperous, and just world, the declaration included a set of targets for development and poverty reduction to be reached by 2015. These targets came to be known as the eight Millennium Development Goals (MDGs), which broadly cover alleviation of extreme poverty and hunger, education, gender equality, child and maternal health, combating HIV/AIDS and other diseases, environmental sustainability in developing countries including access to water, and a “global partnership for development,” referring to developed countries’ commitments to aid, an open and non-discriminatory trading and financial system, technology transfer, and debt relief.

According to The Millennium Development Goals Report 2012, some goals look set to be achieved by 2015. For example, the share of people living in extreme poverty, defined as living on less than US$1.25 per day, has fallen globally from 47 per cent in 1990 to 24 per cent in 2008. This is largely due to China’s phenomenal growth and poverty reduction in the country, but is also part of a global trend. The world is on track to meet the targets set on access to safe drinking water and achieving parity in primary education between girls and boys. But progress in other areas has been disappointing. Hunger remains a global challenge and decreases in maternal mortality rates are far off target (UN 2012a). Progress on the global partnership for development has been slow. Indeed, the most recent MDG Gap Task Force report says that in 2011 official development assistance from rich countries to poor countries fell for the first time in a number of years (MDG Gap Task Force 2012).

As 2015 approaches, attention is turning to what should replace the MDGs. Internationally, the post-2015 UN development agenda is receiving a lot of attention. The High-Level Panel on the Post-2015 Development Agenda, co-chaired by Indonesian President Susilo Bambang Yudhoyono, Liberian President Ellen Johnson Sirleaf, and United Kingdom Prime Minister David Cameron, has been tasked by UN Secretary-General Ban Ki-moon to “prepare a bold yet practical vision . . . on a global post-2015 development agenda,” with the fight against poverty and support for sustainable development at its core (UN 2012b). In May 2013, the panel is expected to submit its report, which will serve as a key input into a UN special event on the MDGs and the post-2015 agenda in September 2013. In addition to this, the UN has convened 11 thematic consultations and a number of country-
level consultations to get feedback on what should come after the MDGs, and a recently launched global survey for citizens, called MYWorld, is seeking to capture people’s voices, priorities, and views on what the post-2015 priorities should be.

If the MDGs are anything to go by, the post-2015 development agenda will have much influence over international development priorities in the decades beyond 2015. It is likely that the High-Level Panel, and others attempting to influence the post-2015 process, will suggest that some elements of the MDG approach be kept. For example, the clear, quantifiable, and time-bound nature of the MDGs helped galvanize political and public support for global poverty reduction efforts like never before, and served to unite the world around a common set of development targets. Given this success, it makes sense to build the post-2015 agenda around a set of global goals that resonate with publics and can be clearly communicated to them.

But to be relevant and meaningful not only in 2015 but also during the coming decades, the post-2015 development agenda will need to go further than the MDGs. To really tackle extreme poverty and articulate a vision for development that is environmentally sustainable, it will need to focus on more than poverty reduction in developing countries and will require policy commitments from developed countries, such as Canada, that go far beyond aid. Given the climate change crisis and its implications for the world’s most vulnerable people, the post-2015 agenda will need to prioritize sustainability and climate change and establish targets on these for all countries. With trade being such an important driver of development in developing countries, a global development framework that does not expect rich countries to commit to fairer trade rules will fall short of its goals. With inequality on the rise in many countries, as the Occupy movement and entrenched poverty in middle-income countries attest to, incorporating inequality into the framework could recognize and subsequently lead to action on one of the biggest problems that many rich, emerging, and poor countries face.

Ultimately, the post-2015 development agenda will be a political agreement negotiated by UN member states. Given the world’s recent track record on global governance—the failure of the Doha Development Round and disappointments in Copenhagen on climate change and at Rio+20 on sustainable development—stakeholders will need to balance ambition with pragmatism. The changing nature and composition of global politics will also need to be taken into account. The line between rich and poor countries is more blurred now than it was in 2000, and a global agreement that does not reflect the views and commitments of emerging economies would be a disappointing outcome. Non-state actors, such as philanthropists, businesses, international non-governmental organizations, and anti-poverty youth movements, are much more prominent in global affairs today than they were at the start of the millennium, and the framework will need to make sense to them and clearly show that they can contribute.

2015 may seem like a long way away, but the wheels for establishing the post-2015 development framework are well in motion. The process will consume a lot of time, energy, and money, and critics will surely question its relevance in the context of diminishing aid resources. But this is a process that should not be ignored. Based on the experience with the MDGs, the post-2015 agenda will play an important role in framing global development for decades to come.

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Beyond 2015: MDGs, SDGs, and the Global Partnership

John Sinclair

Despite a still-struggling global economy, one where contagion from the developed world is now enveloping emerging economies, there is a boom in international donor-recipient diplomacy. Globalization forces us to recognize that there is no longer an easy division between rich and poor, or North and South, but rather a new universality that is multi-layered with complex cross-linkages.

Three distinct but interlinked processes are coming together as a new development triad.

The first, the formal post-2015 development agenda, is about defining the next generation of goals to replace the Millennium Development Goals (MDGs). The second, running on a parallel track, concerns the development of Sustainable Development Goals (SDGs), a process agreed at the otherwise disappointing Rio+20 conference in June 2012. The third, the Global Partnership for Effective Development Co-operation, agreed at the Fourth High Level Forum on Aid Effectiveness in Busan in 2011, is a potentially key addition to the global development governance architecture. This should provide new, more inclusive leadership on development cooperation in fora such as the United Nations (UN) and the Group of Twenty (G-20). It logically will displace rules framed by the Organisation for Economic Co-operation and Development’s Development Assistance Committee (DAC), the club of Western donors, and is very much a work-in-progress. Going beyond the traditional framework, the Global Partnership would include old and new donors and the full spectrum of aid recipients (from those recently “graduated” to those still heavily aid-dependent). In the spirit of Busan, it would also engage other development actors, notably civil society organizations and the private sector.

The Busan conference was the latest in a string of global conferences seeking to improve a flawed aid system. Participants met against a backdrop of the global economic crisis and declining aid flows from DAC donors. From the 2005 Paris Declaration onwards, traditional aid donors and recipients had committed to work in partnerships, driven by policies and goals “owned” by recipient countries. Many made their best efforts, but their best was not good enough: traditional donors would not let go (“accountability” often became the cover for continuing control), and many developing countries did not have the confidence and technical competencies to drive the agenda. Moreover “new” donors (notably BRICS countries such as China) have now become powerful forces but do not “obey” the old DAC etiquette.

A credible, viable Global Partnership was the key Busan outcome, one intended to take aid governance out of the exclusive hands of Northern donors. A temporary framework exists but as yet it has no institutional substance. It has a high-level committee, serviced by twin ad hoc advisory teams from the DAC and United Nations Development Programme (UNDP). However, if Busan’s partnership aspirations are really to succeed—if new donors from among the emerging economies are to accept to become co-leaders—then the DAC donors must “walk the talk,” maybe even abandoning their spiritual home in Paris.

This will be a long walk, even if we hear words such as “transformational” from the promoters of different parts of the triad. With geopolitics unavoidably shaped by a flawed recovery from the global economic crisis, we are realistically talking about decade-long, incremental actions.

For now, these three still weakly coordinated parallel processes have to be a point of concern. Convergence and cohesion should be the guiding principles, but confusion and competition seem better descriptors. There risks being duplicated efforts, even competition among political leaders and their teams of technocrats.

It is no longer acceptable for a collection of DAC donors to decide goals for others. The present MDGs were largely cooked up by well-intentioned donors. Their failure lies in their weak implementation and an outcome that sees the poor and vulnerable still left behind. For any new framework to be successful, it will need buy-in from a range of stakeholders—including donors, emerging economies, aid-dependent countries, as well as civil society and the private sector. Inclusiveness needs to be as a central principle to ensure that the most vulnerable of individuals, and the most fragile of countries (now self-organized as the “g7+”), are the focus.

While universal in concept, the new goals and framework that replace the MDGs should provide differentiated approaches for distinct classes of countries. Equally, reflecting the importance of country ownership, goals could be customized to match local realities. The new goals will need a stronger focus on: livelihoods for the poor, inequality, the environment, and resilience in face of disasters. The SDGs cannot continue as a rival UN agenda being drafted by those disgruntled at the undermining of the Kyoto Protocol. They need to be integrated with post-2015 goals, hopefully bringing some key elements of a future Kyoto 2.0 framework to the table.

The triad’s complex agenda brings challenges of political legitimacy. The Global Partnership will need to move from an ad hoc committee to
a body with structure and status. It will need effective and inclusive governance. It must become accountable, including being a demanding monitor of the new post-2015 development goals and indicators.

Its present ad hoc and tenuous status seems to be a bad move or lost opportunity. A meaningful Global Partnership cannot just be a “once-every-18-months” enlarged DAC ministerial meeting, with token participation by a few BRICS countries. Maybe it urgently needs a Chinese co-chair and then to be institutionalized as a permanent subgroup of the G-20, as that supposed successor to the G-7/G-8 resolves its own challenges involving mandate and inclusivity?

These are all big challenges demanding focused and imaginative attention. A key question for Canada, the Canadian International Development Agency, and Canadians is whether we are ready to contribute creatively. The question is only secondarily financial. More central is whether the political will exists to share global governance more equitably, and contribute to making the world a more prosperous place for all. We should be an energetic partner, in part to protect our own future in this competitive, multi-polar world. Building upon our credibility as a traditional facilitator of consensus, we could be a voice of constructive reason in multilateral processes. This will be a long, at times complex road, but this triad, with an empowered Global Partnership and a set of well-integrated post-2015 development goals that takes sustainability issues more seriously, can become a more fit-for-purpose set of global governance structures for international efforts to end global poverty.

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One Size Only, One Global Customer? Why Universality and Tiering Should Be Part of the Post-2015 MDG Conversation

John Sinclair

The MDGs (Millennium Development Goals) are the internationally recognized goals for the basic needs of the disadvantaged. That global recognition is the key incentive driving substantial and effective programs to help meet those goals. We know now, however, that their delivery has been flawed and for many countries outcomes have been below expectations.

As we move to renew or replace the MDGs in 2015, do we need to change the incentive framework?

Today’s MDGs focus on low-income developing countries. Meeting their goals is an important incentive for donors, national governments, and civil society organizations (CSOs) to deliver better, more effective development to needy populations. Regular monitoring has focused attention on uneven performance and delivery weaknesses in achieving internationally endorsed standards. Even the most basic global goal—halving extreme poverty—was only met due to advances in China.

A crucial post-2015 topic will be whether to link targets to differing conditions of countries—to match goals with developmental status. We cannot expect a fragile state such as Timor-Leste to match the MDG status of Morocco overnight. At issue for the post-2015 agenda is whether changing MDG target “rules” will produce better incentives and hence lead to more effective delivery. A recent United Nations (UN) High-Level Panel on the Post-2015 Development Agenda discussion focusing on equity as a stand-alone MDG seemed to overlook equity in the setting of actual goals.

There are two complementary, but on the surface possibly contradictory, issues. First, should the core goals become universal? In other words, should all developed countries (e.g., Canada) also subscribe to and monitor their own performance on the new MDGs? And second,
should these goals be tiered, designed with three or four levels and matched to country groupings with distinct developmental statuses? Would such tiering involve next generation goals being potentially more achievable with a comparable “stretch” for each country grouping? With tiering, the MDG targets would be higher and more demanding for richer countries than for so-called “fragile” or conflict-vulnerable countries.

There are several sides in this debate that are sometimes confusing. Non-governmental organizations and CSOs, as well as academic organizations and think tanks, tend to favour both universality and tiering. Their shared focus is on ensuring that the next generation of goals is more strategic, better linked to rights, more explicitly pro-poor, and—not least—doable with appropriate operational support.

Leaders of developing countries are split: there are those who worry that universality and even tiering may diffuse the focus on MDGs and thus diminish aid levels. Others argue that universality will serve to increase the attention of developed countries and their taxpayers on meeting the MDGs. Universality will also avoid the flawed message that internal equity is only an issue for a sub-class of poorest countries.

Many countries, developing and developed, favour tiering, even if worried about the added complexity, since it makes explicit the principle that in setting future targets we need to stretch each class of country equally, so that there will be fewer invidious and demoralizing scores for the poorest countries. Under the current targeting approach, such negative signals have been almost unavoidable—even when low-income countries focused on achieving MDGs show better gains in improving the situations of their populations.

Above all, there is a new global power dynamic. Today’s world is no longer one where Western donors and the World Bank can just set rules or goals. It is the UN and Group of Twenty (not the fatigued G-7) that are there to arbitrate global rules. Emerging economies, notably the BRICS (Brazil, Russia, India, China, and South Africa), maybe more than Organisation for Economic Co-operation and Development members, are already shaping the world economy and likely strongly influencing this next generation of global development targets.

So where does this leave developed country donors like Canada? So far, they have been keeping their heads down on such touchy topics, choosing instead to watch from the sidelines. Some somewhat disingenuously argue that universality could reduce support for aid to developing countries. Moreover, for some donors universality is a simple issue of ego and national pride: how can there be targets for themselves, for developed countries? Their citizens, often minorities and children, in remaining pockets of persistent poverty and unemployment would likely welcome such public targets. If it is reasonable for the global community to set pro-poor targets for Chad, even China, why not for France and Canada?

On tiering, the concerns of donors seem to be mainly technical. They accept that some special targets for the newly formed grouping called the “g7+” (or “fragile states”) might be needed, but worry that these will necessitate complicated data collection. This argument is then extrapolated to paternalistically dismiss any concern about demoralization in poorer countries, both of their poor and their governments.

There is an added political and technical complication: according to the Brookings Institution, 55 per cent of the world’s poor and vulnerable live in newly lower-middle-income countries such as India and Brazil, which could lead to a misdirection of aid to countries that have many poor citizens, but which also have growing middle and wealthy classes capable of helping them. The fix for this potential problem is relatively simple: to include key “equity” MDG targets linked to internal distribution indicators such as Gini coefficients and access to free health services for low-income households.

The debate on these topics may be lengthy, even distracting from the need for agreement on a more strategic and comprehensive second-generation set of MDGs. Ultimately, donors such as Canada should be guided by concerns about relevance, doability, intra-country equity, and pro-poor focus, rather than about their own egos and national pride.

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Domestic Resource Mobilization and the Post-2015 Agenda

Aniket Bhushan

As the debate on what should replace the Millennium Development Goals (MDGs) heats up, it is time to think about who pays for what. A preliminary analysis shows that taxation is featured prominently in many post-2015 proposals. Estimates of gaps in financing to meet internationally agreed commitments such as the MDGs have grown over time. Funding gaps are too large to be met by external resources, such as foreign aid, alone. So how about other sources of financing? The most important of these is domestic revenue. Indeed, domestic resource mobilization (DRM) was recognized as a top priority by the Monterrey Consensus on Financing for Development, which accompanied the MDGs (UN 2003). Here, I examine the potential and expectations surrounding tax mobilization as a source of development finance, with a particular emphasis on sub-Saharan Africa.

MDG financing and poverty reduction cost estimates

Estimating financing gaps is problematic because of the assumptions made in the process. That said, gap estimates at least provide a starting point for a conversation. The most recent estimates from the Organisation for Economic Co-operation and Development place the total cost of financing the MDGs at US$120 billion, more than half of which would be needed in 20 low-income countries (Atisophon et al. 2011). The cost of halving the number of people living in extreme poverty—below the international poverty benchmark of US$1.25 per day at purchasing power parity—is estimated at US$5 billion, the majority, or US$4.2 billion, of which is needed in sub-Saharan Africa.

What about eliminating global poverty completely? At a higher and arguably more appropriate benchmark of US$2 per day, Homi Kharas and Andrew Rogerson (2012) estimate the cost of eliminating global poverty through direct transfers (i.e., closing the poverty gap ratio) at US$289 billion.

Two important shortcomings

Financing gap estimates make two key assumptions. First, that the lack of financing is the “binding” constraint, in that without removing this particular constraint (for example, through more efficient spending or better policies and programs) further progress cannot be made. Second, that additionally mobilized financing can be perfectly transferred to beneficiaries (for instance, those living in extreme poverty can be identified and targeted without cost and without leakage). In the real world these assumptions do not hold, so the right way to interpret gap estimates is as a general reference.

Placing financing gap estimates in perspective

How do these gap estimates compare with what we know about the current role played by foreign aid? Closing the MDG financing gap of US$120 billion across 99 developing countries would require a tripling of the current level of country programmable aid (or the share of aid that is actually received by countries and over which they have meaningful control). If the international community wished to eliminate extreme poverty (at the US$2 benchmark) around the world and was prepared to target all country programmable aid in just this one area, it would still end up with a shortfall of about US$200 billion a year. The financing gap in the health sector in sub-Saharan Africa has been estimated at US$19.5 billion, while total country programmable aid spent on health is US$8.7 billion. In other words, even an immediate doubling of donor country programmable aid would not be enough to close the health financing gap.

Can DRM in sub-Saharan Africa fill the gap?

Tax collection has been rising in sub-Saharan Africa and reached a little over 20 per cent of regional gross domestic product (GDP) in 2009. However, the tax to GDP ratio is less than 17 per cent in more than half of (primarily low-income) sub-Saharan African countries. Tax revenue is already over 10 times larger than official development assistance in Africa, and though this varies considerably across countries, it is helpful to remember that even on the world’s poorest continent the majority of development financing is mobilized domestically.

But recent trends show that almost all of the increase in tax mobilization in sub-Saharan Africa has come in the form of taxes and other revenues collected from the natural resources sector. This pattern is causing a split between sub-Saharan African countries. While on the one hand there are those that are mobilizing sufficient tax revenues, mainly driven by the presence of natural resources, there are others that, despite significant tax collection efforts (including donor support), are simply working with too small a tax base. In fact, while oil exporters are the main drivers of the quantitative rise in tax shares across sub-Saharan Africa, non-oil producers, which collect relatively less taxes, have made more progress in broadening their tax bases. Even in best-case scenarios, however, these countries, which include resource-poor, low-income, and some post-conflict and fragile African states, are mobilizing far from enough domestic resources to close MDG financing gaps.

Double-edged sword

These countries and their development partners face a double-edged sword. They not only have the weakest DRM capacity and smallest
tax bases, but also the weakest aid absorptive capacity. Research shows that when aid reaches between 15 per cent and 45 per cent of a country’s GDP, its effectiveness tends to decline, through effects on the exchange rate, inflation, interest rates, and other channels can heighten macroeconomic volatility (Clemens and Radelet 2003). There are several sub-Saharan African countries that fall within this group, including Liberia, Burundi, Mozambique, Malawi, Rwanda, Sierra Leone, and the Democratic Republic of the Congo (DRC). Many of these are fragile states, and as World Development Report 2011 acknowledged, no low-income fragile state is expected to achieve a single MDG.

Aid is already highly concentrated in fragile states. Around 38 per cent of global aid goes to fragile states, half of which goes to just seven recipients: Afghanistan, the DRC, Ethiopia, Haiti, Pakistan, West Bank and Gaza, and Iraq (OECD 2013). Strikingly, despite this, in recent years domestic revenue has been as much as five times as large as aid even in fragile states (OECD 2011). It is reasonable to expect that most resource-poor fragile states will remain highly dependent on aid for years to come.

**DRM is not just about closing financing gaps**

The good news is that if recent trends continue some sub-Saharan African countries will outgrow the need for aid (Fengler 2013). This provides an opportunity to talk about how the aid system and donor approaches need to change, and how much we expect aid to contribute, and where, in the post-2015 development framework. This discussion has not even begun.

As we broach the subject, we need to remember that DRM is not just about closing financing gaps. Nor can it be reduced to quantitative targets like raising mobilization ratios. The North-South Institute’s (NSI) research and that of others like the African Development Bank presented at NSI’s DRM conference some years back shows that DRM does not exactly collapse when donors cut the purse strings (NSI 2010b). Quite the opposite. For instance, throughout the 1980s and 1990s Uganda and Burundi experienced a marked reduction in aid due to conflict or embargo. However, despite having been highly aid-dependent, both witnessed an increase in tax revenue during periods of reduced donor support. Instability provides incentives for governments to grab what they can when they can. Abstract ratios may well rise, but mobilizing revenue by imposing punitive costs on populations is hardly what anyone is advocating. DRM ultimately ought to be about building better state-citizen compacts than those that exist across most sub-Saharan African countries today.

**Donor roles in supporting DRM**

The international community has been active in scaling up support for DRM efforts in sub-Saharan Africa, as evident in the recent support for the establishment of the African Tax Administration Forum. However, NSI research finds that despite significant reforms to both tax policy and administration, tax mobilization performance has been mixed, limited by structural factors such as low per capita income and very small tax bases (NSI 2010a). Furthermore, revenue foregone due to tax exemptions (not to mention avoidance) is a significant drain on DRM for many countries in the region. This is often the result of lack of coordination between investment promotion objectives and resource mobilization needs. The region has been the most generous among developing regions in terms of granting tax exemptions, particularly in the natural resources sector, with uncertain impacts. Foregone revenues, in addition to large estimates of capital flight from the region, suggest greater DRM potential than is being realized, even in some of the poorest countries (Boyce and Ndikumana 2012).

The share of aid going specifically to building tax administration and collection capacity in sub-Saharan Africa remains fairly low. As a share of technical assistance, aid to public sector financial management capacity building in the region stands at only 2 per cent (AfricanEconomicOutlook.org 2010). There is significant variation in donor support for tax mobilization across the region, with some countries receiving a great deal of attention from a number of regional, bilateral, and multilateral donors, while others are neglected. Donor support for country tax efforts seems to have a short-term impact on tax mobilization performance, which countries often find hard to sustain over time.

Empirically, controlling for the different determinants of taxation, Yiagadesen Samy and I (2012) find that aid has had no significant impact on taxation generally or in sub-Saharan Africa in particular. When it comes to taxation, what seems to matter most is the structure of an economy, rather than the amount of aid a country receives. Even in regions that have received large amounts of aid over long periods of time, aid does not seem to have a profound effect on taxation. The data clearly show that there are several countries whose dependency on aid has decreased over time (e.g., Botswana, Mauritius, South Korea, Thailand, and Tunisia), and most have seen their taxation capacity grow over time. One area for future research is examining how and why some countries have made this transition while others have found it hard to do so.

As discussions heat up around what should replace the MDGs after 2015, DRM is again taking centre stage. Clearly there remains potential for the international community to do more. The following points are worth keeping in mind:

- Financing gap estimates are at best a general reference for a larger conversation about roles and responsibilities, particularly how the aid system needs to adapt and what we expect aid to contribute in the post-2015 framework.
• Domestically mobilized resources (through taxes and non-tax revenues), not aid, account for the bulk of development financing, even in some of the world’s poorest regions.

• DRM trends in sub-Saharan Africa are increasingly divided along natural resource endowment lines.

• The real challenges, not only for aid and development effectiveness but DRM as well, will be increasingly concentrated in a core group of resource-poor, post-conflict, and fragile states; their needs ought to be the main focus of reforms to the international aid architecture.

• DRM, as it relates to a stronger social contract between state and citizen, is an end in itself; reducing it to tax mobilization targets is a distraction already visible in debates on the post-2015 framework.

• Keeping international tax cooperation and combating and reversing capital flight high on the international agenda will remain essential to development efforts.

• Further investing in tax administration and collection capacity-building efforts, including in difficult country contexts, will remain important.

• Investing in informational infrastructure, such as credit reference bureaus and land registries, is key for the development of modern financial systems and capital markets.

• Assisting and encouraging countries to further harness natural resource-related revenues, including comprehensively reviewing tax exemption regimes, is an area that needs a lot more attention.

• Engaging the semi-formal and informal sectors to bring to the fore transparency, accountability, compliance, and other issues is necessary in order to broaden tax bases.

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The MDGs Post-2015: Why We Should Do Less

Bill Morton

As the 2015 deadline for the MDGs approaches, the debate on “what next” is already reaching fever pitch. Proposals for the post-2015 development framework are coming from an increasingly crowded field that includes policy experts, academics, think tanks, research institutes, non-governmental organizations, and civil society groups.

The Centre for International Governance Innovation (CIGI) and Korea Development Institute, for instance, propose 11 potential goals, targets, and indicators in areas such as ensuring freedom from violence and sustainable management of the biosphere (Bates-Eamer et al. 2012). The Center for Global Development (CGD) also identifies possible goals, targets, and time frames, and even goes so far as to incorporate these into suggested draft language for an updated Millennium Declaration (Karver, Kenny, and Sumner 2012). Oxfam has published a paper which examines how a post-2015 agreement can drive “real change” (Green, Hale, and Lockwood 2012).

These and other proposals amount to a substantial body of thinking, meaning that there is no shortage of options for the post-2015 framework. What should we do next in the lead-up to 2015? The best that organizations like CIGI, CGD, and Oxfam, as well as the rest of us who are based in developed countries, can do is to take a deep breath—and then do nothing.

Adopting a “do nothing for now” approach at the precise moment when debate on the post-2015 framework is hotting up might be counterintuitive to those of us who are deeply invested in development thinking and action and ensuring that the next development framework is better than the first. It might, however, be just what developing countries need right now: the rest of us out of the way, and the time and space to stake their own claim on the post-2015 agenda.

Here’s why. The large majority of proposals for the next MDGs are put forward by people and institutions based in developed countries. So far, thinking and proposals that emanate from developing countries, and that reflect the interests and priorities of people in these countries, are getting relatively limited traction in policy debates and discussions. They deserve more attention.

Vice-Chancellor of the University of Ghana Ernest Aryeetey and Africa Regional Director of the United Nations (UN) Millennium Campaign Charles Abugre both recently shared their thinking on the post-2015 framework (see Aryeetey n.d.; Abugre n.d.). Abugre argues for a global model, based on the principle of “common but differentiated needs and responsibilities,” that addresses systemic threats to equitable and sustainable development in the global financial, food, and energy systems.

The UN Economic Commission for Africa has articulated African perspectives on the post-2015 agenda. Drawing on studies and consultations with member countries and other stakeholders, it proposes a model that would adapt the existing MDGs while maintaining a balance between development outcomes and enablers, such as good governance, human rights for all, and credible participatory processes (ECA 2012).

These are just a sample of what developing country thinkers and stakeholders are proposing with regard to the post-2015 framework. So far, however, it is the “noisier” proposals coming out of North America and Europe, mostly from the usual suspects like CGD and the Overseas Development Institute, which are dominating debates on what will happen next. Many of the organizations making these proposals are falling over each other to mark their territory on the post-2015 agenda. To do so, they are promoting their allegedly superior intellectual heft, as well as leveraging their greater resources and their privileged access to powerful rich-country governments, multilateral institutions, and the UN system.

And who can blame them? Everybody wants their proposal to be the one that makes a difference. Otherwise, what’s the point of putting it forward in the first place? What this means, though, is that in the rush to prepare for 2015 we are at risk of making exactly the same mistake that was made the first time around with the MDGs. In the lead-up to the Millennium Summit, people in developing countries were inadequately engaged in the process of designing the MDGs. If proposals emanating from developed countries continue to dominate the dialogue on the post-2015 framework, many people will see the outcome in the same way that they now see the MDGs: as something that was “concocted by the elite” (Tran 2012), that has little relevance for the people of developing countries, and that these people have little ownership over.

Fortunately, the UN appears to have recognized that it is essential that the post-2015 framework take developing country priorities and perspectives into account. The UN Development Group (UNDG) will conduct consultations in more than 50 countries. Specialized UN agencies will also canvas opinion on 11 thematic areas, including on topics not currently covered by the MDGs such as inequality, growth and employment, and population dynamics.
Of course, there is the question of how the consultations will be conducted and with whom. As a ONE report recently suggests, “notwithstanding [the UN’s] impressive program of consultation, there is a real risk that the most critical voices will be largely missing — the world’s poorest citizens” (Leo 2012). To its credit, UNDG seems to be aware of this possibility and has developed comprehensive guidelines for the consultations to ensure the post-2015 debate is informed by inputs and ideas from a broad base of civil society organizations, marginalized groups, and others previously left out of discussions on development priorities (see UNDG 2012).

But irrespective of how well the consultations are conducted, the UN remains an outside actor intervening within countries to extract information. As a result, the consultations run the risk of being seen as a yet one more externally driven process, designed and undertaken not by local actors within each country but rather under the auspices of the UN, and contrived within an unrealistic time frame. The country consultations will be completed by March 2013 and thematic consultations by June 2013, so that they can feed into the next major UN meeting on the post-2015 agenda in September 2013.

It’s not surprising, then, that there are alternative suggestions for generating developing country engagement with, and ownership over, the whole process. The Australian National University’s Scott Wisor suggests deliberative (rather than extractive) approaches that would complement the UN’s and others’ consultations (Wisor 2012). These approaches could take the form of citizen assemblies in which participants would have the opportunity not just to speak but also to “be heard, listen, reflect, negotiate, analyze and decide” on issues. The Institute of Development Studies project “Participate: Knowledge from the Margins for Post-2015” focuses on participatory methodologies and aims to engage the most vulnerable and marginalized groups (see IDS 2012).

These suggestions on process remind us that existing proposals for the post-2015 framework put the cart before the horse. In identifying new goals and targets, individuals and organizations are pre-empting the information-gathering and consultation processes that should inform what the final framework should look like. The problem, though, is that the suggestions on process are coming from individuals or organizations located in developed countries. This adds to the increasingly cluttered array of options for the post-2015 agenda, one in which developed countries are overrepresented.

That’s why now is the right time for practitioners and analysts in developed countries to take a step back and make room for people in developing countries to advance their own thinking on the post-2015 framework. That does not mean that the existing proposals are not worth considering. It’s just that there are enough of them for now. It’s fair enough that we loosen our grip on the post-2015 agenda and give those who it will affect most the opportunity to shape it more strongly.

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States affected by fragility present some of the greatest development challenges. Approximately 1.5 billion people live in fragile and conflict-affected states (World Bank 2011) and 70 per cent of these countries have been in conflict since 1989 (IDPS 2011). No fragile state has yet achieved a single Millennium Development Goal (MDG) or is likely to meet the MDGs by the 2015 deadline.

State fragility is characterized by institutional weaknesses that prevent governments from meeting the expectations of their citizens, particularly those regarding the provision of basic services like security and justice and the development of a shared, inclusive national identity. The risk of armed violence is a key feature of state fragility, a consequence of the inability of the government and society to respond to internal and external political, security, and economic shocks. Armed violence not only kills, maims, and creates humanitarian disasters, it also wipes out past investments in physical assets and institutions that took decades to build.

The g7+ group of FCAS and most of their international partners agreed to the New Deal for Engagement in Fragile States at the Fourth High Level Forum on Aid Effectiveness in Busan in 2011 (IDPS 2011). The New Deal sets out a framework for more effective international engagement in fragile and conflict-affected states. Importantly, it contains five Peacebuilding and Statebuilding Goals (PSGs) to guide work in these states:

- Legitimate politics: Foster inclusive political settlements and conflict resolution
- Security: Establish and strengthen people’s security
- Justice: Address injustices and increase people’s access to justice
- Economic foundations: Generate employment and improve livelihoods
- Revenues and services: Manage revenue and build capacity for accountable and fair service delivery
The PSGs are primarily intended for fragile states to set country-level targets for their partners to meet. The goals should also allow fragile states to gauge their transition from fragility to resilience in relation to their peers, international partners to demonstrate accountability to their domestic constituencies, and the international community to determine how effective efforts to address fragility really are. Recognizing that the MDGs alone are insufficient, the New Deal links the PSGs to achieving the MDGs in fragile states. Without the basics set out in the PSGs, such as security, justice, and political accountability, development is difficult and major advances in poverty reduction are next to impossible.

While the PSGs grew out of the International Dialogue on Peacebuilding and Statebuilding, a process facilitated by the Organisation for Economic Co-operation and Development’s Development Assistance Committee (OECD-DAC), governments of fragile states have increasingly become more assertive. Fragile states organized themselves into a coordinated group, the g7+, which gradually expanded to 18 countries and became DAC countries’ main negotiating partner on the New Deal. The g7+ countries met among themselves and with their civil society counterparts several times per year to design the PSGs, and they had access to DAC analyses of state fragility, World Development Report 2011 (see World Bank 2011), and specialist advisers to ensure that the PSGs had a strong empirical base. Critically, the PSGs were a g7+ proposal presented in Busan. So while the PSGs were essentially initiated by an OECD-DAC process, fragile states have broader ownership over them and hence have bought in alongside the 20 DAC countries and six international organizations that signed onto the New Deal. A set of indicators for each goal, which will enable progress to be tracked at the country and global levels, are under development and expected to be announced soon.

Moving forward, a key issue will be how the PSGs will relate to the development goals that replace the MDGs after 2015. This was a topic of discussion at the second g7+ Ministerial Retreat in Port-au-Prince, Haiti, in November 2012. The exclusion of peace and security in the MDG framework has been identified as an important gap, and it is likely that the g7+ will want the PSGs included in the post-2015 development framework, since the MDGs have given considerable focus to global and country development efforts and they have advocacy potential for mobilizing global opinion and resources. Their inclusion might be achieved through designing an overarching goal based on reducing the threat of violence (Denney 2012), under which the PSGs could be incorporated as sub-goals.

Some PSGs are set to be more controversial than others. The PSGs on “economic foundations” and “revenue and services” seem consistent with the development objectives of most United Nations (UN) member states. More controversial will be the PSG on “justice,” which seeks justice outcomes, rather than particular institutional arrangements, consistent with international human rights agreements and the “rule of law.” The PSG on “legitimate politics” could be the most problematic, since some member states might interpret it as impinging on their sovereignty or as a prescription for particular liberal democratic institutional reforms. The transition from fragility to resilience is a long political process and domestic legitimacy can be defined to cover a range of institutional arrangements. There may be more common ground than is at first apparent, especially because inequalities between and among groups are often drivers of conflict.

The PSGs are a good starting point for developing goals on securing peace and building resilient institutions for the post-2015 framework. They were created by an intergovernmental group comprised mostly of fragile states and agreed upon at an international forum that included key partner countries and international organizations. They are grounded in evidence of fragility and practical experience with peacebuilding and statebuilding. Importantly, Timor-Leste Finance Minister Emilia Pires, the current Chair of the g7+, was appointed to the UN High-Level Panel on the Post-2015 Development Agenda, which is co-chaired by Liberian President Ellen Johnson Sirleaf, who leads a country that has recently been affected by conflict. Together with the UN’s recognition of the New Deal, this augurs well for ensuring that peacebuilding and statebuilding are included in the post-2015 framework. Their inclusion is critical for the post-2015 goals to be fit for purpose beyond 2015.

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Local Engagement to Strengthen the New Deal for Fragile States

Jennifer Erin Salahub

The New Deal for Engagement in Fragile States (see IDPS 2011) and the associated International Dialogue on Peacebuilding and Statebuilding (IDPS) process represent a new way for fragile states and their donor partners to work together. Through the IDPS, they exchange views on country-level experiences, build consensus around fundamental principles and good practices related to peacebuilding and statebuilding, and identify realistic objectives for action. While the main players in the IDPS are governments, multilateral agencies and civil society organizations (CSOs) also have limited roles. I suggest that more meaningful inclusion of CSOs, particularly locally based CSOs, will contribute to better, more sustainable implementation of the New Deal.

CSO participation in the IDPS to date

At first glance, CSOs have been quite involved in the IDPS process since its inception. They have participated in all three major IDPS meetings and fed into the development of the New Deal. CSO representatives have also been involved in the steering committee and working groups of the IDPS to plan and implement the New Deal. However, meaningful participation by CSOs has been limited, I think, for three reasons. First, the IDPS process is mainly focused on national governments and CSOs do not have full member status like their government counterparts. Second, the speed at which the IDPS process occurs and the haphazard way in which it sometimes happens makes it difficult for internationally based CSOs to coordinate with each other and provide timely, thoughtful, and representative responses. Third, CSOs based in fragile states often prefer to spend their limited resources on their essential functions rather than engage in a faraway process, the value of which may not be obvious. No CSO engagement is possible without resources to cover costs and modest budget of the IDPS will need to be increased to facilitate greater participation.

How CSOs can add value

Drawing on the successful integration of a broad range of CSOs in the Rio+20 process, I think there are two main lessons for the IDPS process (see Salahub 2012).

First, CSOs could help put into practice the New Deal’s focus on the relationship between the state and civil society. Second, they could help build ownership of the implementation of the New Deal at the local level. Building local ownership of peacebuilding and statebuilding would increase the legitimacy of state institutions and contribute to more sustainable peace. As mediators between the state and the grassroots, CSOs can play an important role in helping to develop the sense among individuals that they have stakes in these processes. They also serve as a conduit for integrating country-level experiences into international processes such as the IDPS.

More specifically, CSOs could:

- Play an important role in holding governments to account and fostering open and inclusive political dialogue.
- Raise awareness of the IDPS, the New Deal, and the process for implementing it in developed and developing countries and internationally.
- Help identify the root causes of conflict and fragility, topics that have so far been neglected in the IDPS process.
- Help develop IDPS tools and indicators to measure progress on the Peacebuilding and Statebuilding Goals.
- Monitor pilot programs that implement the New Deal and progress on achieving the Peacebuilding and Statebuilding Goals.
- Refocus the IDPS away from a technical conversation about better aid to a dialogue on better development based on country-level experiences.

In order to achieve successful implementation of the New Deal, make the most of the IDPS, and take full advantage of the potential of CSOs to help in those processes, the IDPS and its member governments should:

- Welcome CSOs as full members of the IDPS on equal footing with state members.
- Clarify processes and provide sufficient time for all members and participants to reflect, consult, and provide high-quality feedback on draft documents.
- Provide reasonable, predictable funding to the IDPS, with specific budget lines for the participation and coordination of CSOs.
- Integrate domestic and international CSOs into frameworks for implementing and monitoring progress on the New Deal at country and global levels.
Recommit to a wider dialogue through the IDPS and refocus discussions away from technical questions of aid delivery to a broader conversation about peacebuilding and statebuilding as part of the development process and rooted in country-level experiences.

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Disengaged from Development: Fragile States and Vulnerable Populations

Lorna Read

Fragile states and vulnerable populations, while representative of the quintessential purpose for why foreign aid and international development should exist, are more often than not met by indecisive or unpredictable action on the part of aid and development communities. The fact that vulnerable populations, such as children and women, suffer disproportionately in situations of extreme poverty is widely acknowledged. When armed conflict and other factors that characterize fragile states are added, the hardships associated with poverty are exacerbated. For women and children, the dangers and threats are often intensified. Meeting the Millennium Development Goals (MDGs) requires an improvement in their circumstances. One of our most profound challenges remains how we can effectively serve these vulnerable populations with a respectable level of aid that is predictable over time so that communities can not only adjust to shocks, but also recuperate and invest in themselves afterwards.

Aid to fragile states represents 30 per cent of all official development assistance (ODA), which conveniently mirrors the fact that fragile states account for 30 per cent of the Organisation for Economic Co-operation and Development’s Development Assistance Committee list of ODA recipients (OECD 2012). Yet, the distribution of this aid tends to be concentrated in only a handful of the 45 countries categorized as fragile. The selection of these countries reflects geopolitical interests, which have little to do with making sure aid reaches the places of greatest need. Overall, the percentage allocated is insufficient given the severity of the development issues that these countries face. In addition, arguments about the inefficiencies of aid in the absence of stable institutions often prevail, subsequently causing decreases of aid to fragile states. These very arguments result in rifts and valleys in the quantity and availability of aid, which translate into inconsistencies over time. The irony is that this can actually increase, rather than decrease, dependence on aid.

A false division between humanitarian (or relief) aid and long-term development aid is largely responsible for this indecisive and unpredictable action. The erratic nature of assistance often stems from countries losing their “qualifying” status for relief aid, which often
happens long before multilateral institutions and governments begin their dialogues on development aid and investment. Fragile states and their populations become increasingly vulnerable as they continue to be ensnared in a reality where debates rage over the quantity of development aid dollars that should go to these countries, the form the aid should take, and how donor conditions can be met within highly volatile environments. Notably, the 35 countries considered fragile in 1979 are still fragile in 2009. During this 30-year period, numerous developing countries, such as India, Brazil, many Asian and South American countries, and a few African countries have experienced “development,” proving that progress is possible. Yet fragile states and their populations have become more and more marginalized as the success that attracts aid remains largely elusive. They have been left off many important aid agendas, and when they have managed to attract attention, the commitments necessary to affect real change are not in place long enough.

According to *World Development Report 2011*, approximately 1.5 billion people live in countries classified as fragile states, which account for 75 per cent of the deficit in meeting the MDGs. Further, approximately 70 per cent of these countries have seen conflict over the last 20 years (World Bank 2011). If it takes at least a generation to move from conflict to sustained development, and if along the way there is always the risk of falling back into conflict, then a serious proportion of the world’s population is still disengaged from sustained development. A number of international initiatives that are focused on what will follow the MDGs after 2015 have established and reinforced clear principles and objectives for the advancement of fragile states. These initiatives tend to be broadly articulated, which means that they do not lead to disputes, but at the same time are not specific enough with respect to the needs of vulnerable populations in fragile states, such as children and women, to catalyze concrete action.

If the failures of the MDGs are not to repeat themselves, a clear focus on fragile states and their vulnerable populations in the post-2015 framework is necessary. The lived reality of fragile states not only has a devastating effect on children, but also their caregivers, families, communities, governments, and the international organizations that are mandated to protect their interests. As children are faced with circumstances contrary to the common notion of childhood, they are also the embodiment of perseverance. While the international community continues to be mired in the complexities of fragile states, children hold on to the simplicity of what development means in their lives, and how it can happen. Provide opportunities for education, safe places, access to services that protect their rights and are just, and children will leverage these opportunities into often unanticipated and always inspiring results. This should not be forgotten as the post-2015 agenda is developed and unfolds.

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