Cross-Cutting Issues from the Poverty and Development Basket

INTRODUCTION

At the Senior Officials Meeting of the Friends of the Helsinki Process in Pretoria, in August 2007, the representatives of Brazil, Malaysia, South Africa and Tanzania decided that it would be important to examine the cross-cutting issues which were discussed in the different initiatives of the Helsinki Process Poverty and Development Basket: the Roundtables on Innovative Development Finance hosted by Brazil, Effective Global Governance hosted by Malaysia and Growth and Employment hosted by Tanzania as well as the two workshops organised by the Institute for Global Dialogue and South Africa.

This paper is a summary of those cross-cutting issues and its purpose is to serve as a background for the discussions of the Review Conference. Therefore it has been organised according to the guiding questions of the Development Basket Session of the conference: (1) how can developing countries gain more policy autonomy and best make use of it; (2) how can the global economic framework best support national development programmes and; (3) what innovative measures and new forms of cooperation between different stakeholders could be taken at the national and global levels?

KEY CONCLUSIONS FROM THE ROUNDTABLES AND WORKSHOPS

The Roundtables and workshops explored issues ranging from promoting employment and growth to reforming the global economic framework and finding innovative ways for different stakeholders to contribute to poverty eradication. Despite this broad range of issues addressed, some cross cutting issues can be drawn from the discussions.

The most important joint conclusion deals with the interface between the national and global economy. All Roundtables and workshops agreed that the lack of policy autonomy experienced by developing countries is also one of the main obstacles for their development. The discussions highlighted 4 main criteria for examining the extent to which the policy autonomy of a country is restricted:

1. The severity of conditions attached to loans and grants to developing countries could be assessed through the number of conditions from (1) a numerical [actual conditions attached to loans] and (2) processual [actual number of loans with conditions] perspective as well as (3) the substantive content of conditionalities [the policies attached to the conditions]. Conditionalities do not necessarily have to be attached to money, it is the unequal relationship created by them that has the biggest impact.

2. The circumscription of policy space could be gleaned from (1) the number of trade agreements in force and (2) the type of obligations countries have signed up to. Countries sometimes enter into trade agreements out of political pressure and it is common practice for countries to enter into agreements that conflict each other. This reduces policy space and complicates the development of policy and strategy for growth and development.

3. The participation of the government in formulating national development strategies as well as participation of the public in the government's formulation.

4. The concentration of the policy package or the extent to which international financial institutions determine the focus of donor funding. The move from project financing to programme and basket financing offers both opportunities for policy space as well as threats to policy space.

In addition to the lack of policy autonomy, the discussions also identified other key challenges for alleviating poverty and achieving the MDGs, such as a limited conceptualization of poverty and a strong bias towards money-metric measures; the burden of debt repayment and management; the adoption of poverty reduction strategies argued to be very similar to the damaging structural adjustment programmes, focused more on stimulating economic growth and less on complementing policies to reduce structural poverty; and a preoccupation with budgets and budget allocation in the absence of a macroeconomic framework that supports the attainment of social goals and economic development for all.

Other problems identified include the prioritisation of quantitative targets in the absence of a qualitative impact on the lives of people, particularly in programmes for pro-poor service delivery; and, attempts at decentralising governance without fully understanding that if certain conditions are not met, decentralised state structures may in fact worsen service delivery and political accountability rather than improve them and finally the multilateral constraints on a new (regional) developmental paradigm particularly from the IMF, World Bank, the World Trade Organisation (WTO), and bilateral trade arrangements.

In the light of the three key questions of the Poverty and Development Session of the Helsinki Process Review Conference, the following cross cutting issues could be highlighted as particularly relevant:

1. HOW CAN DEVELOPING COUNTRIES GAIN MORE POLICY AUTONOMY AND BEST MAKE USE OF IT?

   Holistic national development strategies are needed. They must be based on an exploration of the available local resources and markets (local and global) as well as the policy options for addressing existing constraints. As part of this exercise an examination on how the global environment, including global economic governance institutions, either facilitate or limit the countries' abilities to utilise the relevant policy instruments for achieving their national development objectives should be made. The production needs of services, agriculture and different industrial sectors should be studied and possibilities for new development policies to generate growth and employment in these sectors should be examined. At the same time, productive sectors also need to be directed at their own markets, not only the regional or global market.

   National development strategies should focus primarily on meeting the basic needs of the country and not the expectations of the global market. At the same time, it would important for the country to examine how they could utilise existing opportunities and commitments of the global economic framework to implement national development priorities. Appropriate strategies should be developed at the country level to stimulate the local economy and sequenced integration with the external trade and financial architecture. These should be developed within the longer-term economic master plan for each country, setting out detailed trajectories for growth and development.

Countries must strive for good governance and be able to develop the capacity to not only utilise the emerging policy space but also to identify new threats and build them into their policies and strategies. In order to do so, developing countries need to build human resource capacity to design alternative policies and strategies for growth and development as well as to determine which trade regime to belong to and how to maximize the net benefits from such participation. There is a greater rationale for south-south cooperation and regional organisations, as collective bargaining has a more positive impact for developing countries compared with individual negotiations.

It would also be important for African countries to undertake proper cost-benefit analyses of foreign investment and its projected returns.

2. HOW CAN THE GLOBAL ECONOMIC FRAMEWORK BEST SUPPORT NATIONAL DEVELOPMENT PROGRAMMES?

The global economic framework needs to be geared towards supporting the development and implementation of country-owned national development strategies.

In order to do so, the following reforms were suggested in the meetings:

- the decision-making process of international financial institutions needs to be more democratic and include the views of developing countries.
- the rules of the WTO should be amended to make the WTO Secretariat more representative and more supportive of developing countries. The multilateral trading system should also be made more democratic and development friendly – current global trade policies and rules do not acknowledge the fundamental contradiction that consumers can only benefit from cheaper goods if they have the money to pay for them.
- a global system should be developed to manage financial flows and regulate financial institutions as well as powerful financial instruments (hedge funds and equity funds). This should be taken up during the Doha Financing for Development Conference.
- the role of ECOSOC in international economic decision-making should be promoted.
- a monitoring mechanism and benchmarks should be established in the UN to assess compliance with the Millennium Development Goals and other internationally agreed development targets.
- the process of identifying priorities would need to take a people-centered approach rather than a state-centric approach.
- Special Drawing Rights could be introduced to facilitate the pooling of foreign stock reserves in order to avoid the inflation of the global market while still providing economic stability.

3. What innovative measures and new forms of cooperation between different stakeholders could be taken at the national and global levels?

Innovative development finance mechanisms could provide an opportunity for different stakeholders to contribute directly to poverty eradication. Such mechanisms should be governed through multi-stakeholder partnerships between governments, civil society organisations and international organisations.

Since remittances amount to more than ODA, reducing the cost of these transfers would result in more money going into the economies of developing countries. This should be done in partnership with countries of origin and receiving countries, involving civil society, and other, actors.