Global Partnership for Development – The Way Forward

Introduction

Successful development efforts require suitable policies at both the national and international level. In the present day scenario, international factors have gained prominence because of globalisation. As developing countries become further integrated in the world economy, their chances for development become increasingly dependent on global economic structures and policies. This applies particularly to countries that depend on multilateral institutions and developed countries for loans and debt relief and therefore have to abide by certain "conditionalities".

This also applies to countries that are members of the World Trade Organisation (WTO) and are thus affected by the various legal agreements put in place by it. Hence, what is of relevance here is the "external economic environment" comprising: the WTO, the International Monetary Fund (IMF), the United Nations Development Programme (UNDP), the United Nations Conference on Trade & Development (UNCTAD), the World Bank and developed country groups.

Millennium Development Goal 8(MDG) is the result of this realisation that "external" assistance is essential for the growth and development of poor countries and this assistance mainly takes the form of debt relief, aid and fair and just trade. It talks about developing a global partnership for development wherein, both the developed as well as the developing countries work on an understanding that the approach they will take should lead to poverty reduction and development in the low income developing economies.

While the first seven goals lay the onus for development on the developing and least developed countries themselves, MDG 8 is the only goal that talks about global partnership and entrusts the developed countries with some responsibility to promote development. The relevance of MDG 8 in the Millennium Declaration can be gauged from the targets of youth employment, debt relief, aid and progress in information technology among other targets, that it has set to achieve and how they can lead to poverty reduction.

In this paper we focus on debt relief, aid and trade and their role in promoting growth and what measures can be implemented for enhancing the effectiveness of these tools. We also look at the present and potential role of civil society organisations in achieving the MDGs.

Debt relief

There is no doubt that unsustainable debt has a negative impact on the growth and development of a country. The repayment of debts puts pressure on the available resources of a country and sometimes external assistance also comes with certain obligations and conditionalities, which might not be conducive to the development of the country.

Also, unsustainable debts hinder growth by adversely affecting future investment since investors become wary of the economic situation and abstain from making investments. Debt and poverty sometimes move in a vicious circle with poverty leading to debt and unsustainable debt further perpetuating poverty.

This is what happened in the 1970s and the 1980s with many developing and least developed countries, with oil shocks and high interest rates playing havoc with their economies. The highly indebted poor countries saw their indebtedness increase from US$60bn in 1980 to US$190bn in 1990. It was quite evident that the only way these countries could come out of this mess was through the help of developed countries and multilateral lending institutions.

In order to bring some semblance of order in these countries, the Highly Indebted Poor Countries (HIPC) Initiative was introduced in 1999, to salvage the countries through bilateral, multilateral and commercial participation of creditors. The lending institutions and developed countries took it upon themselves to help the 'sick' countries reach a sustainable level of debt and in the process reduce poverty. While the initial thrust was on reducing the unsustainable debt of the heavily indebted poor countries, the focus then shifted to achieve sustained growth and poverty reduction while preserving long term debt sustainability.

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No.3/2004

To date 42 countries have qualified for debt relief of more than US$53bn under the HIPC Initiative. These countries require external support because they suffer from internal conflict, a weak government and are plagued by poverty and unsustainable debt.

The HIPC Initiative is a lucid example of global partnership by developed countries and multilateral institutions to help developing countries. However, certain facts and realities that need to be dealt with are:

- Sometimes multilateral institutions are used as foreign policy instruments by developed nations. For instance, prior approved debts to Pakistan by the IMF were stopped after the May 1998 nuclear test explosions. The real motive as some say was to make Pakistan economically so weak that the country would be forced to sign the Comprehensive Test Ban Treaty (CTBT) instead of incurring further debt[1].

- Debt relief should be put to use in activities that generate revenue and employment.

- Bilateral debt forgiveness by countries towards their partner countries is a true example of global partnership for development. For instance, Australia has pledged 100 percent bilateral debt forgiveness to countries that qualify under the enhanced HIPC initiative[2].

The large amount of debt has hindered the progress and development of these poor countries. HIPCs appear best positioned on access to safe drinking water where, 9 out of 24 countries with available data appear on track to meet the goal by 2015. In contrast, only one out of the 37 HIPCs with available data are on the track to meet the goal of child mortality and none of the 28 HIPCs with data are likely on the basis of current trends to meet the primary school enrolment goal[3].

Table 1: Status of the 42 Eligible HIPCs (as of January 2004)		
S.No	**Status**	**Countries**
1.	Reached completion point	Benin, Bolivia, Burkina Faso, Guyana, Mali, Mauritania, Mozambique, Nicaragua, Tanzania, Uganda
2.	Reached decision point and receiving interim relief	Cameroon, Chad, Democratic Republic of Congo*, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau*, Honduras, Madagascar, Malawi, Niger, Rwanda*, São Tomé and Príncipe, Senegal, Sierra Leone*, Zambia
3.	Not yet reached a decision point	Burundi*, Central African Republic*, Comoros, Republic of Congo*, Côte d' Ivoire, Lao P.D.R., Liberia*, Myanmar*, Somalia*, Sudan*and Togo
4.	Potentially sustainable without HIPC Initiative assistance	Angola*, Kenya, Vietnam, Yemen

Source: *"From Debt Relief to Achieving the Millennium Development Goals*", Amar Bhattacharya, HIPC Debt Relief- Myths and Realities, Forum for Debt and Development (FONDAD), The Hague, February 2004.
*Conflict affected countries

Another way of reducing reliance on debt is to encourage FDI (Foreign Direct Investment). FDI generates employment and revenue leading to economic growth. For instance, in India there has been a drop in debt service payments from 35.3 percent in 1990-91 to 14.1percent in 2001-02 as percentage of current receipts and an increase in the FDI inflow from US$129mn in 1991-92 to US$3904mn in 2001-02[4]. Although India is not a major recipient of FDI, the increase in FDI since 1990 has reduced India's reliance on debt. FDI is a safe mode of investment compared to FIIs (Foreign Institutional Investment). The FIIs can be more easily withdrawn from a country as happened in the South East Asian countries during the financial crisis. Nevertheless, how FDI comes into a country (whether it is through mergers & acquisitions or creations of new assets) is also of prime relevance.

It would be idealistic to assume that debt relief will solve all the problems of poverty. However, it will be needed if the 2015 target of poverty reduction has to be achieved. In order to make this more effective, what needs to be understood is that debt relief has to be linked to development by focusing on sectors that would generate employment and revenue and are also critical for the people.

Aid

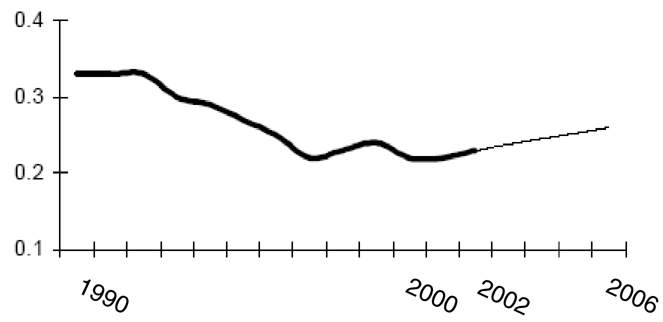
Foreign aid or Official Development Assistance (ODA) is also an important means of external assistance. Better and more focused ODA, along with debt relief and trade is very essential if the low-income countries have to reach their targets by 2015.ODA, like debt relief, is most effective when it is complemented by the formation and implementation of sound policies in the recipient country.

Globally agreed estimates indicate that the MDGs will require, at a minimum, a doubling of the current ODA levels. Besides increasing the quantity of aid, it is also imperative to decide where and how to spend the money – geographical, sectoral, bilateral or multilateral, centralised or decentralised.

Target 13 of MDG 8 states that 0.7 percent of the GNP of the developed countries should be spent on ODA. However, this has not been the case with countries like Italy and the USA which have the lowest ratio among 22 Development Assistance Countries (DAC) of 0.20 percent and 0.12 percent, in 2002 respectively.

The 0.7 percent figure was reinforced at the Monterrey Conference in 2002. Nevertheless, the Monterrery Consensus has faced much criticism on being long on intentions and short on delivery. It focuses more on the issue of how much aid rich countries should provide to poor countries, and that also sometimes depends on whether the aid seeker exhibits good governance, sound economic policies etc. Only five nations up till now (namely Sweden, Netherlands, Norway, Denmark and Luxembourg) have reached the targeted figure. Figure 1 illustrates the trend of ODA as a percentage of GNP of developed countries.

Figure 1:ODA as a percentage of developed countries GNP



Source : OECD/DAC

Rich countries have made new commitments that would increase ODA by about $16bn a year by 2006. For example, the EU will strive to raise development assistance to at least 0.33 percent of GNI (Gross National Income) by 2006, with the EU average rising to 0.4 percent or more of GNI. Similarly, Canada also aims to double its aid by 2010.

It has been recognised for quite some time that external assistance in the form of aid is needed for poverty reduction in low-income countries. The focus has to be on certain basic sectors such as health, education, infrastructure, safe drinking water etc. Also, untying of aid to certain political and economic conditionalities has to be facilitated and aid has to be linked to more humanitarian concerns.

What also needs to be realised is that trying to reiterate 0.7 percent of GDP as aid is like flogging a dead horse. It has been argued *ad nauseum* but the donor countries show no willingness to keep their promise. Therefore, we need to set more realistic figures which are attainable by developed countries and then think of ways of making them work.

Trade

Trade plays an extremely important role in promoting the economic and social development of countries. In fact, the preamble of the WTO talks about the establishment of a "fair, non-discriminatory and rule based" trading system as well as ensuring full employment and economic growth.

The global trading system has also gained significance, more so because of the wide range of issues it deals with now. Currently, the issues that the WTO deals with include trade in goods, trade in services, IPRs (Intellectual Property Rights), and all these issues impact food security, employment generation, capital flows, education and health of developing and least developed countries.

International trade can play a powerful role in poverty reduction basically by facilitating both imports and exports. This in turn helps in building the capacity of the developing countries. According to the Least Developed Countries Report 2004, against popular belief, the developing and least developed countries are more open in terms of trade integration than the rest of the world. However, they are trapped in a vicious circle of poverty wherein low income leads to low saving, which leads to low investment and that in turn leads to low productivity and low income.

Nevertheless, the relationship between trade openness and growth is likely to be contingent on a number of external and internal factors. While internally implementation of good domestic policies, a strong political will and appropriate infrastructure are essential, externally, the policies followed by other countries (especially developed countries) towards the other developing countries are of prime importance.

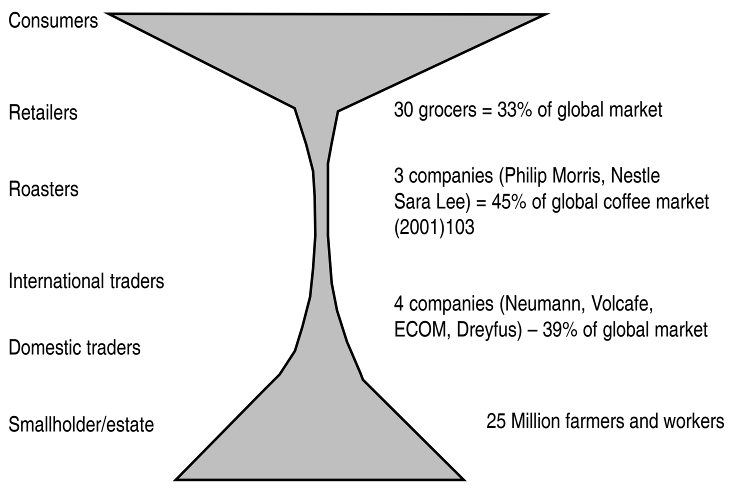
In the international trading system there is a sharp divide between the "North" and the "South", which is manifested in the various WTO agreements such as TRIPs (Trade Related Intellectual Property Rights), GATS (General Agreement on Trade in Services), and ATC (Agreement on Textile and Clothing). While on one hand developed countries talk about sharing the gains of development through aid and capacity building with the less fortunate countries, on the other hand they try to penetrate these very markets and monopolise their power through these agreements. While the WTO is not a development agency, the agreements reached have a direct bearing on the lives of millions of poor in low-income developing countries.

For instance, as per the TRIPs agreement, developing countries will have to introduce product patent in the pharmaceutical sector, making medicines expensive and thus denying their easy accessibility. Similarly, the delay in incorporating the decision of August 2003 regarding paragraph 6 of the Doha Declaration on TRIPs and Public Health in the TRIPs agreement shows the recalcitrant attitude of the developed countries towards the needs of the developing countries. The rules regarding intellectual property rights have to strike a balance between promoting innovation and ensuring fair access to poor countries.

Likewise, the way in which the backloading of the products under the ATC has been done goes to show that the developed countries only had their interests in mind. And now that developing countries like China, India, Indonesia and Pakistan will finally benefit from the elimination of all quotas from 1st January 2005, pressure and interest groups in developed countries like the US and the EU are clamouring for an extension of the same.

What also needs to be considered is that of the 1.2 bn poor people globally, about 75 percent live and work in rural areas and about two third of them draw their livelihood directly from agriculture. Therefore, one can hardly re-emphasise the linkage between market imperfections and agricultural poverty. For instance, according to a study by UNCTAD[5], annual export earnings of coffee producing countries in the early 1990s were US$10-12bn and global retail sales were US$30bn. A decade later annual export earnings decreased to US$5.5bn while retails sales exceeded US$70bn. This was due to the dominance of four major roaster companies, which belonged to developed countries and controlled 45 percent of the global market. Figure 2 illustrates the situation.

Figure 2: Global Coffee Bottleneck[6]



Additionally, 43 percent of trade at present takes place through regional trade agreements and developed countries have now taken the regional and bilateral route to ensure market access. The US has been on a free trade agreements (FTA) signing spree with countries and the provisions in these FTAs are in most instances WTO-plus. For example[7], a research report by the Australian Parliamentary Library concludes that the intellectual property rights section of AUSFTA (Australia-US FTA) promotes monopoly powers. Many of the agreements provide for complying with UPOV[8], which finds no mention in the TRIPs agreement.

Though traditionally foreign aid has been the best instrument for determining a country's commitment to

Table 2: Commitment to Development Index Scores*

Country	Aid	Trade	Environment	Investment	Migration	Peace-keeping	Average
The Netherlands	6.9	7.0	5.7	6.1	4.5	3.5	5.6
Denmark	9.0	6.8	5.0	1.0	4.4	7.1	5.5
Portugal	2.2	6.9	5.1	9.0	1.0	6.8	5.2
New Zealand	1.7	7.2	3.4	2.3	9.0	6.9	5.1
Switzerland	3.3	4.0	7.2	6.3	9.0	0.1	5.0
Germany	2.1	6.8	6.0	1.4	8.1	3.8	4.7
Spain	2.4	6.8	6.0	8.2	1.8	2.9	4.7
Sweden	7.0	6.9	6.1	1.8	3.9	1.3	4.5
Austria	2.8	6.8	5.4	2.6	6.5	2.6	4.4
Norway	6.6	1.0	2.8	3.5	4.6	7.4	4.3
Britain	3.0	6.9	5.0	3.4	3.1	3.6	4.2
Belgium	3.5	6.7	4.5	1.4	4.5	3.5	4.0
Greece	1.5	6.7	4.6	0.0	1.6	9.0	3.9
France	3.1	6.8	4.9	1.7	0.8	5.2	3.8
Ireland	2.6	6.6	1.6	2.3	4.5	3.7	3.6
Italy	1.4	7.0	5.3	1.5	1.1	5.3	3.6
Finland	3.0	6.8	5.4	1.7	1.3	2.9	3.5
Canada	1.7	6.6	1.7	2.1	6.1	2.4	3.4
Australia	1.7	7.2	1.8	1.6	3.7	2.8	3.2
United States	0.8	7.7	1.0	2.0	2.3	1.5	2.6
Japan	1.2	4.6	4.0	2.8	1.5	0.5	2.4

*Minimum 0, maximum 9
Source: *"Gauging Generosity",* The Economist, May 3rd- 9th, 2003

development, trade cannot be ignored. Shutting out a poor country's export is a sure way of ensuring that they remain poor. For instance, Norway, although a generous donor when it comes to aid, is ranked tenth because of its protectionist trade policy. The USA scores well on trade (even though it ensures that it penalises countries through tariff and non-tariff barriers) but badly on everything else and is, therefore, ranked low in table 2.

Few points to ponder:

- S&DT (Special and Differential Treatment) should be more widely accepted as a general rule rather than an exception to move forward on a "development friendly" path.

- Under the GATS, focus should be on Mode 4 (movement of natural persons) since developing countries and LDCs are labour abundant and cross border labour mobility can be effectively utilised leading to revenue generation, better standards of living and poverty reduction.

- Within MDG 8, focus should also be on agriculture. For instance, there should be a time bound target dealing with phasing out of "trade distorting" subsidies by the developed countries. It is essential to realise that agriculture is the source of livelihood of millions of people in developing countries.

- Capacity building of developing countries in order to enable them to negotiate on their own terms at the international level is essential for human development. This has been done to some extent in the Doha Declaration, with the IF (Integrated Framework) to deal with the trade related complexities of LDCs.

- The issue of "policy space" for developing country governments is also vital. The governments should have enough manoeuvrability to make policy changes that will benefit the domestic economy.

What is required is a shift in the focus of the WTO concerns. While at present it is more concerned about market access and liberalisation, it should focus primarily on giving the developing countries the opportunity to develop their domestic policy space and have the flexibility to use the trading system to their advantage.

The basic premise is that trade promotes growth, generates income and employment opportunities. However, the dichotomy between the way the international trading system is working at present and the targets of the MDGs is clearly visible and needs attention.

Role of the Civil Society

Consensus prevails on the important role that the CSOs (Civil Society Organisations) have come to play both at the national and international levels. CSOs create awareness and make solutions work for the poor and less developed countries. Nevertheless, it is sometimes these very organisations that distort public debate and mislead the people. Also, some organisations are more eager to promote their own image and in fundraising, rather than to advance public interest.

For better or worse, CSOs cannot be ignored and the points mentioned below highlight how the civil society can be a catalyst for pushing forward the attainment of the MDGs.

- By working closely with individuals and communities, NGOs (non–governmental organisations) might be able to aggregate the preferences of community where public good is concerned. For instance, in the Philippines the CSOs have applied the framework right down to the municipal level, evaluating government budgets and priorities in the light of the MDGs.

- They serve as a link between the communities and the government and can represent the weak and marginalised groups also. Many CSOs at the national level and international CSO networks are engaged with the MDGs. There are a number of initiatives on the part of multilateral bodies and NGOs to establish frameworks for monitoring and evaluating the progress of the governments of wealthy countries with regard to the MDGs. A few governments are developing their own internal indicators.

- Create awareness and act as a catalyst for fuelling public debate on international issues concerning human development by organising seminars, distributing fliers, press releases etc.

- The basic role of the CSOs entails questioning, monitoring, criticising, analysing and advocating. The WFUNAs' (World Federation of United Nations Association) report, 2002 notes that 90 percent of surveyed CSOs believe that the MDGs are relevant to them, yet only 58 percent of these organisations had launched even a single initiative aimed at the implementation of specific MDGs.

- Trilateral co-operation – southern institutions including NGOs should be involved in building the technical and research capacity of their own as well as other southern countries. In a trilateral co-operation, we have a northern country donor, a southern country technical assistance provider and a southern recipient. For instance, if DFID (Department for International Development), UK were to be the funder, giving funds to an agency in India to provide technical assistance and build the capacity of other southern countries such as Laos and Cambodia, it would be a trilateral co-operation.

- North-South CSO partnership. The partnership between northern and southern CSOs should be strengthened so that the voice of the south can be heard in the north. This in turn would facilitate the partnership and create awareness among the public in the north about the situation in the south. For instance, an international NGO network, the Social Watch, will develop a report for 2005 in which the performance of a number of developed as well as developing countries will be examined.

Conclusion

There can be no disagreement that the responsibility for poverty reduction and attainment of Millennium Development Goals lies both on developing as well as developed countries. Trade, aid and debt relief are the three crucial instruments through which the developed countries can bring about an effective change. Whether it is debt relief or ODA, emphasis has to be on prioritisation of countries and linkage with sectors promoting growth and revenue. The importance of fair and development-lead trade cannot be undermined. While there is much that the developing countries themselves can do to ensure that trade contributes to development, little progress can be made till the policies of the developed countries are also conducive to create opportunities for developing countries.

The world has finally realised that a global partnership between the 'haves' and 'have nots' is very important for sustained economic growth. We have also come to realise that while growth is essential, it cannot be achieved by domestic policies alone and requires external finances for the attainment of the MDGs. For instance, if Ethiopia were to rely solely on its domestic resources, then the goal of 100 percent primary school completion would not be reached even by 2050.

The most important reason for the involvement of NGOs is that these goals are global in nature and need a national perspective. For instance, MDG 1 talks about halving the population living below the poverty line by 2015. Now even if this goal is achieved simply because the two giants India and China have made tremendous progress, then it would camouflage the millions of poor people in sub-Saharan Africa.

One unique feature of MDG 8 is that it comes with no deadlines (unlike the other seven goals). The developed countries are not obliged to achieve the targets by a set date. This puts very little pressure on the developed countries to discharge their responsibilities towards the developing and least developed countries. Therefore, to make this global partnership effective and to make a difference at the "local" level, both the developed and developing countries have to share responsibility.

To conclude, achieving the MDGs is not so much about being on track globally as it is about making progress locally.

Endnotes

1 Failure of IMF conditionalities, Globe, April 1999, http://www.paksearch.com/globe/1999/april/IMF.html

2 Debt Relief: Forgiving the poor countries, AUSAID, May 2002. For more see, www.ausaid.gov.au/hottopics/default.cfm

3 *"From Debt Relief to achieving the Millennium Development Goals*", Amar Bhattacharya, HIPC Debt Relief- Myths and Realities, Forum for Debt and Development (FONDAD), Hague, February 2004.

4 Economic Survey 2002-03, Economic Division, Ministry of Finance & Company Affairs, Government of India

5 "Commodities, Markets and Rural Development", Roundtable Meeting organised by UNCTAD, New York, April 30, 2003 (www.un.org/esa/coordination/ecosoc/h12003/RT7%20summary.pdf)

6 Adopted from Bill Vorley, "Food Inc.: Corporate Concentration from farm to consumer" UK Food Group, 2003, London.

7 For more see http://members.iinet.net.au/~jenks/CV21.html#F

8 The International Convention established UPOV for the Protection of New Varieties of Plants. The Convention was adopted in Paris in 1961 and it was revised in 1972, 1978 and 1991. The objective of the Convention is the protection of new varieties of plants by an intellectual property right

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