

# A GLOBAL PARTNERSHIP FOR DEVELOPMENT IN THE TWENTY-FIRST CENTURY?

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**A presentation for NGOs organized by ONE, Germany**  
**July 5, 2011, Berlin**

**(Drawing in part on forthcoming UN MDG Gap Task Force Report and paper for GIZ  
conference on Managing Sovereign Debt Crises in Developing Countries)**

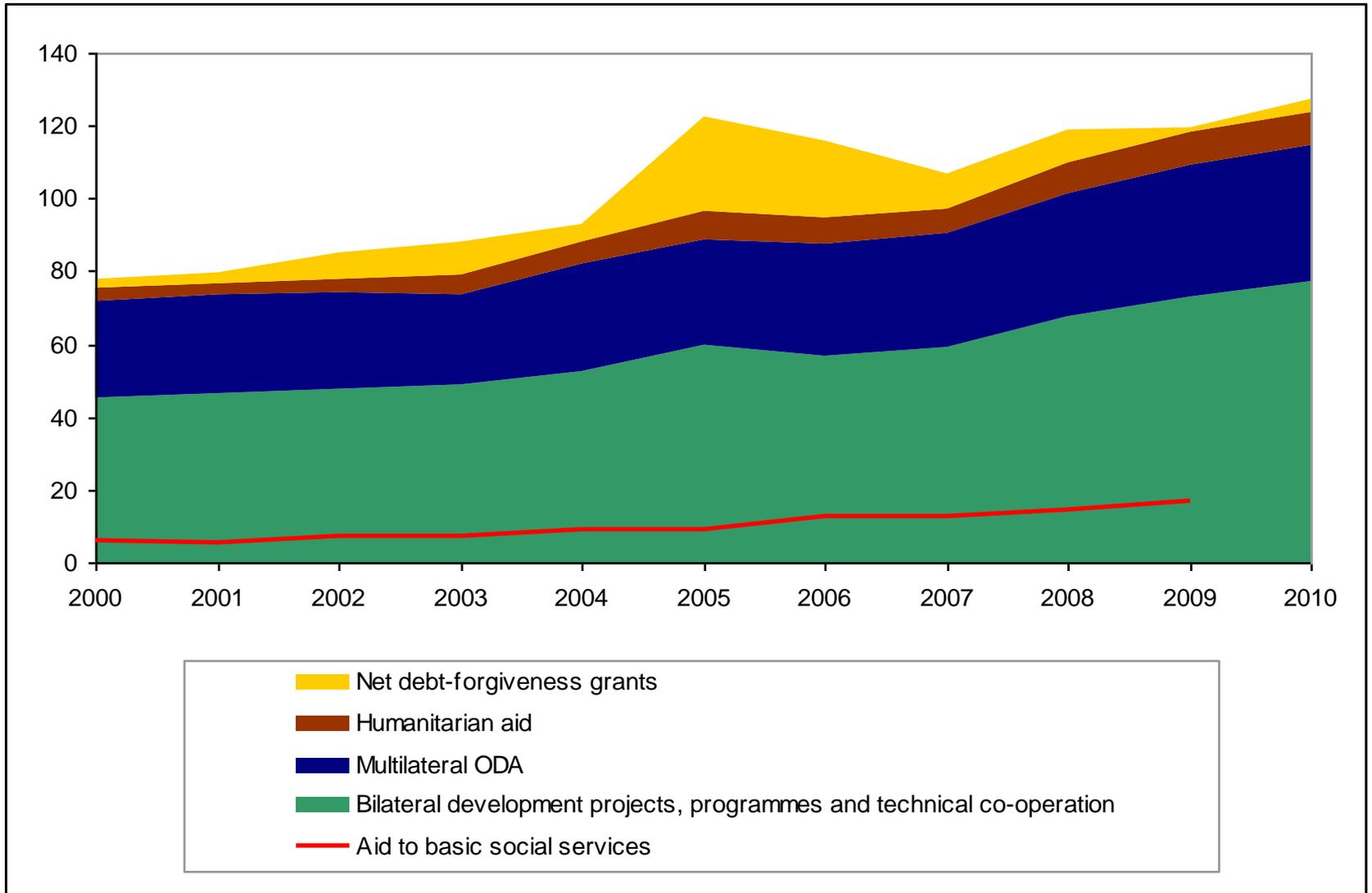
# Status of the International Partnership for Development (“Goal 8”)

## Official development assistance

- Almost \$129 billion in 2010 from main donors, a record amount
- But less than half way to UN target (0.7% gross national income would have raised \$282 billion)
- Donors plan less ODA growth 2011-2013 (2% a year instead of 8% a year)
- But many European countries pledged to make UN target by 2015
- Roughly \$15 billion contributed by other official donors
- \$53 billion from foundations & other private funds (2009)

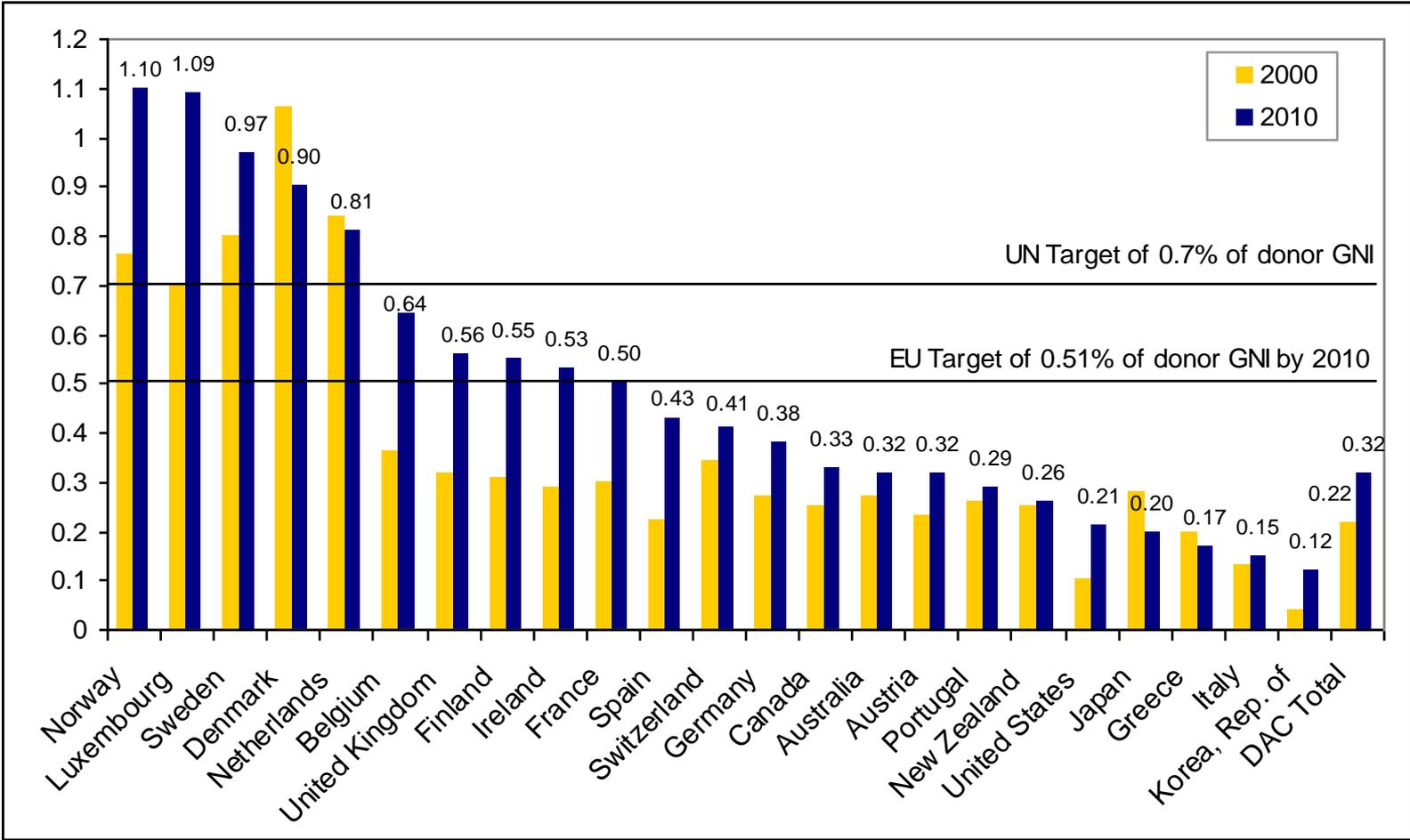
# Aid by main donors, 2000-2010

(Billions of 2009 dollars)



# Individual Country Aid Efforts, 2000 and 2010

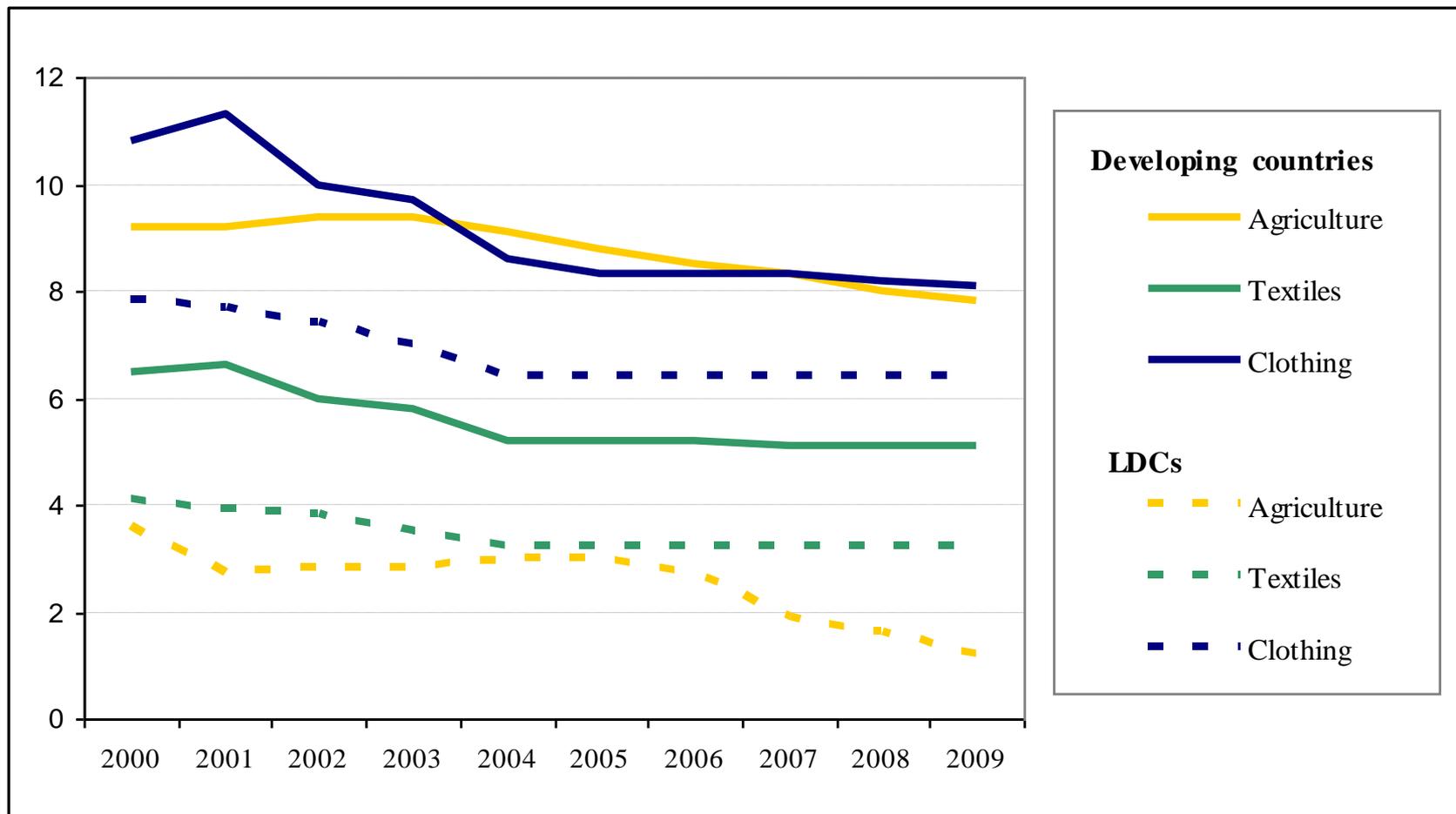
(Percentage of gross national income)



## Access to developed country markets (trade)

- G20 promised no additional trade restrictions from global recession; promise mostly kept (fail for only 1.2% world trade; happened mainly for sensitive products, like subsidies on dairy exports)
- Promise of development oriented global trade agreement (“Doha Round”); no agreement in sight
- Effort to at least conclude an agreement by December for least developed countries (“Early Harvest”) but uncertain
- More restrictions on migrant worker inflows (more conditions, tighter enforcement)

# Average developed country tariffs on sensitive imports (Percentage ad valorem tariff)



# Access to affordable essential medicines

- State of play
  - available in 42% public facilities; 64% of private ones
  - lower availability for non-communicable diseases, especially LICs
  - concern for paediatric medicines
- Policy Responses include:
  - UNITAID, TRIPS flexibilities, pharma R&D sharing, medicines patent pools (regional cooperation)

# Access to new technologies

- State of play
  - 68% developing country population with mobile phone access
  - Climate change challenge
  - Technology for disaster risk reduction
- Policy responses include:
  - R&D collaboration among private, public and non-profits; New Technology Mechanism for climate change mitigation and adaptation (2012); deliver fast start and long-term commitments

## Debt sustainability (?)

- Overall statistics good, as recovery from global financial crisis was quick,
- BUT, International Monetary Fund and World Bank made the following classification (May 2011):
  - In debt distress: Comoros, Guinea, Sudan, and Zimbabwe
  - At high risk: Afghanistan, Burkina Faso, Burundi, Côte d'Ivoire,\* Democratic Republic of Congo, Djibouti, The Gambia, Grenada, Guinea-Bissau, Haiti, Lao Peoples Democratic Republic, São Tomé and Príncipe, Tajikistan, Tonga, and Republic of Yemen
  - At moderate risk: Benin, Bhutan, Cambodia, Central African Republic, Chad, Republic of Congo, Dominica, Georgia, Ghana, Guyana, Kyrgyz Republic, Lesotho, Malawi, Maldives, Mauritania, Nepal, Nicaragua, Papua New Guinea, Rwanda, Sierra Leone, Solomon Islands, St. Lucia, St. Vincent and the Grenadines, and Togo

# Shortcomings in current system for sovereign debt restructurings

## #1

- Sovereign debtor and its creditors arrange workout according to relative power (deals get done), unsupervised by bankruptcy authority
  - Exception: Paris Club of government creditors seek to control process through Evian Approach, i.e., government creditor control over debtor and private creditors; no IFI relief.
  - Exception: HIPC Initiative/MDRI for poorest countries with IMF and World Bank guiding bilateral, IFI and private relief; IMF and World Bank boards controlled by creditor governments

# Shortcomings in current system for sovereign debt restructurings

## #2

- IIF code of conduct aiming to guide cooperative debtor relations with its creditors, including in restructuring debt
  - Some positive principles (information, organize creditors)
  - Some unrealistic expectations (private DIP financing)
- Successful non-cooperative debtors (Argentina, Ecuador)
- Leadership is official sector role (Vienna Initiative)

# Desirable characteristics of a system for sovereign workouts

## #1

- Achieve “Fresh start” objective with single, comprehensive package
- Credible authority (judge, arbitrator, mediator) to interpret broad guidelines on necessary relief
  - If mediation fails, move to arbitration or court or start there
- All relevant stakeholders heard before decisions made

# Desirable characteristics of a system for sovereign workouts

## #2

- Authority can fairly apportion haircuts according to accepted principles
- Process can be concluded on timely basis
- Creditor governments can ask national courts not to intervene on behalf of non-cooperating creditors (stays)
- Debtor invokes process
  - Not optimal, but what else is feasible?

# What next?

- Some sovereign insolvencies inevitable, says all of history
- Can the world move to a fairer and more effective system?
  - Governments came to adopt bankruptcy systems nationally and could develop a sovereign parallel for same reasons
  - Will financial interests always make public policy?
  - Would a group of governments initiate work?

# Current Global Economic Governance Reform Discussions

- Painfully slow increase of developing country voting power in International Monetary Fund and World Bank
- Possible death in Rio 2012 of the Commission on Sustainable Development, the follow-up body of Earth Summit (1992)
- Stiglitz Commission proposal for “second opinion” expert advisors could be adopted in July
- Possible General Assembly agreement for ad hoc working group of the whole on follow up to 2009 UN conference
- Global Governance Group of non-G20 members put strengthening the role of the UN on agenda in light of G20 usurpation of coherence body

# Thank you

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