

TRANSCRIPT OF DEVELOPMENT DRUMS [EPISODE 25 – GLOBAL DEVELOPMENT CHALLENGES]

Host: Owen Barder. Guests: Alex Evans and Malini Mehra

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Owen Barder

Thanks for downloading Development Drums number 25. In this quarter century edition we are going to be talking about important long-term issues in development. My first guest is Alex Evans from the Center on International Cooperation at New York University. Alex runs CIC's work on climate change, resource scarcity and global public goods. And he's also one of the driving forces behind the Global Dashboard website on international issues. He recently finished a project with Chatham House on rising food prices. And was before that Special Adviser to Hillary Benn, then the UK Secretary of State for International Development. Alex, I can't believe it's taken us so long to get you on Development Drums. It's great to have you.

Alex Evans

Hi, Owen, thanks for having me.

Owen Barder

And I'm even more thrilled to be joined by Malini Mehra. Malini is the founder of the Centre for Social Markets which works on sustainability and corporate responsibility in India and the Diaspora. Malini has worked on sustainability, on development, gender and human rights issues for two decades. And I'm sure many of you would have come across her either in the World Economic Forum, Young Global Leaders, as an Asia Society 'Asia 21 Young Leader' or as a CNN 'Principal Voice'. Malini, it's really great to have you on Development Drums.

Malini Mehra

Hello, and nice to be on it.

Owen Barder

Welcome to both of you. Now this edition of Development Drums was inspired by a meeting in the British House of Commons. Alex and I were both involved in briefing a committee of Members of Parliament on the development agenda. Alex opened the meeting with a masterful overview of the global challenges to development which set the agenda for that meeting and which I thought would be worth exploring in more detail here on Development Drums. The full transcript of Alex's presentation is online and I'll put a link in the show notes on the Development Drums website which is developmentdrums.org. And I'll also be asking questions that have been put to us by listeners which they've raised through the Development Drums Facebook group and on Twitter. Alex, we're going to go through each of the ten points of your presentation in detail but let's start off with, by you giving us an overview of the topics you're going to cover.

Alex Evans

Sure. As you say, Owen, there were ten things picked up on in the presentation and they were these. The first is about the bottom billion. This is picking up on the new research from the Institute of Development Studies by Andy Sumner and others suggesting that the majority of poor people are now actually in middle rather than low-income countries. The second point was about the next billion, the next billion people to arrive on earth between now and 2025 and what that will mean for social change, economics and so on. The third point was about the financial crisis and the effect that that has had on low income and emerging

economies. The fourth point was about the next oil price spike, what sort of outlook we have on oil prices looking ahead and what that means for development.

Fifth was the question of feeding the 9 billion, the prospect for how we are going to feed a rising global population in the light of difficult, I think, supply and demand outlook on food. Sixth is climate change, very much related, of course, to food issues where I picked up not only on the impact of climate change, but also from what a potential global solution might mean for development. The seventh point was all about the trade agenda, not just the Doha Round, but also the issue of security of supply in the trade context, that was such an acute issue during the food and fuel spike in 2008. And then the eighth was the changing face of conflict, where I was looking particularly at the growth of subnational and organised crime-based conflict. And then the last two were more about what we do about all of this, the ninth was about the global governance deficit, which I think hampers our ability to react to a lot of these challenges. And then the tenth point which was really just coming back to what all this means for how the UK does development and what some other concrete recommendations might be.

Owen Barder

Fantastic. So we are going to come at the end of the podcast to the big picture and whether this all – what this all means for development. But let's, if we can, get stuck into the detail of the issues you raised one by one. And the first of your ten topics is the changing distribution of world poverty. Now we did a whole episode of Development Drums about this with Andy Sumner and Claire Melamed, so regular listeners will be familiar with this issue. Malini, can you start us off on this? Now Paul Collier argues in his influential book, *The Bottom Billion*, that we should focus on about 54 countries, which seem to be stuck in poverty traps. But then Andy Sumner's paper on *The New Bottom Billion* shows that three-quarters of the world's 1.3 billion people who live on less than a \$1.25 a day – that is the 1.3 billion poorest people in the world – three-quarters of those live in middle income countries like India, China, Pakistan, Nigeria. So Malini, what do you think this means for the way the rich countries conduct development policy and what's the right role for them in the way they relate to these kinds of emerging economies?

Malini Mehra

Well I think what Andy Sumner's work has really done is it's put the spotlight on issues around governance, frankly, because, you know, in his work he has noted if you are just looking at sheer numbers of people, the sheer volume of poor people, then clearly countries like India, India is home to the vast majority of poor people, the majority of people who are undernourished, you know, and, in terms of very depressing statistics. But, of course, if one is looking at the, you know, country's ability to address poverty needs then I think one has to look at what the government's capacity is.

That's one issue and the second issue is looking at the political appetite in these emerging economies and these middle income nations, you know, like China and India and Brazil and South Africa, to actually accept traditional development assistance. So one can, I think, on the one hand make a very persuasive, compassionate argument that it might be better for publics in developed countries to actually invest in less developed nations where there is arguably a greater challenge in terms of governance systems, but greater need in terms of the need of – for basic needs of people. As opposed to investing in countries like India, China, the emerging nations, which already have a pretty decent infrastructure in terms of governance, in terms of providing provisions for basic needs to be met. You know, one can obviously point to the different experiences in China and India in meeting the needs of their poorest, but both have been good to very good, you know, in both cases. So let me just stop having, you know, made those points for now.

Owen Barder

A couple of listeners have focused on this question of how we tackle inequality and Brendan Rigby, for example, points out that the only known in development is that investing in girls works. So investing in women and the, he points out that tackling inequality seems to be the key issue in the long term. Alex, is there anything that you think that, you know, what do you think a role, the proper role is of the rich nations in supporting groups that are marginalised or disadvantaged in emerging countries?

Alex Evans

Well, I think a useful starting point here is the three-point task list that Andy Sumner set out in a post on inequality that he did on Global Dashboard last week. And he flags up government and donors alike targeting money to disadvantaged groups. Second, public services being free at the point of use for the poorest people. And third, a much more systematic approach to social protection. One of the statistics I think is interesting on social protection is the fact that only about 20% of the world's people have access to social protection of any kind. But I think in the background, Andy's points and the wider discussion we are having illustrate the point that this isn't just about resource transfer. I think it's ultimately about a much more political approach to development picking up on Malini's point a moment ago about governance. Donors, I think, can only really make a difference at the margins here and their currency is influence, as I say, more than money in these situations. They can't reverse the trend of what's happening in a country but I think if they work with existing drivers of change that are in place, they can have a progressive influence.

Owen Barder

Malini, I think a number of us would be nervous about the idea of industrialised countries becoming too engaged in the governance agenda in countries like India and China. And when you look at what's happening today in Egypt, it's hard to escape the feeling that our – to the extent that industrialised countries have been involved in the way other countries are governed, this has been on the whole rather a negative influence. How comfortable are you with the idea that the governance, say in India, is something that is legitimately the business of Britain or America?

Malini Mehra

Well, let me separate out two things. I mean, the first is governance in terms of quality of public administration, and the second is governance in the context of political interference. I'm talking about the first, not the second. And I think that, you know, if we, if one looks at the engagement of publics in the UK and countries like India, then it's quite clear that they've been on the development agenda. It's clear that the engagement has been at multiple levels. So one level it is through to state-to-state aid transfer, through traditional development cooperation. And another level is through the support of non-governmental organisations, community-based organisations, very often through solidarity networks.

And those arguably have been extremely, extremely positive in building the people-to-people alliances, and also allowing people to address more challenging agendas around communities who have been disprivileged or marginalised. You know, one can think, for example, of the ongoing support that there is for Dalit solidarity, you know, networks in India from the UK and from across Europe. If one looks at the state-to-state route however, then there have been, there are some very good examples of support for public administration. So, for example, you know, I was at the IDS many, many years ago.

The IDS was one of the early pioneers in working with the Indian Administrative Service in putting gender on the agenda of development professionals and Indian Administrative Service officials. And that has led, over the years, to the increasing mainstreaming of gender within India's public policy community. So those are very practical ways in which, you know, British public has actually supported the development of greater capacity for governance in India, as well as strengthened and empowered more marginalised communities. So one can do both but one needs to recognise that these are two quite distinct routes to supporting different ends of society, so to speak.

Owen Barder

Great, thanks. Now let's move on to the second challenge in Alex's list, which is demographic change. And, Alex, you say that between now and 2025 the world population will increase to about 8 billion and that all the extra people essentially will be African and Asian, and will live in cities. Now I'm an optimist at heart, so this seems to me a good thing. It means developing countries will have a growing population of young people. It means a declining dependency ratio and rising incomes. But, Alex, you also highlighted this could be a demographic disaster if we have a world full of poorly skilled people in countries that can't provide them with economic opportunities. So where do you come out on this? Is this good news for developing countries or bad news, Alex?

Alex Evans

I think it is impossible to generalise, it depends on the country. My colleague, David Steven, who is the other editor of Global Dashboard points out that these sorts of demographic conditions that you've just been describing, Owen, can be the springboard for really astonishing leaps in development. He gives the example of South Korea where income has tripled per capita over a couple of decades in these very favourable conditions where lots of people are entering the workforce. But I think it depends very much on whether the conditions are there for that entrance of lots of people into the workforce, whether the jobs are there, whether the education has been there to create the skills necessary and so on.

And the US National Intelligence Council has done some interesting work on this. And they say that some of the countries really poised to take advantage of this demographic dividend, are places like Turkey, Iran, Vietnam and Indonesia, just to give four examples, but they also fret that in other countries, for example, Afghanistan, Nigeria or Pakistan, the conditions aren't there for that development dividend to come out in these demographic conditions. Of course, the turbulence we see in the Middle East and North Africa at the moment is obviously a tremendously important demographic aspect of all of that too.

Owen Barder

It seems that education is the key to this. Paul Wiggin on Twitter has asked you both for your thoughts on how we can make sure that the quality of education can be improved. Because that seems to be at the heart of making sure that the demographic dividend is indeed a dividend and not a disaster, and your career example seems to back that up. Is it, is that right? Is this, does this come down to education and skills and thereby jobs, in terms of differentiating between what's a dividend and what's a disaster?

Alex Evans

I think it is partly about education, but I think it's also about the quality of governance and whether people perceive their governance system to be accountable, responsive to offer opportunities for participation, and so on. I think that's equally important.

Malini Mehra

Yes, I think – I mean I'll give you an example of – from India. If one looks at the different development experience of, generally speaking, north and south India you see that the southern states have done considerably better in terms of the very basic indices around educational achievement, around health, around family welfare, nutrition, et cetera. And there's a good body of evidence now to suggest that one of the reasons why the southern states have done so much better since independence than the northern states has been because of a much earlier investment in education, especially in the education of girls. And the other point that's made also is if you look at – we were speaking earlier about marginalised communities. If you look at the experience of Dalits in different parts of India, you find that actually it's in the south of India where you have Dalits who are the most economically advanced now. You have many leading Dalit entrepreneurs, people who are running their businesses, who are contributing to the emergence of the southern state economy as – effectively the powerhouse of the Indian IT surge in particular.

So education has played a particularly important role and in specific the educational focus on girls has really been a driver for the change that one sees in the south of India. Which goes to support the point that your listener has made: the importance of education. The challenge, of course, comes partly with the degree of political will which is given to this instrumentality. In India it's only been in the last year that we've actually adopted at a national level a Right to Education Act. And so, you know, one would have to see how that's played out in some of the northern states and whether they're actually able to take advantage of the demographic dividend that we have in India, of having a very large population of young people, by ensuring that the educational attainment can be improved in the near future.

Owen Barder

So this sounds like potentially good news, a demographic dividend, provided that the governance and the investment in education and actually producing results in education can be delivered. Let's move on to the third topic in your list, Alex, which is the financial crisis. And it was one of your rare moments of optimism because you pointed out that, of the countries who grew in 2009, the worst year of the financial crisis, three-quarters of low income countries actually grew rather than saw their economy decline. Does that suggest, Malini, that – the experience of the low income countries – suggest that the orthodox economic

prescriptions in the last 20 years which the IMF and the World Bank have been advocating might have been misguided? The fact that the developing countries grew at a time when the industrialised countries were facing a financial crisis, does that suggest that the kinds of approach that developing countries often take, less liberalised economies, for example, less liberalised banking sectors, turns out to have been a rather successful economic strategy? And what do you think the lessons are for them for the future?

Malini Mehra

Well I think firstly it's very hard to generalise for these high grouping of developing countries because you're talking of a highly, highly differentiated group of more than a hundred countries. What I would peel out, however, would be that there are a number of the higher performing economies, largely the middle income countries, which have done pretty well in the last couple of years, haven't been as buffeted by the global financial crisis, have made a success of macro-economic management, partly to do with the fact that they had greater capital controls and they were less exposed to the kinds of banking practices that we've seen in the OECD countries. So that's an essential point and I think in my own country, in India, we see that. We see the Indians feeling very smug about the fact that they've been able to ride out the financial crisis and growth has continued to keep pace. And importantly that the financial sector, financial services sector in India it seems to be extremely robust and the basic fundamentals of the economy continue to be quite robust.

Owen Barder

Now, Matt Morris, who was the DfID economics guy in Delhi points out that we might not – we might be overstating the extent to which developing countries have ridden out the financial crisis. Because although they grew, their growth rate actually slowed compared to the trend growth rate that they had been experiencing before that. And for example in India the growth rate slowed by, he says, 3 percentage points, which Matt reckons on the back of an envelope means that there are somewhere between 6 and 9 million more people in poverty. So are we perhaps being too optimistic in saying well actually a number of developing countries did rather well? Because although they grew they didn't actually grow as fast as they had been growing or should have been growing. Alex, what's your reaction to that?

Alex Evans

Well I think Matt's point is fair enough. I mean it comes with all the usual methodological caveats about counterfactuals, but I can see that that may well have been the case. But I still think the underlying story is the extent to which the financial crisis perhaps accelerated the power shift that was already happening from OECD to emerging economies and accelerated that shift, something the Martin Wolf picked up on the Financial Times recently. And I think a really interesting illustration of that, if you want a quantified illustration, is the price of insuring against government default, credit default swaps in other words. Because today insuring against the risk of a default by China costs the same in CDS markets as insuring against a risk of a default by the UK. Whereas – and insuring Italian debt, to give another example, is now more expensive than doing so for countries including Mexico, Brazil, Chile, Russia and Indonesia. So I think that, you know, that it's not a new observation to remark on the power shift towards emerging economies, but I think the financial crisis appears to have potentially accelerated that.

Owen Barder

And what's your reaction to Malini's point that some of the practices in some developing countries like, for example, stronger capital controls or a less de-regulated banking system may have turned out to be good news in insulating countries from shocks? Does that make you wonder about the orthodox economic prescription?

Alex Evans

Yes, I think so. And I think that that's been widely remarked upon. There was a very good comment piece by Kishore Madhavani a couple of weeks ago talking about how Asian policy makers and opinion formers were reconsidering the advice they've been given by the IMF and looking for a bit of humble pie I think from some of the voices that have been most aggressive in pushing that agenda. The interesting question for me is whether this extends beyond the financial liberalisation aspect to other forms of globalisation. I was very interested to see research by Edward Carr and others last week which suggested that in terms of resilience to food price volatility it seems actually to be richer consumers in low income countries who are

more exposed to food price volatility because they live in cities and they are more reliant on global markets, whereas poor people in low income countries often, according to his research, seem to have more resilience to food price volatility because they're in rural areas less dependent on those global markets and can therefore effect what he calls temporary de-globalisation in times of volatility. So I think that flexibility in how much you choose to expose yourself to globalisation whether as a community or a country or whatever, is an interesting aspect to all of this.

Malini Mehra

I think I'd also like to just point out that one's not suggesting that some or many developing countries were immune to the effects of the global financial crisis, because none of them were immune. But many felt – weren't as affected by the slowdown as OECD countries were. I think one also has to differentiate between the middle income countries, those can – that can effectively take better care of themselves as opposed to more fragile lesser developed countries, which would have been very badly affected and perhaps deserved to get a little bit more attention in terms of the impact on their peoples and their economies than they're presently getting because of the kind of overemphasis that seems to me on the mix on the middle income countries.

Owen Barder

Yeah, no, I think that's a very good point, and it's important again on the fourth topic, which we'll move to now, which is the impact of oil prices, where Alex, you were back in doomsayer mode. Because you, as you pointed out, the 2007 study found that 13 African countries including Ethiopia, my current home, spent more money on oil imports than they received in aid and debt relief put together. So rising oil prices for the poorest oil importing countries is a hugely big deal. So, Alex, what's the prognosis for oil prices and what does that mean particularly for these poorest developing countries for whom the rising oil bill is – can be pretty bad news?

Alex Evans

Right. Well I think the first half of the outlook is of strongly rising demand. Almost exclusively now additional demand for oil will come from non-OECD economies, according to recent world energy outlooks from the International Energy Agency. I think where that becomes problematic, other than of course the climate change dimensions, which we'll come on to, is partly because there's this problem of underinvestment in new oil exploration and production; the International Energy Agency has been warning quite consistently for a few years now that the amounts being invested are way too low to meet this projected demand. And so they've been warning about the possibility of a new oil supply crunch as soon as the global economy recovers, and, you know, with prices having been flirting with the \$100 mark recently for oil that appears to be – perhaps being borne out.

In the background, of course, is this larger question, still very contentious, of when global oil production will peak and there's no consensus on that as yet, although there's a Wikileaks cable, which has made its way to the Guardian this morning, which provides some interesting new background on that suggesting that some in Saudi Arabia, at least, think that oil production could peak as soon as 2012. But as I say, that remains contentious.

What this means for the outlook on oil prices I think is a long term inflationary trend, but one that's likely to be punctured by a lot of volatility, because of course oil is in so many ways the life blood of the global economy that when prices get too high you would expect it to start choking off economic activity and demand, so you get these wild gyrations rather than just steady inflation. And I think some analysts argue that that's partly what we just saw; that oil hit \$147 a barrel in July 2008 and then actually contributed, along with the financial crisis to the global slowdown, prices plummet to \$40 a barrel, demand starts to pick up again as the emerging economies recover and we enter another iteration of the cycle. So it's too soon to say whether that's what we're looking at, but it's absolutely a scenario that seems consistent with the long-term outlook I've just described.

Owen Barder

Malini, this seems like rather an important issue for developing countries and for the poor in middle-income countries, right?

Malini Mehra

Yes, absolutely, let me come in on that point. And the first thing is to differentiate between countries which – developing countries which are oil importers as opposed to countries which are oil exporters. So if, for example, you are in Angola or Nigeria, you know, respectively the number one and the number two major oil exporters from Africa, then you'll be seeing this whole issue price rises in a quite different light as opposed to if you are a Tuvalu or a Togo where you're effectively oil importers and extremely vulnerable to the volatility in the oil market. The other thing really, just to add on to what Alex has already noted, about the general prognosis for the oil sector in the coming years is just to emphasise, there has been continuing work by oil organisations like Global Witness which have actually said that we continue to get this information coming out of some of the most authoritative bodies, including the International Energy Agency, when it comes to the oil discovery, the rate of oil, the amount of oil reserves that we have, because there is some very important vested interest, in particular the oil exporting economies, which are preventing some key information coming into the public domain which perhaps would hasten government effort to transition out of oil into more renewable forms energy in the – to secure our mid- to longer-term energy security.

Owen Barder

Presumably if we did manage to accelerate and move out of oil into renewables, that could be good news for some of the poorest countries, the – not the countries that are oil exporters as you say like Angola and Nigeria, but a country like Ethiopia which has ambitions to become a major energy exporter from hydro and perhaps solar energy in the future. That kind of, if we could accelerate and move from oil, that could be quite good news for the resource rich poorest countries. Is that right?

Malini Mehra

Well, one would certainly hope so and one would hope that countries like Ethiopia, certainly like China, which is already in its twelfth five-year plan going to be significantly investing in clean energy and clean technology, that there is more of a case made by these important nations for the transition into renewables.

Owen Barder

I'm interested that you link this to a transparency agenda, that if we have more information about, for example, oil reserves, that might accelerate the transition. Alex, does that resonate with you?

Alex Evans

Yeah, absolutely. I mean, cheating is completely endemic within OPEC. Everybody lies about the size of their reserves, because then that directly feeds through to their production quotas. And that's one of the things that's interesting in this cable from the US embassy in Riyadh that I just referred to, that the person they were speaking to, who was a former head of exploration at Aramco, the oil monopoly there, argues that Saudi Arabia has un-, overstated, sorry, its reserves by about 40%. So really, really important for global markets if that's true. And as you say, it's a transparency issue, first and foremost.

Owen Barder

Let's turn now to food, which actually has quite a close relationship with oil prices and in particular the food price spike in 2008. And, Alex, you argue that while there are short term causes of that particular spike, bad weather, higher oil prices, that in the long run food prices will be driven up by scarcity and that one of the key development challenges is going to be to feed 9 billion people, which is what we expect the world population to peak at. Now, as you know, I'm far from convinced that food production is an important driver of hunger and food insecurity. I think it relates to poverty rather than production. But, Alex, tell us what you think is going to happen both on the demand side for food and on the supply side of food production.

Alex Evans

Well first Owen, let me just agree with you that this is absolutely not just about production, the access aspect is just as important, and one of my regrets about the way that policy makers have dealt with this issue internationally over the last couple of years, is that they have all been very keen to talk about the need to produce 50% more food by 2030. And we've heard rather less about the fact that, for example, we

produce enough food today to feed everybody but there are 925 million people who are undernourished. So as you say, it's absolutely about access as much as the quantum of food that's produced. But I think that nevertheless it does matter that we have a long-term outlook of a tighter supply-demand balance.

On the demand side, we have, as you have referred to, rising population but also a larger and more affluent global middle class shifting the western diets, eating more meat, dairy products and so on, lots more demand coming from biofuels as well, 40% of the US corn crop this year will go to car engines rather than people's stomachs. And then on the supply side we have, as you referred to, this range of scarcity issues. So increasing competition for land between biofuels, cities, carbon sequestration, meat, and so on. And there's increasing water scarcity in many parts of the world, something that will be amplified by climate change, which, of course, is a big impact on food in its own right. And then, as you mentioned, the energy outlook as well, because high oil prices tend to mean high food prices partly because fertiliser is made from fossil fuels, we use a lot of energy on farms and transporting food around the world and processing it, and now, of course, biofuels has closed the loop so that we can actually turn food into fuel.

So I think all of this does create a very challenging outlook in terms of both producing enough food and on the access side. But I think the key point is, there's nothing deterministic, you know, in all of this. I'm absolutely not a Malthusian, but I think we face some difficult decisions and so far we haven't seen anything like the political will needed to navigate this successfully.

Owen Barder

Malini, do you think this is a credible scenario and, if so, what should we do about it and who is the who that should be something about it. I mean, my instinct is that markets will take care of this, that rising food prices will attract more investment in production and there'll be more food to go around as a result. What's your take on this?

Malini Mehra

Well, I think the point that Alex has already made, is very well taken, which is that the problem right now is not one of supply, it really is of distribution and it's about how we handle that food. So a third of all the food which is currently produced, for example, today is wasted. You know, we have a world food system which is failing us. We have a billion people who are undernourished as Alex mentioned but we also have a billion people who are overweight. So there are many things that we need to do to make sure that we are actually getting the whole food system right, which is meeting nutrition needs which is, you know, meeting nutrition needs fundamentally as the first principle, really, of this.

Owen Barder

Like what? I mean, you say we need to do something about the system as fundamentally, and I agree with you and, as you say, we are producing enough food now and there is, there are nearly a billion people hungry. So what is it that we need to do to fix it?

Malini Mehra

There are many, many kinds of interventions which would be needed. So if, for example, if you look at the loss of food in distribution channels. I was just recently speaking an engineer about this and my point was look, this is a problem. And his comeback was okay, if there's a problem, there's a solution. So there are people out there, you know, the engineers, for example, who see this as a problem in search of a solution and would suggest, well if you actually, if the problem is that you're simply, you don't have the refrigeration stores, you don't have the proper distribution networks, then we can provide a solution for this. So this is a real opportunity for people who are looking at innovative solutions to addressing distribution challenges, the logistical challenges, to get in there and have a debate with policy makers and formulate those solutions.

If one is looking at increasing productivity which has come up as one of the key recommendations, given the fact that for much of the last decade to two decades there has been a significant underinvestment in agricultural productivity, we are now beginning to see, the G8's taken this up, now the FAO is really pushing this as a major area of government as well as private sector investment. One can look at countries like Vietnam, for example, where actually there are some very positive examples of how Vietnam is a

country which was gripped by famine just a few decades ago, has actually emerged as the second largest producer of rice after Thailand. And one of the reasons it has managed to do that has been a massive government investment programme into agricultural productivity especially on rice, and greater private sector and public sector investment in farmer skills training, et cetera, agriculture extension services which have been resurrected.

So, many things that can be done. We also need to be attentive to the fact that in order to avoid the kind of crises that we had in 2008 where we had the massive worldwide food price rise, that policy makers need to be attentive to the fact that we have to make sure that we actually have buffer reserves, so we don't have, you know, countries which are at risk of starvation. The final point I'd like to make on this is referring to something quite different which is the whole, the emerging practice now of countries which are securing arable lands in other countries to grow their food. So you see China, and this is something you will be familiar with in Ethiopia, Owen, where you have Chinese companies, Indian companies who are, the unkind term as land grabbing, to grow agricultural produce for consumption back home or for export. And this is a trend which I think deserves, which requires a great deal more scrutiny as to whether this is actually in the benefit, public interest benefit of the poorest of the world.

Owen Barder

I think we are going to need a separate episode on food prices and food production because these are hugely important issues.

[Music]

Owen Barder

You're listening to Development Drums with me, Owen Barder, in Addis Ababa and my guests today are Alex Evans from the NYU Center for International Cooperation and Malini Mehra from the Centre for Social Markets. You can find Alex's writing at globaldashboard.org and you can find out all about the Centre for Social Markets at csmworld.org. If you like Development Drums, there's a good chance that you'll also be interested in the Global Prosperity Wonkcast, a shorter, snappier podcast produced by my friends and colleagues at the Centre for Global Development. And you may be interested in the Guardian's new monthly development podcast which you can find on the Guardian development website and I'll put links to both of those on the Development Drums website which is at developmentdrums.org and I'll put it on the Development Drums page on Facebook, including links to Alex and Malini's organizations.

[Music]

Owen Barder

Today we are talking about the ten challenges for development which Alex Evans put in front of a committee of British MPs. We've talked about changing distribution of poverty, we've talked about demographic change, the financial crisis, the oil price and food prices. So we are half way through the list. Alex, your sixth issue is one which I think I probably would have put first as the most pressing development challenge of our time, and that's climate change. You say that we are on course for a global temperature increase of at least 3 degrees Celsius. Malini, tell us what climate change of this kind of temperature range is going to mean for development.

Malini Mehra

Well, you see the 3 degrees that Alex is mentioning is a global average temperature rise and actually the UK is already preparing for a 4 degree world, and remember these are averages. So if you are, you know, depending on where you are on the globe, if you at a higher altitude then the temperature rise is likely to be higher. In some parts of Africa, in the Horn of Africa, for example, the estimate is that the temperature rise could be between 4 to 6 degrees by the end of the century. If you imagine that the population has never, you know, had to contend with the degree of climate, of temperature rise that we're talking about right now, then, you know, to give an indication of the degree of challenge that we have, in terms of, you know, keeping quite basic things going in terms of our food security, we've just been talking about agricultural productivity and climate change is severely impacting agricultural productivity. We are seeing declining productivity in terms of wheat and maize in many parts of the world. So the climate impact, in terms of

food security, water security, are likely to be quite severe. There will be some populations which will be more at risk than other populations and the whole issue around climate vulnerability and adaptation is now climbing up the policy agenda, as it rightly should. But certainly, I mean, this is something that deserves all the attention that it's beginning to get finally.

Owen Barder

Alex, this is a killer blow, isn't it?

Alex Evans

Well, yes, I think this is very serious for development but it also opens up the opportunity of a renewed development agenda as we head towards 2015 and think about what comes beyond the deadline for the Millennium Development Goals. For me, this is all about resilience. And I think that when we think about adapting to climate change in developing countries some of the most exciting and innovative areas of development practice right now are all about risk reduction and resilience, you think of areas like peace building, climate adaptation itself, social protection, disaster risk reduction, livelihoods approaches, natural resource governance. I think one of the interesting things for me is that there's tremendous overlap and scope for synergies between these areas of development practice that we haven't really explored yet. And I also make the observation that none of these elements of development practice were really flagged up in the MDGs that much, they appear to some extent in the Millennium Declaration but certainly not in the wording of the goals themselves. So I think as we come up to this point of renewal for the development narrative and the development agenda, resilience can really be a key plank in that.

Owen Barder

But, yeah, it seems to me that we, I mean, I agree with you that things like, you know, social protection schemes to put a safety net under the poorest make perfect sense and they are going to be an important part of the development agenda. But the kinds of changes, for example, in agricultural production that Malini was talking about are going to require more than disaster risk reduction. They are going to require a fundement, you know, we, a country like Niger for example, it's hard to see how it's going to support even half its current population if the kind of temperature rises that we are talking about come true. And those people are going to have to move somewhere, aren't they, and isn't this potentially absolutely catastrophic?

Alex Evans

Well, of course, potentially it is, although there is a real dearth of hard data on this. I mean, oftentimes you hear these figures of around 200 million climate refugees by 2050 and there's not really that much evidence to support those kinds of figures. They are very much plucked from the air. I think we do know quite a lot about how to do adaptation, about how to do the sort of 21st century green revolution that Malini was just talking about and some of the most exciting examples of that are from the Sahel where there have been tremendously successful environmental restoration projects in the last few years, that have restored ecosystems, provided livelihood, created the resilience I was just talking about. I think at the same time, of course, you're right. You know, there's only so far that you can adapt. So this brings us back to the central importance of a comprehensive global deal on climate change which unfortunately doesn't seem close at hand following Copenhagen, Cancún and so forth.

Owen Barder

In your presentation to MPs, Alex, you tossed in rather casually the idea that climate finance could be a major new source of finance in developing countries. And as we've, as you put it, and this is something on which I strongly agree with you. If developing countries had emissions ceilings and the global allocations of emissions rights was equally distributed, then many developing countries would be able to sell to the rest of the world their surplus right to emit and that would be, as it were, a trade flow of willing seller, a willing buyer transaction which would be a big flow of funds to the developing world. So why doesn't that happen? That seems both the most efficient way of tackling climate change in limiting emissions and potentially a hugely valuable source of income for development.

Alex Evans

Well, I think it could be extremely valuable. It would depend on the carbon price, of course, but just one illustration is that back in 2008 global aid flows were worth \$120 billion according to the OECD and

emissions trading in the same year was worth \$64 billion, so more than half according to the World Bank, and that's emissions trading in its infancy and critically without developing countries having any of the assets that have been created and allocated; it's only developed countries that have them. And this really cuts to the core of the issue, that I think developing countries have tended to resist the idea that they should have targets in the international climate policy because those targets are just seen as a burden. But of course they're also assets, they're also entitlements, they are things that you can trade that are worth money. And it all comes down therefore, as you said Owen, to the criteria, to the formula that you use to allocate those entitlements. And if we did so on an equitable basis – I mean I've long argued that convergence to equal per capita entitlements by some agreed date seems the most fair and simple way to do that, but there are other formulae that people have proposed as well.

But if you did that then absolutely you'd be creating this finance for development flow. What I would love to see happen is low income countries breaking ranks from G77 solidarity in the context of climate talks and coming out and saying: A/ we need the solution, but B/ we want our property rights to the atmosphere because we see the development opportunity. That would then put the emerging economies much more on the spot and I think it would be a fundamental game changer in the dynamics of the climate debate.

Owen Barder

It seems to me that if they don't do that, then we're in the kind of enclosure of the commons in which the rich and the middle classes stake their claim to the world's assets and the poor do without perhaps for generations, that only if we allocate these property rights on an equal per capita basis will the poor get their fair share. Malini, does that seem to you to be a plausible agenda for climate change and do you think that developing countries could benefit in the long run from a global deal?

Malini Mehra

Yes. I mean I think, just picking up on the last point Alex made his call for a breaking of ranks within the G77. I think that's clearly been happening over the course of the last year and a half. It accelerated with the emergence of new groupings like the Casahena [ph] group which bring together countries from north, south, east and west, from the Maldives, Costa Rica, to the UK, France, Germany, et cetera. And the purpose of these new – of this particular new grouping is clearly to bring some fresh energy, some new thinking, a more solutions-oriented approach to the whole issue of managing carbon emissions and preparing for adaptation.

I think, also, just to give the issue the due importance and recognise actually the gravity of climate change for development for many countries, most countries, that we're speaking of in the world are unfit right now to adapt to a climate changed world. If you're just talking of the countries which are banded together on the AOSIS, in the Alliance Of Small Island States, I mean these are countries like Tuvalu, Kiribati, the Maldives, Vanuatu, which themselves are undertaking plans for relocating their populations because they're faced with salt water intrusion into their countries right now which are making their islands uninhabitable. So this isn't a far off distant prospect, climate change is calling (sic) [causing] severe developmental setbacks and posing survival issues for many countries, which is why the majority of countries in the UN are calling for a reduction of global average emissions to 1.5 degrees, not to 2 degrees of warming, but 1.5 degrees of warming.

So the clear issues for us are how to climate-proof development, how to build greater literacy about the multidimensional impact of climate change and ensure in particular that infrastructure which is being built right now is climate-proof so we don't have the kind of disasters that we've seen in Pakistan where up to 20 million people displaced as a result of a once in a lifetime flooding incident.

Owen Barder

The seventh challenge on your list, Alex, was trade, where you described the multilateral Doha Round as being now in a kind of zombie state, walking dead. And we're seeing some worrying moves towards various kinds of protectionism like, for example, the export restrictions on food that we saw during the food price spike, which of course is a big danger for some of the world's poorest consumers. Malini, do you think we can advance the multilateral trade agenda now or are we stuck with trade policy moving backwards?

Malini Mehra

I'm not sure whether it's possible to advance at a multilateral level given how countries have really dug in their heels. There's clearly a lot more interest being made – investments in trade deals which are taking place at the regional level. So you see across the world now free trade agreements which are being entered into by countries. And perhaps – I mean in the interim, just as we have this hiatus on the multilateral agenda in terms of climate we're going to see foot dragging and not really an appetite for a global trade round at the international level, but more action at the local and the regional level.

Owen Barder

Alex, are you – do you think these local and regional trade deals can move us forward as much as we need?

Alex Evans

Well maybe. But the thing that I'm especially preoccupied with is issues of security of supply. It's interesting that the Doha Round is very much about market access; the World Trade Organisation itself has very much built a deal with the disputes that you get that are about market access. And I think something is shifting in the trade agenda, that instead of a long-term buyers' market that we were in for 20 years on commodities, we now seem to be in a sellers' market. And so you get these disputes about security of supply. And as you alluded to in introducing this part, Owen, back in 2008 we had more than 30 countries with food export restrictions in place. The trade system went into a kind of meltdown with – coming fairly close to a kind of generalised loss of confidence on the part of import dependent countries in the capacity of open markets to meet their needs.

So what I'm especially interested in is how we put greater resilience in the international system to deal with and prevent these sorts of volatility and these sort of slides into resource nationalism and zero sum competition. And I think that Malini's already referred to one thing we can do, which is food reserves. But I think a concrete measure that we could potentially get agreement on this year is a code of conduct in the G20 that would commit G20 members not to using export bans. This is very much on the French agenda for the G20: President Sarkozy has put President Medvedev in charge of the working group on this, which initially I thought was a bad joke given that the Russians are the one country in the G20 to have implemented export restrictions on food in the last year. But then, the more you think about it, the more perhaps it makes sense. But if they could get that agreement, a political commitment from G20 members and then ultimately from Cairns Group agricultural exporters to – not to impose export bans, I think that would put us on a much sounder footing as we move forward.

Owen Barder

We'll come in a second to the global governance issues that all these questions raise. Before we do, let's look at the eighth and kind of final challenge on your list, which is the changing face of conflict. Where, Alex, you highlighted two issues. The growth of subnational low intensity forms of violence, particularly in rural areas, partly because of disputes about natural resources like land and water. And you highlighted the risk of feral cities, of cities in which law and order has broken down. What do you see as the implication of all this for development, Alex?

Alex Evans

Well I think it implies challenges, because our tool kit is built for different conflicts. The sorts of – things that the international system has become good at in the last couple of decades are civil wars and consequently we've become much better at peacekeeping missions, we now have more UN peacekeepers deployed around the world than ever before, there are signs of overstress on that. But we basically know the tool kit that we're dealing with. But when you're looking at conflicts like the Naxalite insurgency in India or the sort of violence that we have seen in Mexico in recent years, which has killed 27,000 people since 2006, I think it's much less clear what the tool kit to deal with those sort of conflicts is. These aren't traditional civil wars and I think a lot of conflict analysts are worried that while the number of civil wars continues to decline, the number of deaths in violent conflict may be going back up for the first time since the end of the Cold War. So I think where this takes us is back to that territory of governance, political economy and so forth where it's not clear by saying that we have tool kits as the international system necessary to be able to deal with those.

Owen Barder

Malini, so we've got changing conflict and don't have the tools to cope with it?

Malini Mehra

Yeah, absolutely. I mean what it, these conditions really do is put an onus – as if it was needed anymore – on stability, the importance of political stability. Alex referred to the insurgencies which taking in place in India; India actually has the largest number of insurgencies of any country in the world. One wouldn't think that that was so, given by the kind of international press that a country like India gets. But are the reason why one doesn't, why one's not talking about it constantly is because countries like India are not seen as unstable polities.

And within India, I mean, key issues of – with regard to the quality of governance at a subnational level. So not really looking at how strong the national state is but how strong are the actual pieces of the state? You know, so the state – the provinces at a subnational level, how resilient are they? And what can people do to actually ensure a greater degree of political robustness, transparency, participation at a subnational level? Because that's the level at which most people, most citizens can actually get stuck in and become active citizens. And whether it's a Mexico, whether it's a large country such as China or India, I think increasingly we're going to see greater political engagement at the subnational level and a willingness to seek to improve the quality of governance at that level.

[Music]

Owen Barder

So we've talked about eight grand challenges for development: the changing discretion of poverty; demographic change; climate change; oil and food prices; the stalled trade round; and the changing face of conflict. And the last two points in your presentation, Alex, related to what these eight challenges mean for the institutions and organisations working on development and development policy. Let's look first at global governance and the global governance deficit, which is something that you and David Steven at Global Dashboard have written about extensively. And Matt Morris points out, one of the listeners, points out that many of the challenges we're discussing today, free trade, financial regulation, mitigation of climate change, these are all essentially global collective action problems and you gave the example earlier of an agreement not to have – not to put on export restrictions on food. And we talked about the challenges that we're facing in the trade round. So what's the answer? What is it that we can do to fill the global governance deficit, which seems to underpin all the problems we have been talking about today?

Alex Evans

Well I tend to think of the global governance deficit as breaking down into four quite specific gaps, the – how do they effect, these logjams, multinational processes like trade, like climate change and so on? The first of these gaps is bandwidth. That often the multinational systems we have just aren't very adept at generating agreement. I think some of the logjams we've seen in the climate talks lately absolutely illustrate that, the fact that you have get decisions in full plenary with 192 countries on board; this is a very low bandwidth system for generating multilateral action. The second gap is about leadership, that typically political leaders don't want to expend political capital on long-term global issues; the rates of return politically are not very good. The third issue, on a related point, is there's a gap of political space. The publics typically are not ready around the world for really radical action to act on the recognition of global interdependence, whether that's on environment or other issues. But I think fourth and maybe most fundamentally there's just a gap in terms of knowing what it is that solutions would look like to these global challenges. David Steven and I have written about what we call an age of uncertainty; that just on a lot of these agendas policy makers genuinely don't know what to do or what the solutions would like.

And I think that's the gap that we can do most to address in the meantime while we wait for more leadership, more political space and work slowly to increase bandwidth in the multilateral system. I think the other point that's worth making is that we have a theory of change in the multilateral system that progress is made very incrementally, in small steps. And I think 90% of the time that's true and so it's right that we should expend 90% of our effort on it. But I do think that perhaps 90% of the opportunity exists in

the remaining 10% of the time and that's where progress isn't incremental but happens in large steps, usually in the aftermath of some sort of a shock. I think shocks are important because they create windows of political opportunity, moments at which actors are willing to think the unthinkable. And everything in those windows of opportunity depends on who's ready to take advantage of them. I think a great example is the fact that in Lehman, the collapse of Lehman Brothers, we had a six week period afterwards where there was genuine willingness to think the unthinkable about global financial architecture. But there was no readiness, there was no content or ideas sitting on the shelf ready to be dusted off, agreed upon, and implemented. And I think that looking ahead over the next decade we can expect lots more shocks of all kinds: financial, climate, price spikes, and so on. And having a better sense of what it that we're going to push for when those windows when those opportunities open is another arrow in our quiver that we can use to push for more collective action.

Owen Barder

Malini, what is your view, is the global government system fit for purpose and if not, what kind of changes can you envisage?

Malini Mehra

Is global government fit for purpose? I think you would have a hard time telling anyone who is saying yes to that. I spent a week at the World Economic Forum in Davos, a short while back and it was interesting. One of the key themes running through the session was a recognition that it had – it was time for the G8 to move to the G20, but unfortunately we were living in a world of the G0. And I don't know how many times I heard that reference to the G0. So it's clear that – and on two levels, firstly that our political institutions are quite passé, they've been unable to keep up with the rapidity of political and economic changes that one sees around the world.

And secondly there is a huge deficit of leadership in particular from the one country, the G1, the US, that many people continue to expect leadership from, even though they may not like the look of it when it appears. So that is a fair reflection I think of the state of affairs right now. I think in terms of things that can change, you need people to be a lot more proactive. So coming to Alex's point that, well policy makers who are unsure about what to do and the point that you had made, you know, what does one do, need to do to actually be opportunistic in seizing a crisis and making something good of it? It means that you have to do some thinking in advance about preparing for a future which will look very different to our world of today. To using a much more risk management-oriented approach to the future and importantly, not being, not shying away from surprises, or recognising, as well as seeing, you know? As the revolution unfurls itself in Egypt and in Tunisia, that actually there will be many different new agents of change and they'll come in very unexpected guises. So, you know, to end on an optimistic note, I think, you know, we haven't mentioned the importance of new technological developments, importantly the IT revolution, how social media is changing our world.

The fact that we have a large majority of citizens in our countries who haven't been engaged in a political process, who have actually largely disengaged, who now have new means and new incentives for engaging in political reform. And certainly that's one of the key ways forward. We obviously have to do a, you know, a better job of thinking about the solutions than we have in the past. And so that's where I'd like to put more of my thinking, you know, in the times to come and certainly do a lot more reading up of the kind of stuff that, you know, people like Alex and David have been doing.

Owen Barder

So last but not least, that brings us neatly to the tenth item on Alex's list which is the way, Alex, you brought this back home to the Members of Parliament for whom this analysis was written, which is how the UK thinks about development, what do we do? And on Twitter, Aaron has asked for your reflections not just on what the UK needs to do, but how the development industry as a whole needs to change in the light of these challenges and the global governance deficit. Alex, what's your advice?

Alex Evans

Well the four concluding points that I put to international development committee at the session we were both at were: first that we need to focus on poor people, not just poor countries; second, the DIFID right

now needs more staff more than it needs more cash, and DIFID of course, has been losing about one in six staff at the last couple of years, which I think is an insane thing to do when the budget is going up as quickly as it is. Third, we need to focus much more on building resilience and reducing vulnerability, something we touched on in a few places in the discussion. And fourth that we have to focus the least as much on what happens internationally as on what happens in poor countries. So in the background, just to come to Aaron's point, I think that I'd flag up three themes that matter for the development industry. The first is that we need to integrate development with diplomacy and also with defence. And this is very much one of the key messages at the quadrennial Diplomacy and Development Review that Hillary Clinton has just led at the US State Department. We need to do much more of that in the UK and around the world. The second theme I think is policy coherence that is not, of course, is not just our aid budgets that matter to development, it's our arm sales, it's our emissions, it's the conditionalities we attach to our trade policies and so on. So we need a much more holistic appreciation of that. And I think the third point, just to come back to something Malini just said, is dealing with conditions that massive uncertainty, and therefore that we need a risk management approach that is based on a kind of learning approach that takes a long term view on the future and acts on it, and recognises that we are going to be doing development in very, very volatile and turbulent conditions, but that creates opportunities as well as risks.

Owen Barder

Malini, we've used Alex's agenda with his eight important challenges and the two implications for global governance and for development policy. I find all this quite gloomy and quite difficult and I think the discussion that Alex and I were both at, a number of the Members of Parliament found it quite difficult to grasp with this level of challenge and pessimism. And yet at the same time we live in an age where we are making unprecedented progress on reducing poverty: people are getting access to health and education and clean water. Are you as pessimistic as Alex seems to be or, you know, you were talking about, for example, social change and technology and so on. Are there grounds for optimism here that we can set against this pessimism?

Malini Mehra

Well, I think, you know, that there are. I mean, unfortunately we tend to get the media offering up only the glass half empty and not the glass half full. They are many, you know, there are many, many trends if one looks at social innovations, such as the roles that Facebook and Twitter are optioning in terms of political reform – that's a brilliant thing. If one looks at new technologies which have been developed at the level of materials, so that we can actually have many more biodegradable materials on offer which are, you know, producing quite different products and services – that's positive. You know, one looks at innovations in government, there are many things that are happening. In India, for example, we have the largest number of women Parliamentarians.

So there are many grounds for optimism. I think we're living in very uncertain but equally very exhilarating times and we all need to play, you know, a positive role, to be willing to get engaged, and to offer energy and positive thinking. Because I think if the – it's the energy – and it is not just the policy set which is important. Which is why one of the key things for me, about being in a country like India, is that, even though, one is faced with, you know, poverty and squalor, that's not the general tenor, the general tenor that one, one feels. One feels a great degree of optimism, confidence, exuberance and that's what pushes societies forward. You know, I think if I were living in the US where there is 10% almost in unemployment, where there is political uncertainty, where there is virtually a fragmented political dialogue, I wouldn't be feeling quite as optimistic. But it's my sense of optimism that makes me feel that great things are achievable.

And that's a good place to end on. I think in terms of where the UK is in a whole debate on development, I think it's important to recognise obviously the changes which are taking place in our world where countries like the UK will play a less significant role perhaps than they have been accustomed to playing in the last century. But it's equally important to emphasise that they need to play a very important role and speak loudly when it comes to issues around the importance of human rights and democracy, and political and civil freedoms. Because we do have an absence of a political voice on that level: at the intergovernmental stage. So it's very important. Until we have the kind of the new leaders, given that we are in a period of

transition, that we not, you know, underemphasise the importance of a human rights undergirding to global public affairs.

Owen Barder

Alex, I know you are also quite – I've been painting you as the dark gloom-monger, but also you're quite optimistic and upbeat, aren't you?

Alex Evans

Yeah, I think that Malini is absolutely right to stress the importance for social networks technologies that's definitely one of my reasons to be cheerful. I think they show Clay Shirky talks about this cognitive surplus and how social network technologies can make use of people's spare time so that we can cooperate and make things happen. And I think that there's a huge appetite for that in the development context. You look at the popularity of things like kiva.org, that peer-to-peer to be a micro-lending website: I think there's a lot of that NGOs to think about. Traditional NGOs still offer very limited opportunities for participation to their members: sign a petition, give us the money, and that's about it. And I think that increasingly NGOs are going to need to put their members in control if what they want to stay relevant. So that's, that's one thing that I think is interesting.

I think secondly that the shocks we were talking about will create greater recognition of global interdependence, and that will create political space although it is going to be a volatile process. I think the third thing that matters in all of this is just narratives. I do worry sometimes that some of the narratives we use to talk about the kind of global solutions we need are quite dry. I mean, you think of the aid effectiveness discourse and the development context or when people want to be part of the solution on climate change and immediately we are talking about these very techie things like insulating your loft or installing a smart meter or whatever. And I think that we need much grander narratives, stories about global transition and how people fit into that process of moving into a more just and sustainable and resilient world. And I think there's an interesting question about where those narratives are going to come from? I mean, I think it's difficult for, for example, single-issue NGOs to talk about this much bigger-picture narrative. I certainly don't think we get this narrative from policy-makers much of the time, or from the mainstream media.

So I think that just talking more about big-picture futures is an important step towards that, but having those really resonant stories lines not just about the process of transition we are in, about how to shoot these rapids, but also that describe the pool at the other end of the rapids, those are really going to matter.

[Music]

Owen Barder

You can find those narratives at globaldashboard.org, where Alex Evans and David Steven and various other people are writing, and you can find out about Malini Mehra's work at the Centre for Social Markets at csmworld.org. You've been listening to Development Drums with me, Owen Barder in Addis Ababa. And I want to thank Alex and Malini for a really interesting discussion. Thank you to you guys.

Alex Evans

Thanks for having me.

Malini Mehra

Thank you, I enjoyed it very much.

Owen Barder

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