



## TRANSCRIPT OF DEVELOPMENT DRUMS EPISODE 11 – MOORGATE

**Host: Owen Barder. Guests: Minouche Shafik; Nancy Birdsall; Simon Maxwell; Richard Jolly; Salil Shetty; Pierre Jacquet; Frances Hill; John Clarke;**

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### **Owen Barder**

Thanks for downloading Development Drums. I am Owen Barder and this is episode 11 coming from London, where I've been at the Poverty Summit held on 8-9 March 2009. Later in the program, I'll be talking to Simon Maxwell who is the outgoing director of the Overseas Development Institute (ODI) here in London, and to Nancy Birdsall, the President of the Center for Global Development (CGD) in Washington, D.C. Before that, I will be talking to Minouche Shafik who is the Permanent Secretary at the U.K. Department for International Development (DFID) about the forthcoming British policy White Paper about International Development, and I'll also be asking some of the people here at the conference what they think.

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### **Richard Jolly**

Okay, my name is Richard Jolly. As regards development amidst crisis, I think the first thing is the ways to get out of the crisis must involve being linked with development, and this conference over the last two days has produced many ideas for that. One from the World Bank was there needs to be a shift in paradigms from the paradigm that ruled over the 20, 30 years internationally and got us into a lot of the mess but there's other ways that are much more modern. We must find ways of linking climate change action with recovery from the crisis, of course, poverty reduction focusing on the poor. As Gordon Brown said yesterday, global inequality – he's used the word global inequality more than anyone else – I think that needs to be made a major issue. It's been swept under the carpet for the last 25 years. There's all sorts of actions for redistribution with growth and they need to be discovered and applied.

### **Salil Shetty**

My name is Salil Shetty. I work for the U.N. Millennium Campaign on the Millennium Development Goals. I think the focus of U.K. development policy should be on increasing accountability of governments to citizens particularly the poorest people whether it's in rich countries or poor countries, that should be the focus, increasing accountability of governments.

### **Jing Gu**

Hello my name is Jing Gu. I am the research fellow at the Institute of Development Studies. About the future of developments studies, I have two points. First, development is not about a donor and the recipient anymore. We must think beyond this kind of relationship and we should talk about development partnership especially regarded the development issues in Africa.

Secondly, we must strengthen the voice of the emerging economies. I think, say for example, in terms of China, China's development experience is very attractive and appealing to many African countries. So we need to strengthen this kind of South-South cooperation. Thanks.

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### **Owen Barder**

Coming up in a while, I'll be talking to Simon Maxwell and Nancy Birdsall about the conference. But first, let's focus on one of the purposes of this meeting which is to talk about how U.K. development policy might change. In January 2009, the Secretary of State, Douglas Alexander, announced that the British government would publish a new policy paper in the summer about development. Douglas Alexander said



that the White Paper would set out the role of the U.K.'s international development policy in an increasingly interconnected world where our economic security, food security, national security and climate security are shared with countries in both the global north and the global south.

I spoke before the conference to the most senior civil servant in the U.K. Department for International Development, Minouche Shafik. Minouche is the Permanent Secretary which, for those of you not familiar with the British system, means that she is one rung below the ministers. Minouche, thanks for coming on to Development Drums.

**Minouche Shafik**

Thanks Owen I'm happy to be here.

**Owen Barder**

I am guessing that you are the first Permanent Secretary ever to appear in a podcast. Is that right or do you know of anyone else?

**Minouche Shafik**

I suspect you're right, I suspect you're right. We're not usually at the technological frontier in the permanent secretary community.

**Owen Barder**

Well, it's great to have you here. Let's start with why we need to have a White Paper now. There've been three White Papers on development since Labour came to power in 1997 – four, actually, if you count the White Paper on trade and development – and in the 22 years before that, there were no White Papers at all. So do you think we might have gone from having too few White Papers to perhaps having too many?

**Minouche Shafik**

Well, I think a lot of times you write a White Paper because you've changed your mind and you think something differently. I think this White Paper is fundamentally about the world changing and so many of the approaches that we had to development look less relevant in the context which is very, very different. Clearly, the global economic downturn is the centerpiece of the changes that we face but that has huge spillovers in terms of global governance, the balance of power across different countries and the debate about the nature of economic development and growth and I think those are some of the big themes that the White Paper will have to tackle.

**Owen Barder**

So are you envisaging that there will be a significant change in policy as a result of this changing environment?

**Minouche Shafik**

Well, I think that is still to be decided and what those policy changes are, are still up for grabs. I think what we've got clarity on at the moment is what the nature of the issues are, and centerpiece of the White Paper will be the theme of interconnectedness and interdependence because, if anything, this global crisis has shown us that even more than when we talked about globalization, that events very, very, far away can have massive ramifications across the planet. So in that context of interdependence, the nature of many policy solutions have to be interdependent and shared and joined, and in particular in three areas, which is what the White Paper will focus on, the nature of economic security, the nature of political and conflict and physical security and climate security. And those three policy areas are the ones that we intend to focus on.

**Owen Barder**

Part of the process of developing the White Paper is this big conference. Do you want to say something about the purpose of this conference and how it will contribute to the White Paper?

**Minouche Shafik**

Well, the conference will be actually an important mechanism for us to get lots of ideas from some of the world's experts on these themes of physical security, climate security and economic security. So we will



have a range of heads of state, prominent academics, NGOs, think tanks and others but we're also launching a public consultation which starts next week in which we're hoping to get lot of ideas from people all around the world about some of these major themes and that consultation will run throughout the process of the White Paper until we complete it.

**Owen Barder**

That will be an online consultation, would it?

**Minouche Shafik**

That's correct. We'll do an online consultation and we'll also do physical events both in developing countries and across the U.K.

**Owen Barder**

People should have an opportunity to come to an event perhaps in their country or to participate online and contribute their views.

**Minouche Shafik**

Absolutely and we would very much welcome that. I know in the past White Papers that we've done, the public consultation process has been very, very active and we've gotten lots of interesting ideas from that process.

**Owen Barder**

And the White Paper itself, you are expecting to publish that before the parliamentary recess. So does that mean about July?

**Minouche Shafik**

That's correct. That's correct. We would do it before the parliamentary recess. So some time before mid-July.

**Owen Barder**

The theme of this conference is interdependence and interconnectedness. Can you tell us how you expect these themes to be addressed?

**Minouche Shafik**

Sure. It's probably easiest to talk about the topics in the context of the three themes. So on economic security, which will be obviously a major theme because of the crisis, there will a big focus on the issue of the need for coordinated policy responses to deal with the crisis and that isn't just coordination among the rich countries who are in the eye of the storm but it's also to do with the emerging markets and developing countries who are at the receiving end of many of these shocks.

In particular, I think from the development perspective on that, we will be emphasizing issues around the importance of sticking to commitments that were made in terms of aid commitments at Gleneagles in 2005 and how those commitments are really key for developing countries to be able to weather this storm.

And second, the issue about protecting the poorest during this crisis, the poorest in high, middle and low-income countries in particular but particularly in low-income countries because they'll be the most vulnerable and ensuring that we have mechanisms in place so that the poorest countries and the poorest people in those countries are protected.

**Owen Barder**

Can I just interrupt you there? On this question of how we protect the poorest and make sure that the aid continues to flow, in a way, you seem to be swimming against the tide. The evidence seems to be already that donor have begun to cut their aid budgets. Ireland, for example, has announced to cut its aid. And it looks as if even for those countries that have not announced a cut that it's much less likely that they'll meet the commitments that they have made in 2005 for example at the G-8 Meeting in Gleneagles.



So what can the British government do to make sure that the rest of the world actually sticks to the commitments they have made?

**Minouche Shafik**

Well, I think it's very similar to the debate around protectionism in the sense that I think we would argue and what we will argue in this White Paper is that it is in the interest of rich countries to make sure that developing countries prosper and it's in our longer-term interest to make those investments in development so that they do prosper. And just like with protectionism, in the short run, you may have the illusion that you are looking after your own self-interest, in the long run you're doing yourself in. And I think we will make the same sort of case for development assistance.

**Owen Barder**

The second form of security is around climate change, is that right?

**Minouche Shafik**

Yes, that's right, that's right and there too it's quite obvious. You need a global solution to this and you need a global solution which is around getting, creating clean development paths for especially the big emitters and giving them options so that they can mitigate more cheaply. But you also need a compensation mechanism so that the poorest countries can finance their adaptation. They are truly the victims of this phenomenon.

Now of course again, you will probably accuse me of swimming against the tide because this is a very tough time to be asking people to make investments in climate security which will. There are some which will be low-cost like energy efficiency and will actually generate returns very quickly. But there will be additional costs in the short run until we develop technologies for clean growth. But again, I think the case we'll try and make in this White Paper will be to show that in the long term these investments have very high returns, the costs of not addressing climate change, not just for the Bangladeshes of the world but also for the U.K.s of the world in terms of unpredictable climate, unpredictable weather, flooding and huge kind of economic costs from that will be significant and we'll try and quantify those and show how it's in the interest of both rich and poor countries to come together for a deal that is seen to be fair and effective for dealing with climate change.

**Owen Barder**

And then the last theme you mentioned was food security and conflict prevention, right?

**Minouche Shafik**

Yes, that's correct. And on that theme it will mainly focus on the risks of conflict and conflict spillovers. The nature of conflict has changed. The sort of 19<sup>th</sup> century interstate warfare is fortunately in many ways becoming a thing of the past. And conflicts are now often within countries and around border areas with spillover effects. One thinks of a country like DRC [Democratic Republic of the Congo] whose conflict has infected Central Africa and undermined stability and prosperity in that part of the world for a very, very long time.

**Owen Barder**

Once again it feels as if there's a risk of swimming against the tide here. There's something of a mood against interventionism, isn't there? A feeling that our experiences in Iraq and Afghanistan have made many progressive people question the wisdom of getting involved in other people's conflicts and if not quite knowing how that will end.

So what kind of policies and strategies are we going to be able to look at for the development community that address conflict but without this uncomfortable sense of interventionism?

**Minouche Shafik**

I think it depends very much on the nature of the intervention. I think we would all agree that we have all underinvested in conflict prevention rather than ex post dealing with the mess. So I think you'll probably





Gleneagles commitments, and that view has changed. People now see that there are very strong transmission belts between the crisis in developed countries and the crisis in developing countries. Growth forecasts have come down almost every week. Numbers who are going to be driven into poverty have gone up every week. But what was really important about this conference was to see the way in which the U.K. leadership at least has put the development question right at the center of its response. And I think anybody who was in the room when Gordon Brown spoke and can watch it presumably on the website, that DFID will have for the conference, would have seen a person whose body language and moral and emotional commitment were absolutely evident to everybody. And he talked about development being central to the G-20 meeting and the importance of not losing momentum on the MDGs and many people found that inspiring, I did. And I think we can do something with that.

**Owen Barder**

Let's start by looking at the impact of the financial crisis on developing countries, because when it began people were saying well, it's banking crisis, it's a credit crunch; it won't necessarily affect developing countries directly and might impact on investment but there isn't all that much direct investment in developing countries, so maybe it won't have a big impact. But I think now people are beginning to say that there is an impact of, for example on exports from developing countries, perhaps on prices, perhaps on remittances.

Nancy, do you think that the financial and the economic crisis is having a serious impact in developing countries?

**Nancy Birdsall**

Oh, yes and I think it's – we're only at the beginning of an unfolding series of effects. In the middle income countries where many of the world's poor reside, there is – we've seen already in Eastern Europe in the transitional economies a round of effects because of their difficulty in dealing with their debt problems and their currency problems in the face of the crisis.

The ILO [International Labor Organization] has estimated that 50 million jobs will be lost, the World Bank recently put out its estimate that 50 million people will move back into poverty that had risen above the poverty line. There is going to be – I think the way to think of it is that it was a financial crisis that became an economic crisis in the rich world. That's now becoming an economic jobs and social crisis in the developing countries.

**Owen Barder**

So what we've got with both climate change and with the financial crisis is a sense that this is a crisis that they did nothing to contribute to and which they're at least bearing some of the pain, or in the case of climate change, most of that pain of at the moment. And are we in that situation with the financial crisis they will be more affected by financial crisis than people in rich countries or they'll share some of the pain?

**Nancy Birdsall**

Oh, definitely they will be. I mean, in a welfare sense people in developing countries will be more affected. That is always the case with – there is a kind of asymmetry about the way the globalization process works, right, that the closer you are to poverty, the more vulnerable you are and that's true for countries and it's true for people.

I think what's changed in addition to the point that Simon made includes this interdependent – the reality of the interdependent striking home in an asymmetric way. What was interesting to me at this short period of time that I was here at the conference was the sense of injustice and unfairness that was expressed by a lot of the people who are participating in the conference and some of the speakers. And that goes right back to what you were saying, Owen that there is something about the financial crisis and the other global crisis of climate change which really brings out this asymmetry and who pays, who's benefited from globalization and who's now paying for what you could call the downside of the excesses of globalization?



**Simon Maxwell**

Just let me add one thing on what it means to be poor and about the way in which the ratchets work. Because it isn't just the case that your income goes down temporarily and then goes up again and nothing else has changed. People sell their assets. You might make your living with a donkey cart. There's no food in the house, you have to sell the donkey cart. You are noticeably worse off after the crisis than you were before. Children whose nutrition is damaged by lack of income in the household are damaged for life. They will grow less tall, they will have lower productivity, they will learn more slowly, they will become more sick, they will have diseases which don't hit them until they are middle aged or older and they will often pass on those infirmities to their children. And that's why one of the things that came after this conference to me was the sense of urgency. And when Douglas Alexander spoke on the first day, he started, he launched the conference by talking about the sense of urgency. And when Gordon Brown spoke in New York a month after becoming Prime Minister, he declared the development emergency because we weren't reaching the MDGs. Since then in the 18 months that have followed, we've had much better awareness on the dangers of climate. We've had the financial crisis and now the recession. Security has not got any better in some parts of the world like Darfur. So emergency on top of emergency and it has very long-term human consequences.

**Owen Barder**

I think that critical point that the temporary impact in a rich country you might lose your job. It's temporarily a serious problem for you, but it isn't going to consign your children to poverty in a way that you get these downward shocks for somebody in a poor country can bring a step change downwards which means that they and their children will be in poverty for generations.

**Nancy Birdsall**

Yeah. We have tremendous amount of evidence for that from Latin America which for decades has suffered a series of localized shocks. The one that I remember best is that in Mexico after the Tequila Crisis in the mid-90s, there was a high dropout rate for children from school and subsequently many of those children did not go back. So that was the case of stripping a future asset just as Simon was saying.

**Owen Barder**

Now that brings us to a kind of rich set of questions about institutional response because one of the things that happens in this kind of crisis if anything is that the rich countries are interested in cutting aid spending. So you have a pro-cyclical effect that the rich countries feel that they can't afford development assistance: "charity begins at home". They have got a crisis at home, so they actually – that exaggerates the effect in poor countries. Far from – we don't have a system like that we do in our own countries where the money comes in almost automatically. There is no safety net.

**Nancy Birdsall**

Automatic stabilizers.

**Owen Barder**

Right, there's no automatic stabilizer in the global economy and that comes in a way, Nancy, to your point earlier about the lack – there's no global polity. There is no system of global social justice that's there to catch people when they fall into that situation. But Simon you were saying early you kicked off this discussion by saying that what is striking about this conference and about the body language of the ministers is the sense that the needs and the interest of developing countries are in the conversation. But is that just in this room? Is that just with the couple of hundred people gathered here in the city of London? I mean it seems to me that the other 19 members of the G-20 probably don't see it that way.

**Simon Maxwell**

First of all does everybody in the U.K. see it that way? Let's start with that. And it is very important that Gordon Brown and his ministers are so strong on keeping development at the forefront and at the public mind in the top of the agenda and people said during the conference very interestingly, you know, in the 1980s when we had a crisis, it was actually the poorest people in the U.K. who were the most generous supporters of charities that are working in developing countries. Bob Geldof said apparently that in – during – we had a big miners' strike and it was the miners who'd has just been on strike who obviously



themselves had been going through tremendously difficult times as families they were the ones who were putting money into the charity boxes. But I think it has to be – it's a story, it has to be told and the point of that political leadership is that you don't just wait for what the newspapers tell you to do. You go out and tell a story and you win people over. And that's what doing politics is about? Now, will it happen in the G-8 and the wider group of donor countries is a very important question. Even before this crisis we were something like \$30 billion that was 25, 30% below what had been promised for 2010 and we know who the people with falling or inadequate-type budgets were, Italy was one.

**Owen Barder**

Italy, France, Germany, Portugal.

**Simon Maxwell**

Japan, France, Germany, now some of them have made promises.

**Owen Barder**

Ireland.

**Simon Maxwell**

And the NGOs are focused very much on using the G-8 meeting in Italy in the summer as a way to come about and make sure people reiterate those promises. But promises are one thing actually putting money into budgets is another and even if countries provide the money will it for tied aid which is the second best aid? Will it be in the form of loans rather than grants? Will it be tied up in all sorts of conditionalities that are not very helpful to developing countries? Countries have no fiscal space. They have – the most vulnerable countries...

**Owen Barder**

Simon, just to explain it: countries have no fiscal space means that if you are a very poor country you don't have enough money to make discretionary decisions about increasing spending for people who are vulnerable, for example, because you just – where are you going to get the money from? You haven't got any tax revenue and you can't borrow it.

**Simon Maxwell**

... and your public finances are probably getting worse as a result of the crisis and your balance of payments are deteriorating as a result of the crisis. And so that's why they need these transfers and they need this support.

**Owen Barder**

Nancy, how did this sound to you flying in literally overnight from America? I mean did this sound like a conversation that you could imagine – I mean are there people having this conversation in the States? Did this seem like its completely different perspective, a completely different take on the world's problems?

**Nancy Birdsall**

Yes and no. I think there's a tremendous amount of discussion in development and in international economic circles in think tank land in Washington, D.C. about the – on the positive side the fact that there is a G-20 club that seems to be taking shape now at the head of state level. And so the idea is that the creation of a G-20 club is extracting something positive from the problems that the crisis is preventing and that it represents more legitimacy, more representation of more countries and it also captures the idea that we need the Asians and the Latins at the table as much as they used to be seen as needing the rich, the traditional donors and the rich countries at the table, that there is a new world in aid *per se* that includes the big foundations, it can include China, it does include China in some sense, it can include the oil economies, it can include the corporate sector. So I think that's one way in which there is a similarity.

On the other hand, what struck me is hearing about and I've heard Gordon Brown speak before, this emphasis on our common future, I like the title of the conference *Securing Our Common Future*. The discussion of development in the U.S. hasn't reached that level, in part, because there hasn't been





leadership and there isn't a focal point in the U.S. administration and there hasn't been ever any institutional base that looks anything like what DFID represents in the U.K.

So the only thing that struck me about the afternoon that I spent here is and looking at the overall agenda, it's not just about aid and at the Center for Global Development in Washington we have been pushing that message very hard that Development should be seen as much more about all these other mechanisms by which we are dependent upon each other, rich and poor worlds and middle-income countries, and much more emphasis on the global challenges that need to deal with the global commons problems like climate change, but also illicit drug trafficking, sex trafficking, all the things that are the downside in a way of globalization which has its benefits but now we are living through with the downside.

### **Simon Maxwell**

Nancy and I'll agree on the following that the G-8, which is the seven rich countries plus Russia, has been an important club that suffers from the problem that there are many people excluded from it, particularly the large powers in Asia, South Africa, Brazil, so. And furthermore actually the G-8 doesn't do anything other than issue a communiqué which then passes the baton onto someone else in the WTO or in the UN or in the World Bank. So, something needs to change in that governance structure. And how would we set about designing a new governance structure? We have some principles; we want universality in some respects. We'd want legitimacy, we'd want accountability, we would want effectiveness and efficiency. And the problem is that if you look at the current range of institutions available to us, none of them meets all those different criteria and in particular we have a set of institutions which do have universality, legitimacy, accountability which are mostly within the UN context, not the G-8, not the G-77 but the G-190 something which is the universal membership of the UN.

But certainly on this side of the discussion around human development and economic and social policy, the UN has not done well and ECOSOC in particular is known to be a very problematic body. So if we had said, we have a global financial crisis of the like we haven't seen since the 1920s, come in, open the door to ECOSOC, what should we do? We'd gone absolutely nowhere. So we needed the G-20 because it is the body which doesn't have legitimacy and accountability and universality, but does have efficiency and effectiveness.

Challenge then, if to use that body as a platform to bring in the people who are not at the table, the Burundis, the Surinames, the Switzerlands, the many of the countries, and to make sure that the G-20, which is very influential, takes the lead in the reform of the international system more widely; so my dream if you like is that we could open the door on ECOSOC and there would be a really good discussion and there would be action and it would be accountable and quick. But we are certainly not there yet. The question is, is that just a hopeless dream or is there a way in which we can use the G-20 as a platform?

### **Owen Barder**

And do you continue to buy the basic building block of this which is that member states, the Westphalian notion of the state gets together in a supranational organization like a G or the UN or something and is represented at the level of the state. Or do you think that we need a more – a version of democracy, a polity that is about – that has a more direct relationship with the citizens? Do you buy the kind of basic model that we're working with which is the U.K. and the U.S. gets represented?

### **Nancy Birdsall**

Let me jump in here. I think that – what I'd buy is the idea that we need a kind of – maybe the hodgepodge almost of clubs of nations and institutions that are truly global. So, the good thing is that at the club level, which is not an institution, it's just meetings at the head of state level, amongst clubs we have gone from – we think we're going from G7 to G-20. It's quite disorderly and in fact something like 26 or 27 countries who will be represented...

### **Simon Maxwell**

It's not 20, right, and plus international organizations and various others.

### **Nancy Birdsall**



...and way too many European countries given that Europe also has the EU there. But so that's one thing. Now the second thing is that even that club, as Simon has suggested, as Ngaire Woods suggested today at the conference, is not fully representative or a legitimate or democratic because it doesn't have the low income countries, it doesn't have any revolving constituencies at the regional level.

I want to mention at the club level. A very interesting paper, that's on our website, by the Vijaya Ramachandran, what they propose, what she proposes with her co-author Enrique Rueda-Sabater is a 2% approach. Namely that there should be a club that is made up of countries, yes countries, sovereign states that have either 2% of global GDP which will make them effective because they will have economic power, or 2% of global population which will help make them representative of most of the world's people. And they find 16 countries that make up this group and then they say there ought to be a regional representation of other constituencies that are not included in this group. So, that's going back to first principle so that effectively...

### **Owen Barder**

Are you still working within the framework of the nation states being represented?

### **Nancy Birdsall**

That is still the reality we need to live with. We need to work that more nation states are democratic and representative but in the meantime, we might as well work on making at the global level something that's more democratic and representative.

### **Simon Maxwell**

This is a long-term transformation of course. This is not going to happen certainly at the G-20 in April in London but I think – and it is an industry, I have a library, I am sure Nancy does, I'm sure you do, Owen, of proposals and formulae and so on. But as we think about this, the EU doesn't offer a bad model and the way in which the European Union has moved in a number of different ways. It's become more democratic because the European Parliament has acquired greater influence over policy. There's been a long and complicated discussion about how to represent small versus large countries in the EU, and we have a system, Qualified Majority Voting, so then you have to have a certain threshold before decisions can be passed.

And the Lisbon Treaty, if it is agreed later in the year, we'll make that a little bit more sophisticated. When it comes to the aid relationship, the Cotonou Convention, which is a convention between the European Union and the countries of the African, Caribbean, Pacific groups, 76 or 77 of them. I am not a great enthusiast for the African, Caribbean, Pacific group actually, but the Cotonou Convention has in it statements of principles, arbitration procedures and political oversight through a joint council of ministers and a joint parliamentary assembly. So, on the Cotonou Convention, which covers aid and trade and political relationships between the EU and this group of ACP countries, there is an arena in which political accountability through the voices of parliamentarians can be expressed, and I think that's a good model.

There is a lot to talk about changing that and moving the money into the European Union budget. I have been very insistent that we should try to retain that political accountability in the system. So, of course, you are right you can't simply have a United Nations based on member states which range in numbers from 1,500 million to half a million and in GDP from whatever the U.S. economy is, is it 13 trillion, that's down to 14, down to some millions, and expected to work in the same way that the Village Assembly works.

### **Nancy Birdsall**

I think let me add something on this issue of the clubs, which is that we also need we – I think the world benefits from having these clubs and they will be shifting and changing and that's natural, but what's really problematic and what really needs to be fixed is the institutions which the G-8 as a club steered frankly. I mean the G-8 always met and will probably meet again informally the day before the IMF and World Bank meetings. The G-8 in some form was always in the background with the Security Council, big Security Council issues at the United Nations because that's where the power was. Now that power is more distributed with rising Asia and so on, that change has to be also reflected in the institutions and institutions



matter because they capture the rule – they embody rules that create more long-term commitments. Countries that are members of institutions have to play by those rules.

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**Pierre Jacquet**

Good afternoon. My name is Pierre Jacquet, I am the Chief Economist and Head of Strategy at the French Development Agency. Well, I think the whole job of Development Finance Institutions has changed dramatically over the last few years. We are now confronted with the series of issues that require real global collective action in which both North and South are going to be prominent actors and I see the role Development Finance Institutions are being a sort of currency to create this collective action. So, it's no longer only about poverty reduction, even though that remains of course very important. It's no longer about providing growth, but it's about creating the sort of collective action behind global public goods, fighting climate change, adapting to climate change, fighting global pandemics, preserving biodiversity, and that change is totally is a kind of action that we can have as Development Finance Institutions in the field and it changes out role from providing finance, to using finance as catalyst for more global action.

**Frances Hill**

Hello, my name is Frances Hill of the Development Studies Association, and the views I am about to express now are mine, not the DSA's. It's in the light of the panel that we've just seen on violence and conflict. There are an awful lot of men on the panel, one woman, and I'd just like to make two points, but, if there were more women in positions of power that (a) the financial crisis on Wall Street would never have happened because women would be more responsible with other peoples' money, and(b) there would be fewer conflicts in the world.

**John Clark**

My name is John Clark, I was formerly with the World Bank, but recently left, so I am now independent. I think in – as DFID develops new policy, I think two things should come forward, .one is more of an emphasis on issues of crisis, issues of insecurity, the spikes, because it's the poor people who particularly are hit by the spikes, so much more attention to not the aggregate issue but controlling issues of security for the poor.

The second thing is that, I think, so much of development systems assumes a relationship to a rich country and a poor country, and that there should be much more focus on helping developing countries to work together, trade links within Africa, investment – getting investment flowing not from China to Western Banks and then back to developing countries, but getting investment flowing from Southern countries to Southern countries.

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**Owen Barder**

Let me move on to the development agenda, because part of the purpose of this conference was to ask what the development agenda is in the light of the financial crisis and particularly, there's been a sense here, I think, that there is an opportunity to redefine what we mean by the development agenda. Although it seem strange to talk of a financial crisis as being an opportunity, and of course, there's a potential massive threat to the development industry, which is that people are going to – might well say that aid is something they can't afford at this time, and that we need to look after ourselves rather than the rest of the world, but there's also a huge opportunity here.

Can we come to, what your sense is of whether there is an opportunity, and then so what it is that if you are in the British Government, you would be writing down in this White Paper or what it is that you think that the world system should – and given that we have got a new American administration, what their development policy should look like? Simon?



**Simon Maxwell**

You have to work from the outside in. The institutions are endlessly fascinating ... we have to start with the real world, real people. I think there is a tendency to let the financial crisis dominate the discussion and exclude almost everything else, and in this conference, the first day was almost entirely dominated by the financial crisis. The financial crisis is really serious, make no mistake about that, but we have had financial crises before, and with the right actions and the right length of time and money, we will solve it.

And if you look at the Asian financial crisis, which is the most recent one we had, there was a rapid pace of growth in Asia, there was a sudden marked dip for one, two, three years and then growth resumed. And so, I think that, although we need to protect the poorest and so on, let's not think that we are going to be mired in the recession for the rest of our working life. But it is a game changer, because it makes us think very carefully about how we handle risk, about how we regulate the economy, about issues to do with – engaging with the new globalization, but if any one other things that we have to be struggling with, we had some very good sessions with this – we had a very good session on this conference on climate change.

The Secretary of State to show energy and climate change, Ed Miliband and Professor Nick Lord Stern, or is it Lord...

**Owen Barder**

Professor the Lord Nick ....

**Simon Maxwell**

And it resonated with me, because we have been running a series of meetings in parliament at ODI which you can find, by the way, on our website, and we've had a number of scientists come in who have been unequivocal, unequivocally alarmist, if you remember the Stern Report and indeed a lot of the Copenhagen - the UN - framework on climate change discussions have been framed around the idea that if we take action now, we can hold global warming to two degree centigrade, which is serious but manageable. The scientists have been telling us, and these are respectable scientists using UNFCCC science, that there is no way that we can hold global warming to two degrees, they are talking about four degrees, even six degrees.

Global warming at that level means mass migration, it means mass extinction of species, it means the whole of Southern Europe turns to desert, for example, and I am shocked actually, by how difficult it is to get the development community to take change seriously, it's true in my own institute, and I didn't know that Nancy has the same observation, you get climate change specialists, and then you say to them look we need to mainstream this, this need to – you're working on poverty, it's about climate change, you are working on international trade, it's about climate change, you are working on humanitarian relief, it's about climate.

Let's make it mainstream, and we know how difficult it is to mainstream topics. We had it with gender, we had it with poverty, we've had it with food security, but there is absolutely no time to waste, there is no time to waste, I think. So, put these things together, the financial crisis, lots of other long-term changes which we discussed in the background, paper for the conference, which is also on the DFID website, and climate change. I think development will not be the same again, and that is the challenge which, well, we need to take much more seriously than we have so far, and that's why the White Paper needs to be about.

**Owen Barder**

There is a link on the Development Drums' website too ODI's excellent background paper for the conference which you can find at [developmentdrums.org](http://developmentdrums.org). Nancy, what was your take?

**Nancy Birdsall**

Yes, I think that it's an – this is an opportunity to change the development discourse or the narrative and to focus much more on interdependence. That the financial crisis, the economic crisis is bringing home the reality of interdependence, including in the U.S. and I think in Europe, certainly with China, for example, but more generally, with the rest of the world, I mean, the reality that securing our common future is about protecting even the prosperity and security of people in the rich world.



In a system in which – what happens in developing countries obviously matters, it matters when there is conflict, it matters because the developing countries, by the way, on climate change, they are being – they are the victims in some respects, but it's also true that they have to come to the table and also deal with the issue. What we have is evidence from the – looking at the numbers, but if there were no north, if there had been no greenhouse gas emissions from any countries in the so-called north, then what is happening in the developing world would accumulate by 2025 to your two to three degrees increase – yes, to where we are now. So, China knows that, India knows that, they are beginning to engage, it's one type of interdependence, there are many other types of interdependence, and I think, my sense from the conference and what I've heard about what's planned in the White Paper is that it will be much more about these common interests at the global level, which coincide very directly with what I would call or what we used to call the development agenda.

I think, the other thing that's coming out is that development – and we have to convey this to citizens and tax payers in the U.S. and the U.K. also, it's not just about some paternalistic transfer of charity from rich to poor world, it's much more about working together to secure a common future, in which what happens to these five out of six or more people in the developing world is going to affect what happens to our children and our grandchildren.

**Owen Barder**

But it seems to me we are on a balance between two different stories, two different narratives, in the jargon. One is, look, what happens in the poor world affects us, what we do affects people and then we have to figure out some system that balances and arbitrates between these different interests and concerns, and that's one version of – we need to build our common future. The other version is, you know what, we live in a global society that – people in rich countries also care from a moral perspective because we are all part of the same global village, that there's a kind of moment here why people are saying we care for people beyond the boundaries of our nation state, and some people will try to make that a second argument. It's not obvious to me that there would be a huge consensus for that beyond a couple of hundred people here at this conference.

**Simon Maxwell**

We commissioned a small survey with the NGOs on British public opinion in the summer last year and if you ask people do you care about international development then part of them say yes. If on the other hand you say what you really care about? They don't mention international development and poverty, they talk about the national health service, education, the state of the roads, whether the dustbins are being emptied and so on. So we're trying something different in this survey and you can get any result you like with a survey but we asked people here is a list of international problems that might affect your personal welfare, migration pressures, drug trafficking, disease, epidemics.

**Owen Barder**

Climate change.

**Simon Maxwell**

Climate change, deforestation, three or four others: do you think these are important problems or not? They all said yes. And then you say to them here is a list of the instruments the U.K. government has in its attempt to deal with these international problems. The army, navy and air force, foreign policy aid. How important do you think these instruments are? And of course you construct the argument that way, you get strong support for aid. So I think that is the kind of argument. You need to make both arguments. I think we must not walk away from the moral argument. The ministers have been clear about that. But at the same time we can make the instrumental argument. Now, the point about the instrumental argument is that it leads you in a slightly different direction as to how you spend aid because you can't say we think aid is really important because it is going to help us to deal with say drug trafficking. But by the way we're going to spend it all in some place where there is no...

**Owen Barder**

... right: reducing infant mortality.



**Simon Maxwell**

So you have to be honest with the public. Can I just – while I'm speaking let me just say one other thing I want to say to Nancy, is that and it's relevant to your point about the 200 people in the room. We take development very, very seriously. Here we are four months after the election and two full months after the inauguration. Our President – that we all admire enormously and who makes me cry every time I listen to him because he is so moving and so powerful – where is ... where are the development appointments that are going to lead? Where is the policy that is going to put into practice the kind of vision that he laid out in his inauguration speech? They're very slow, aren't they, in getting the act together?

**Nancy Birdsall**

Yes, but it's hard to say that they are slow on development relative to other issues. I mean, there is no sign that development is being shortchanged yet compared to appointments of the Treasury, Department of Treasury and the Department of State other than at the top level, this is a function of the way the U.S. government operates as a presidential and not a ministerial or parliamentary system.

**Owen Barder**

It takes time to...

**Nancy Birdsall**

So that's one thing. So we can't say that there's a lack of commitment at least in principle to development based on the slowness of the appointment process. However, it is also true that we don't have in the U.S. system a point person on development. Simon, you said that the question on instruments in the survey was do you use the military instrument or the diplomatic instrument or aid? The way I think of it is and we put this in our book from the Center for Global Development on a global development agenda for the next president: foreign policy should have three legs – defense, diplomacy, and development. And there is really nothing like a development leg in the U.S. system. There's a U.S. aid program, there's a couple of other aid programs. There's no necessary – there is no person at the table bringing a development perspective to the discussion of the climate change legislation in the U.S. bringing a discussion of development to the way we deal with trade issues, the kind of thing that Evelyn Herfkyns mentioned this afternoon. So that's really a key issue in the U.S., is – will there be anything that looks like DFID [Department for International Development]? Will there be anything that looks like support for the development agenda?

**Owen Barder**

Can we pause on whether DFID looks like DFID in this respect? I mean, because we've often talked about DFID turning from being an aid agency to a development ministry. But I wonder Simon whether you have a sense of how much that transformation has moved on from the rhetoric to the reality? Do you think when that seems to be on something like trade they've got very stuck in, but there are lots of things where it's not so clear?

**Nancy Birdsall**

But can I answer that question from the perspective of someone from outside. I mean, maybe it's not ideal but doesn't this conference represent in a way, in the agenda items, the reality that DFID is more than an aid agency. There was discussion of ...

**Owen Barder**

Because we are talking about the decisions...

**Nancy Birdsall**

...food security, presumably discussion of food stocks, food prices, discussion of climate change was here, discussion of the multilateral institutions in the U.N.

**Owen Barder**

Conflict.



**Nancy Birdsall**

Or conflict fragile states. Well, that's closer to what we think of still as aid in the more conventional sense, but it may seem to you from close to it that it's not fully adequate from outside, from the U.S. perspective, it's very close to a model.

**Simon Maxwell**

I think there are a lot of things to say about this. The first thing I want to say is that it is true that the Labor government, when it came into power in 1997, made a very important statement of intent when it changed the name and created an independent Department for International Development and it gave the minister, who was then Clare Short, access at a much higher levels in that system and she would have done had she be lost somewhere in the foreign office. And we've seen very strong relationships develop with the people who do trade in what is now called the Department of...

**Owen Barder**

... Business Enterprise and Regulatory Reform ...

**Simon Maxwell**

Business Enterprise and Regulatory Reform, where there's a joint minister. In fact Douglas Alexander's deputy, the Minister of State, Gareth Thomas, is a joint minister with effectively the Trade Ministry which is very important. We've seen very close relations with the Foreign Office and it was very good that David Miliband, the Foreign Secretary, came and spoke over drinks yesterday at this conference and close relationships with the climate change minister which is Ed Miliband, David's younger brother. But I think it is also easy to create a story in which everything was wrong before 1997 and the fact of the matter is that most development operations in the world would be better than they are now if they just look like ODA did in 1997. (ODA is the previous name for DFID.) One strong focal point for all the aid expenditure working closely with the Treasury on debt and other things as opposed to the United States system where the aid budget is disbursed through at least a dozen different agencies in Washington.

**Owen Barder**

More than 25.

**Simon Maxwell**

Or the system in many European countries where one bit of the government does the multilateral, another bit does the bilateral, and often another bit within that does the loans.

**Nancy Birdsall**

Well, that's true in the U.S. as well.

**Simon Maxwell**

And so actually just to get to ODA in 1997 would be a good start for the Americans and for quite a lot of others. And then we can start to tackle the questions that Owen asks and they are quite difficult questions because you have to ask, what exactly does DFID have to say about foreign policy in Afghanistan. I think you can be a voice, you can be an advocate. But you don't necessarily have the levers of power in managing these joint relationships. A lot depends on trust, on joint committees, on some joint funding arrangements like the stabilization funds. Owen, you've been a civil servant, you probably have a much better sense than I do and you've been in Downing Street as well as in DFID. You have probably a better sense than neither Nancy or I do about how effectively the transformation is working?

**Owen Barder**

Well, I think we – I think even DFID's strongest advocates, of which I guess I'm one, think that we could do more. And I think what we're hearing in the conference today is that there is almost no issue from banking regulation to immigration where there isn't a development angle that needs to be expressed in the debate. That doesn't mean to say that the development angle should be the dominant decisive factor in determining British government policy but it needs to be present. And I think the question you asked, Simon about what's the power? What's DFID's offer? It is not about spending money where DFID clearly by-and-large has control over the money for aid. What is it that DFID brings to those conversations? And



there has to be, in the end, partly its analysis and its evidence and its experience and its ability and willingness and mandate to speak for the long-term British interest in reducing poverty.

### **Nancy Birdsall**

I think that actually that's a very good way to put it: that as a development agency we could really benefit in the U.S. from a voice at the table that brings the long-term perspective. The example of the mistakes that have been made is actually in the U.S. case in conflict-ridden countries in Iraq and Afghanistan where there wasn't a development – there were not development professionals engaged in doing what we would call state building and development work where – the military filled the vacuum and tried to do some things. But we have a situation in the U.S. in which billions of dollars were spent on building infrastructure that is – was not right and is not going to be maintained in sort of helicoptering in literally bricks and mortar without any discussion about partnering, about ownership, about the role of participation, about what people in the communities wanted, which development professionals would have brought. So it could be a lot worse.

### **Simon Maxwell**

I am allowed to do some publicity, not for myself or ODI, but for the debate between Ashraf Ghani who was the Minister of Finance in Afghanistan and Andrew Natsios who after the invasion was the Administrator of USAID. And Ashraf Ghani as people will know, has written a book with Clare Lockhart called *Fixing Failed States*, and I strongly recommend a review of that book by Andrew Natsios and Owen. I will send you the link and you can put it on the Development Drum's website. Exactly on these questions, Ashraf is very critical of USAID, the huge leakage of money between the initial grants and what actually got down to the villages, incomplete schools and so on. And Andrew provides an interesting but not taking sides an interesting rebuttal of those arguments, how to do development. And the British military we hear on the grapevine is pretty critical of DFID in Afghanistan because they feel they are being exposed and left to carry the burden in Helmand and I am sure that DFID will have its own view or not, very difficult to do development where there is insecurity.

### **Owen Barder**

So let's move on some positive, so we have got this idea that now is a moment to rewrite the rule book that we need to think of not just aid but development. So what is it that you would do that would be different from before? What are all these things that we can do in the current situation to take advantage of this opportunity? We understand global interdependence. Nancy what would you like the Obama administration to do in the United States?

### **Nancy Birdsall**

Well I had a list of seven policy fixes or seven steps that I'd like to see the Obama administration take on the development agenda. I don't know if I can reel them all off.

### **Owen Barder**

Why don't I attach them to the website, but what are the key points here?

### **Nancy Birdsall**

Yeah, some key points are:

- First, reorganize, overhaul foreign assistance programs, so that they are not so fragmented and give the Secretary of State, Hillary Clinton, a mandate to do that.
- Second, that President Obama himself be a champion for development, writ large in all its broad sense securing our common future particularly with the Congress and the American people, because in our system if you don't have Congress coming along, you don't get anywhere.
- Become more multilateral which I think in principle is on the agenda of the Obama administration. I think there is some concrete symbolic steps that as a start they could be taken on peacekeeping, that the UN being more fully supportive, the UN itself being more fully supportive by the administration with the American people
- Reform of the governance, particularly the leadership selection, at the Bretton Woods Institution, the IMF, and the World Bank.





- Do climate change legislation so that when the U.S. goes to Copenhagen, it's clear the direction that will be taken. There is a very big risk if that legislation doesn't get largely shaped and widely discussed before the Copenhagen meeting in December that the Obama administration will be in the awkward position of trying to sign on to some understandings at Copenhagen and then going back to Congress and as happened with Kyoto being pushed back. This has to be discussed – this – that whole issue of climate change.
- Do duty free, quota free access for poor countries make it permanent, or make a clean start on the tremendous spaghetti of preference programs for poor countries. Do that as a development initiative; don't call it a trade initiative or a free trade initiative. Call it a development initiative.

Those are a few of the items...

**Owen Barder**

I think, Simon, what and how does that – does that sound to you like enough of a response to this if Britain did the same?

**Simon Maxwell**

Just before we leave United States, I would really hope that you could reduce the level of earmarking that takes place in the U.S. system and that really means Congress thinking differently about development cooperation.

**Nancy Birdsall**

Oh, I mean overhauling foreign assistance programs and having a development perspective and a point person in the administrative part, in the executive part of government includes completely changing the committee structure. There are at least 25 committees on the authorization side, and what we call the appropriation side, that have some hand in some aspect of this development agenda. So yes, Congress has to be and the earmarking is just a symptom of that Congressional confusion.

**Simon Maxwell**

As far as the U.K. is concerned I mean, we are going to be issuing a 12-point program for the G-20 which I want to cut it down. It will certainly have something to say about the need for fiscal stimulus and about how much channeled and the return on investment in developing countries. As far as the developed countries are concerned, we are very enthused about the possibility of building out social protection on a much wider scale and using this opportunity to do that. And I share Nancy's call for more multilateralism and for reform of the institutions and not just how the presidents and chief executives of these organizations are elected. We don't think a Doha deal is the urgent priority in 2009, because we think it's going to be very difficult to achieve. Actually the G-20 has lost some credibility because in its communiqué from the last meeting in Washington, it called for a Doha deal I think by the end of the year and didn't deliver it, and that's partly because of who's in the room and the fact that there is an ongoing process, but we do think there are several things that need to be on the trade agenda including avoiding protectionism. We are worried about the *Buy America* provisions in the fiscal stimulus package and the rhetoric in some parts of the U.S. administration. So, avoiding protection, aid for trade, helping countries to engage in trade and we have a number of other things which will become public. So watch our website and then we need to be careful that the G-20 is a bridge, and the G-20 agenda becomes a bridge to the longer-term development agenda and – we had a conversation at the conference about the MDGs ...

**Owen Barder**

... that's the Millennium Development Goals ...

**Simon Maxwell**

... the Millennium Development Goals, and I will tell you what I think about that. I think that of course it's good to have objectives and the MDGs have served a very, very powerful political function in focusing peoples' minds but they look to me to be a little tired and perhaps we don't whisper that outside the corridors of the development business. But I do think that – I do think that we have to – if everything is changed as I argued earlier on, we need to be thinking about how we are going to restructure the whole development enterprise and I have my list of seven transformations which I won't read out for you, but



which will be in the record of the conference. We have to start with values and with what kind of world we want to build and I am passionate about the global social justice as a concept about environmental sustainability, about mutual accountability, and governance as being core principles around which we can build a new conversation and there is lots to say about the MDGs. Poverty for example measured in income terms is extremely powerful, but is incomplete and we need a different way of conceptualizing human development that will drive the conversation.

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**Owen Barder**

So, thank you both very much for joining me on Development Drums, Nancy Birdsall from the Center for Global Development and Simon Maxwell from the Overseas Development Institute. Did I say it wrong number at the beginning?

**Simon Maxwell**

You didn't.

**Owen Barder**

I got it right. Thank you both very much and Simon thank you for being the first person to come back on Development Drums.

**Simon Maxwell**

Hope it wouldn't be the last time. I enjoyed it very much. It's a pleasure to see you both.

**Nancy Birdsall**

Absolutely Owen ....

[Music]

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