

Perspectives on Global Development **Rethinking Development Strategies**

Mario Pezzini

Director of the OECD Development Centre and
Special Advisor to the OECD Secretary-General on Development



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Introductory Note by the **Executive Director**

Over the span of five years, CPD has maintained the tradition of hosting Anniversary Lectures each year, starting from 18 November 2014, as part of its celebration of two decades long journey. Inception of the Annual Anniversary Lecture started with Professor Louka T. Katseli, former Minister of Greece and former Director, OECD Development Centre, Paris who delivered her Lecture on the theme of *Recent Fiscal and Labour Market Adjustment Experiences in Europe: Lessons for the Low-Income Countries*. The eminent personality drew attention to the use of global financial system in policy-making which does not serve the national interest because of absence of regulation, incentive and effective oversight. The lecture elaborated on the austerity policies prevalent as a consequence of Greek economic crisis and emphasised on shaping and implementing a domestic transformative strategy and build effective partnership globally.

The successful out-turn of the event resulted on the decision to make it an annual tradition of CPD. Thus, CPD organised the second Anniversary Lecture on the theme of *Climate Compatible Development: Pathway or Pipedream?* on 16 January 2016. For our second Lecture, we invited Mr Simon Maxwell, CBE,

Chair of the European Think-Tanks Group and former director of the Overseas Development Institute (ODI), London. His lecture voiced a way of eradicating poverty and saving the planet simultaneously by emphasising on innovation as a key concept and competitiveness as an essential tool. Three significant elements were elaborated in his speech: policy leadership, policy decision and policy implementation, on which he advised on the need for every country to mainstream compatible climate development and prepare a sustainable plan for challenge mitigation.

Following the second Anniversary Lecture, the third Annual Anniversary Lecture was held on 13 February 2017 for awareness on the issue of *Health and Global Trade Regime: Is It Affecting Equal Access to Medicines?* On this occasion Professor Sakiko Fukuda Parr, Vice-Chair, UN Committee for Development Policy (CDP) kindly delivered an informative lecture on the adverse effect of intellectual property rights given to pharmaceutical companies which scales up medicine and treatment prices and constricts access to healthcare by all. The distinguished Professor voiced a need for rigorous research on the implications of trade deals on public health, and we feel that it is imperative to make the concerned individuals aware of the unfavourable impact of the trade deals on poor countries.

The fourth Anniversary Lecture in 2018 too was monumental in discussing critical issues on the theme of *Assessing the Challenges of SDG Implementation: Food, Energy and Inequality*. We were delighted to have a leading economist and expert on political economy, Professor Jomo Kwame Sundaram, Member,

Council of Eminent Persons, Malaysia and former Assistant Secretary-General of the United Nations to give a lecture on the pressing issue of access to modern and affordable energy. He brought into attention the necessity of encouraging global political will to use renewable energy.

Our tradition of hosting Anniversary Lectures on different important themes have had far-reaching ramifications on spreading awareness and policy-making throughout the course of time. The Anniversary Lecture 2019, the fifth one, is to take place on 10th of December 2019. The lecture will be delivered by an eminent scholar, Dr Mario Pezzini, Director of the OECD Development Centre and Special Advisor to the OECD Secretary-General on Development. His Lecture titled, *New Perspective on Global Development: National and International Ways Forward* focuses on the issues of effective development planning and strategies at the national level and the need for people-centred approach at the international level. He emphasises on structural reform and developing nationally-driven development practices in combating social unrest. The lecture will be imperative for a better understanding of the mechanism of a more equitable and unified approach to national development and globalisation.

We take this opportunity to thank all honourable speakers of CPD's Anniversary Lectures for making time to travel to Bangladesh and share their valuable insights on issues which have relevance for Bangladesh's development. We also thank our distinguished participants of the Lectures who have extended their support to us, and encouraged us by their presence and interactions during the event,

which have elevated the standard of discussions. CPD remains committed to generate evidence-based knowledge and provide space to all relevant stakeholders, including the marginalised to raise their voice for a just and equitable Bangladesh.

Dr Fahmida Khatun

December, 2019

A Brief Bio of **Dr Mario Pezzini**



Dr Mario Pezzini is Director of the OECD Development Centre, Paris.

He joined the Centre in 2010, and after his service as Acting Director of the OECD Development Cooperation Directorate for a year, he has been nominated Special Advisor to the OECD Secretary-General on Development.

Before joining the Development Centre, Dr Pezzini held several senior management positions in the OECD, where he has been working since 1995.

Prior to joining the OECD, Dr Pezzini was Professor in Industrial Economics at the Ecole Nationale Supérieure des Mines de Paris, as well as in US and Italian universities. Also, Dr Pezzini served as an advisor in the field of economic development, industrial organisation and regional economics in international organisations and think tanks (e.g. ILO, UNIDO, European Commission and Nomisma in Italy). Dr Pezzini started his career in the Government office of the Emilia-Romagna Region, Italy.

New Perspectives on Global Development

National and International Ways Forward

Mario Pezzini

Social discontent and protest movements have recently flared across the globe. While Chile saw its economy grow, its development model did not provide for the sharing of these gains among all its citizens. This has resulted in stark income and wealth inequality. A few weeks ago, the country experienced the largest protest in its history, which could lead to a reform of its Constitution. In Bolivia, while indicators have shown impressive socio-economic progress over recent years, people feel disconnected from their

government which faced suspicions of corruption during its last elections. The country was quickly plunged into huge political uncertainty. Additionally, protesters across Colombia took to the streets, demanding the government to reconsider fiscal, pension and labour reforms that people felt would affect the middle-class, and workers in particular. Social protests in Ecuador were triggered by decades-old fuel subsidy cuts, along with other tax and labour reforms that the indigenous population and middle-classes felt

would disproportionately affect them. These movements echo recent protests in France, which began just over a year ago.

Increased expectations could be at the core of the recent protests and discontent today. Domestic challenges have always existed, and so have inequalities. But what is therefore pushing the recent overall discontent? Increasing rates of growth in many countries have created a series of expectations in people, who see that increasing growth is not only not improving their lives, but on the contrary, they remain increasingly vulnerable against governments that are in many occasions not perceived as capable of providing the right responses.

As protests spread from country to country, demanding various structural reforms, some

commonalities can be drawn. First, governments did not anticipate the protests. This is symptomatic of a growing disconnect between governments' perception of people's well-being and the reality. Second, feelings of discontent with policies that are perceived as unfair and harmful to people's well-being, are often root causes of social unrest. Third, in many cases, protests are waged against the **system**, rather than aimed at a particular government or over one specific issue. This means people are asking not only for national, but also—following two or three decades of hyper-globalisation—international change.

Governments need to dig deeper to understand the root causes behind these unrests. The usual **policy remedies** do not seem to work any more. Global responses and national reforms must be built on solid evidence of current economic

and social realities, a better understanding of people's concerns, and outside-the-box policy solutions. This document analyses these realities and proposes ways forward at both national and international levels. It is made up of the following three sections: (i) the context: understanding the global trends and paradoxes our world faces today; (ii) the national way forward: strengthening national strategies to respond to increasing social demands; and (iii) the international way forward: transitioning to an era of a renewed multilateralism.

Setting the stage: Navigating a world of paradoxes

Since the 1990s, the world has witnessed a shift in its economic centre of gravity, mostly driven by emerging markets in East and Southeast

Asia. Emerging economies, mainly led by China and India, have experienced significant growth, surpassing the OECD (Organisation for Economic Co-operation and Development) average. Along with several other large emerging markets—such as Brazil, South Africa and Indonesia—these countries have begun reshaping the global macro-economic landscape. In 2008, the weight of the economic output produced by developing countries began exceeding 50 per cent of global output (OECD, 2018) showing the shift in the global economy.

Despite what can partly be described as a process of **global convergence**, the developing world remains highly **vulnerable** and **heterogeneous**. Indeed, global progress over the past decades has come hand in hand with a sharp decrease in absolute poverty and the increase of the world's

middle-class. However, a considerable percentage of this middle-class remains highly vulnerable. Middle-income economies, despite having higher levels of gross domestic product (GDP) per capita, are still home to 73 per cent of the world's poor. In Latin America and the Caribbean, the vulnerable middle-class make up 40 per cent of the entire population (OECD, ECLAC and CAF, 2018). Meanwhile, least developed countries (LDCs) are highly vulnerable to environmental shocks and low levels of human assets. Moreover, the estimate that about a tenth of the world's population is poor—750 million people—sits with the fact that every 10 cents added to the poverty line, represents an additional 100 million people included in the global poverty headcount (Sumner, 2019).

The **heterogeneity** of the developing world has indeed created a new geography of poverty. In 1987, nine out of 10 extremely poor people lived in low-income countries. But by 2015, only four out of 10 lived in low-income countries, while the rest lived in middle-income countries, with over half in India, Nigeria, Bangladesh, Indonesia, Kenya, Yemen, South Africa, China, Pakistan and Zambia (Pande, McIntyre and Page, 2019). Today, half of the world's poor live in just five countries, namely India, Nigeria, Democratic Republic of Congo, Ethiopia and Bangladesh (Katayama and Wadhawa, 2019).

Moreover, the paradox of **increasing GDP rates**, but increased **inequalities** has been a long time in the making. After a historical decline, both income and wealth inequality are on the rise

again in nearly all countries. In OECD countries, the richest 10 per cent of the population earn 9.6 times the income of the poorest 10 per cent. In the 1980s, this ratio stood at 7:1, rising to 8:1 in the 1990s, and 9:1 in the 2000s (OECD, 2015). Moreover, the share of national income of the top 1 per cent has increased in most industrialised countries since the 1980s, including in the US, the UK and France, whilst incomes have stagnated at the bottom (WID, 2018). Wealth inequality is also on the rise. Only in the US, estimates show that the share of wealth owned by the top 0.1 per cent has doubled, from less than 10 per cent in 1980 to almost 20 per cent today (Saez and Zucman, 2016).

Social progress has been significant in developing countries. However, despite considerable progress

in expanding social protection, just 45 per cent of the global population are effectively covered by at least one social protection benefit, while the remaining 55 per cent—as many as 4 billion people—are left unprotected (ILO, 2017). This is specially a challenge in some African countries, where population growth is expected to quadruple over the course of the 21st century. Added to this, flagship social protection schemes across East African countries (including Productive Safety Nets Procurement in Ethiopia or the Social Cash Transfer in Zambia) rely on official development assistance (ODA) for a considerable proportion of their financing, and donor support is volatile and can be expected to decline as per capita incomes increase in six East African countries (Ethiopia, Kenya, Mozambique, Tanzania, Uganda and Zambia (OECD, 2017).

We live indeed in a world of paradoxes. Today's domestic challenges have evolved; they are increasingly complex and intertwined with the global economy. Governments must not only upgrade their understanding and assessment of people's perceptions and concerns, they also have to upgrade their policy responses to match this complex environment. In parallel, the formulation of global solutions can also respond to a number of increasingly shared challenges.

**The national way forward:
Strengthening national strategies to
respond to increasing social demands**

Are governments well-equipped to understand how people perceive their lives and well-being? Do they have the right indicators to anticipate their concerns? Are policymakers using and

optimising the policy tools available to them? The lack of foresight of today's protests seems to indicate that they are not.

On the one hand, governments need to use a different set of indicators to better capture people's perceptions. GDP-related indicators have long been at the core of governments' policy actions, yet these kind of composite indexes do not adequately reflect people's living standards. Instead, multidimensional frameworks, such as well-being indicators, draw a better picture of people's needs, and can therefore be a tool for policymakers to design and implement reforms. This framework is based on the idea that societal progress is related to improvements in people's and household well-being. It is structured around aspects that matter most for people's well-being—social connections, health, work–life balance,

civic engagement, and equitable and sustainable development—including natural, social, economic and human capital. A multidimensional framework can shed light on people's needs and demands, giving governments a tool to better understand their concerns.

On the other hand, in an increasingly complex and globalised policy environment fraught with uncertainty, governments' ability to anticipate future national and global trends and their impact on national development beyond a single electoral cycle, is essential. As countries move up the income ladder, certain **new** development traps remain, acting as a barrier to further inclusive and sustainable growth (OECD, ECLAC and CAF, 2019). Overcoming these traps requires strengthening of national development strategies that capture the country's main needs, but that

also build a sustainable pathway for the future. National Development Plans (NDPs) have often been the tool, and may hold one of the most important keys, to catalysing change. The number of countries adopting an NDP has more than doubled, from about 62 in 2006 to 134 in 2018. More than 80 per cent of the global population now live in a country with an NDP of one form or another (Chimowu, Hulme and Munro, 2019). Governments are increasingly aware of the crucial role that national planning plays in building the institutions, resources and risk/shock-management capacity that are needed to achieve better development outcomes and transform economies.

However, how effective are these plans at present? Are they truly contributing to removing development traps?

Defining the right strategic goals and priorities is key for a country's long-term economic and social performance. Because there is no one-size-fits-all approach to development, national development strategies should—among other factors—be multi-sectoral, participatory and location-specific. The best plans combine national ambitions with recognition of local economic realities, and include priorities and trade-offs that allow governments at all levels to be flexible with implementation. They should involve a broad range of actors, drawing on a variety of knowledge and viewpoints. They should be place-based, reflecting differences in both rural and urban locations, as well as the whole spectrum of a country's territory. They should also account for the interlinks with the global context.

The international way forward: Transitioning into a new era of multilateralism

National development strategies cannot be designed and implemented in a vacuum. International cooperation remains therefore indispensable in addressing the most complex global challenges, but also the national ones. Moreover, given the interlinks between domestic and global challenges, relying on international cooperation is no longer an option, but a requirement. However, are we using the right approaches and tools for international cooperation to fulfil its role?

Today's reality is not the same as 60 years ago and old approaches to development cooperation need to be urgently revisited. In the international

landscape, a new and vast array of actors can be observed—governmental and not—that are pursuing brand new initiatives (e.g. the Belt and Road Initiative). Ending poverty is no longer the sole objective of development cooperation, development is multidimensional, and financing is necessary, but not sufficient as a solution.

A more universal paradigm for international cooperation can be drawn through at least five key dimensions: (i) it needs to offer additional measures beyond per capita income; in particular metrics that measure people's objective and subjective needs as well as other areas, including productivity and economic transformation; (ii) it needs to redefine cooperation strategies to focus on the national level, and take into account further specific national capacities and institutions; (iii) it needs to focus on the global

challenges of an interconnected and multipolar world; (iv) it needs to involve a refounding of multilateralism based on an equal footing, given the complex international landscape and multiple emerging actors; and (v) it calls for adopting a set of broader engagement tools, in particular based on knowledge-sharing, multilateral policy dialogue, capacity-building—including on the important challenge of improving domestic resource mobilisation, technology transfers or blended finance (ECLAC and OECD, 2018).

Change is more necessary now than ever. With rising protectionism, burgeoning trade disputes, and a troubling lack of concern for shared interests like climate change, these are hard times for international cooperation. A few years after the historical agreements on the 2030 Agenda for Sustainable Development, the world seems to be

turning its back on multilateralism. We need to show the value of a renewed cooperation.

Under this framework of **development in transition**, the key focus shifts from income per capita to people's well-being. Designing international cooperation programmes aligned with developing countries' needs and centred on people's well-being is a fundamental step.

Conclusions

The international community needs to look far beyond the current social unrest. Increased levels of GDP have raised expectations in many countries that currently are unmet. And today's protests, across different contexts, are all calling for structural reforms. On the one hand, governments need to upgrade the set of indicators they use so as to anticipate and better understand the perceptions and realities of their people. They

also need to take comprehensive approaches to building development strategies, which effectively meet people's needs. Aligning those strategies to the international agenda is also fundamental.

On the other hand, countries need to steer international cooperation in the right direction by taking a set of key steps. Changing the measures by which decisions are made, aligning countries on an equal footing as peers that learn from each other, cooperating with new tools and promoting nationally-driven development processes, are a few examples. To improve development outcomes, countries must be driven by more than self-interest. A more equitable and cooperative approach to national development strategies and globalisation is needed. A sustainable development model and cooperation between all countries on an equal footing is the solution.

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Burgeoning cases of social unrest across developing countries today are all driven by a common factor: a **call for change**. Increased expectations as a result of a global rise in middle-classes are at the core of recent episodes of social unrest. By working together, and using the right tools, countries and the international community can respond to people's demands. First, at the national level, countries can forge a path to sustainable development through effective development planning and strategies that adequately take into account local needs, and build upon new national capacities. To this end, it is crucial for governments to equip themselves to understand how people perceive their lives and well-being. Second, at the international level, countries can adopt practices that have a people-centred approach and contribute to building an international system where countries can cooperate on an equal footing by adopting a set of innovative international cooperation tools that focus above all on people's well-being. The call is for countries to leverage multilateralism to address this **need for change**.



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