Steps Out Of the Global Development Crisis

Towards an Agenda for Change

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- The financial and economic crisis of 2008/2009 only reached the developing world with a time lag. At least in parts of the Global South the crisis is having a huge social and economic impact. As a result, the prospects of achieving the internationally agreed developing goals, including the Millennium Development Goals (MDGs), by 2015 are receding ever more into distance.

- But the crisis has also brought about a change in the economic policy discourse. The blind faith of neo-liberal economists and the governments they advised in the self-regulatory forces of the market have been shaken. Topics and demands that were a taboo to mainstream politics for many years have now suddenly become acceptable. So far, however, the changes in the political discourse have not yet been reflected in any corresponding substantial shifts in policies.

- Therefore, the author argues, there is a need for a comprehensive global action agenda for change in order to combat what he sees as a global development crisis. The programme, he outlines, contains steps to address both the current symptoms of the crisis as well as long-term structural issues. It consists of five major areas of reform: (1) effective regulations against casino capitalism; (2) strengthening the »G192« in the global economic and financial system; (3) additional financial resources for environment and development, incl. effective measures against illicit financial flows and the introduction of a Financial Transaction Tax; (4) steps towards a green welfare state; and finally (5) turning discourse and policy into a holistic, rights-based model of development.

Dialogue on Globalization

GLOBAL POLICY FORUM europe

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In spring 2010, the global economic and financial crisis appears to be over. In most industrialised countries, the economic nosedive seems to have been halted. The G20 Ministers of Finance are already discussing exit strategies, i.e. opting out of the expansive fiscal and monetary stimulus packages**.** Major international banks such as Goldman Sachs or Deutsche Bank are now once again enjoying quarterly profits totalling billions. As if there had never been a crisis, hedge funds are again speculating on the international finance markets**.**

1. The Impact of the Crisis on the Global South

However, the Tsunami waves the global crisis sent out have only reached developing countries and emerging economies with a time lag, hitting them, albeit, with full power. The crisis is having a dramatic social and economic impact on the South. The United Nations expects per capita income to have dropped in at least 60 developing countries in 2009 (UN 2009:1).

The International Labour Organisation (ILO) estimates that the number of registered unemployed had grown by more than 20 million by the end of 2009 (ILO 2009b: 3). In addition, there are several million unemployed who have been pushed into informal employment owing to a lack of social security systems and are not referred to by the official unemployment statistics. Moreover, the economic crisis has influenced the quality of labour. Among many of those employed, the Damocles sword of unemployment is leading to their »voluntarily" taking cuts in wages and accepting unpaid additional work. The development goal of Decent Work for All is increasingly being counteracted. Women in precarious employment relationships are especially hard-hit by this aspect.

Owing to the crisis, the number of people living in extreme poverty is on the increase again, too. According to different estimates by the World Bank and the UN, between 55 and 103 million more people are having to live in poverty than would have been the case without the crisis.[1] They have added to the mass of those already living in extreme poverty, i.e. on less than 1.25 US dollars (in Purchasing Power Parities) a day. World Bank estimates put the number of these people before the crisis (2005) at 1.375 billion (World Bank 2009:18).

Many of the poor are suffering from malnutrition. Their figures had already risen drastically after 2007 owing to the global food crisis. Due to the world economic crisis of 2009, they have grown to more than a billion people – the highest number in human history (FAO 2009: 10).

Given this grim crisis scenario, the prospects of achieving the internationally agreed development goals, including the Millennium Development Goals (MDGs), by 2015 are receding ever more into the distance. The global financial crisis has now turned into a global development crisis.

2. Insufficient Responses to the Crisis

So far, the governments have not shown an appropriate response to the dramatic consequences of the crisis. The outreach of their measures remains limited, serving first and foremost repairs to and stabilising of the existing system. But this is the very system that enabled the current crisis to come to be. The needs of the people in the poorer countries in particular have been given too little consideration by the governments' crisis management.

At the same time, the response on the part of governments to the global economic and financial crisis has shown is that they are quite capable of taking rapid action and making far-reaching decisions if they are under acute pressure. In the course of global crisis management, the governments of the economically most powerful countries have intensified their multilateral cooperation. Almost overnight, they have turned the G20 into the central co-ordinating body of global development policy, replacing the G7/8, which dominated this field for decades.

In just a few weeks' time, the governments resolved economic stimulus packages totalling more than 2,000 billion US dollars in order to avoid economic depression. This is a sum far in excess of accumulated Official Development Assistance (ODA) over the last 50 years. They arranged financial rescue packages of an even greater volume for the bank sector.

However, the crisis has also brought about a change in the economic policy discourse. The blind faith of the ne-

1. The UN refers to 73-103 million additional people in extreme poverty, the World Bank to 55-90 million (UN Secretary-General 2009: Item 29 and World Bank 2009: 2).

oliberal economists and the governments they advised in the self-regulatory forces of the market has been shaken. Even former US Federal Reserve Chairman Alan Greenspan conceded that he had made a fundamentally flawed assessment: »*I made a mistake in presuming that the self-interests of organisations, specifically banks and others, were such that they were best capable of protecting their own shareholders and their equity in the firms.*«[2] As a response to the crisis, there is now increasing talk of the need for more effective government intervention and an »*appropriate balance between the market and public interest*«.[3]

Topics and demands that were a taboo to dominating politics for several years have now become acceptable. The best example is the debate on a financial transaction tax. After years of resistance, it is now being supported by a growing number of governments – also within the G20. For instance, German Federal Chancellor Angela Merkel and former UK Premier Gordon Brown have spoken out in favour of this idea, and even former IMF Managing Director and former German Federal President Horst Köhler supported the financial transaction tax in a speech he was giving to the public in October 2009.

So far, however, the changes in the political discourse have not been reflected in any corresponding substantial shifts in policies. Government responses to the crisis did mark a move in policies towards a stronger role of the state in the economic and financial system and to an anti-cyclical fiscal policy. But as yet, the G20 governments have not adequately responded to the massive social and economic impacts that the triple crisis of economic recession, climate change and food insecurity has had and that have added to the already existing structural problems of many countries. While the economic and political imbalances between poor and rich countries as well as between surplus and deficit countries have been identified as one of the causes of the current crisis, hardly anything has so far been done to even them out.

Instead, a trend towards business as usual is again becoming apparent in politics and economics. One good example of this is an observation by Holger Schmieding, Chief Economist for Europe of the Bank of America. Given the collapse of Lehman Brothers, which exacerbated the current crisis, Schmieding noted in November 2009: »*Lehman was an accident. Now the accident site has been cleared, and traffic can roll again.*«[4]

This is precisely what the Stiglitz Commission warned against in its Report: » *(…) it must be recognized that there can be no return to the status quo ante. It is essential that governments undertake reforms that address the underlying factors that contributed to the current economic crisis (…). Failure to act quickly to address the global economic downturn and more fundamental problems that gave rise to it would increase the depth and duration of the crisis, making it more difficult and more costly to create a balanced and robust recovery.*« (Commission of Experts 2009: 14p)

In numerous reports and statements, international organisations, committees of experts, trade unions and NGOs have formulated what would have to be done to tackle the current crisis at its roots, mitigate its social and environmental impact and prevent future crises – thus taking advantage of the crisis as an opportunity to really change policies. Examples of this are

- the Report of the Stiglitz Commission on the reform of the international monetary and financial system of September 2009 (Commission of Experts 2009);
- statements by civil society organisations vis-à-vis the Stiglitz Commission of January 2009 (UN-NGLS 2009) and their recommendations to the UN Conference on the Global Economic and Financial Crisis of June 2009[5];
- the declaration of the Global Unions on the G20 Summit in Pittsburgh in September 2009 (Global Unions/ITUC/TUAC 2009);
- the ILO declaration supporting a *Global Jobs Pact* of June 2009 (ILO 2009); and
- the initiative by the United Nations Environmental Programme (UNEP) proposing a *Global Green New Deal* of March 2009 (UNEP 2009).

These documents contain detailed policy recommendations dealing mainly with sub-aspects of the global crises. In some cases, they specially attempt to consider the

2. Quoted from The Guardian, Friday 24 October 2008.

3. As stated by the governments in the Final Document of the UN Summit on the Global Economic and Financial Crisis (UN General Assembly 2009: para. 9).

4. Quoted from: Financial Times Deutschland, 25th November 2009, p.1.

5. Cf. Civil Society Background Document on the UN Conference on the World Financial and Economic Crisis and its Impact on Development; available at www.ffdngo.org/sites/default/files/Final_CS_Background_Document.pdf (last accessed on 4.6.2010).

interdependencies of the crises, such as the UNEP Initiative for a *Global Green New Deal*, which advocates the investment of a significant share of the economic stimulus programmes in »green industries« to thus boost the economy while creating jobs and halting climate change.

3. Towards an Action Agenda for Change

On the basis of the various catalogues of measures, a comprehensive **programme to combat the global development crisis** can be formulated centring on people and containing steps to cope both with the current symptoms of the crisis and the long-term structural crises. It can be summarised under the following five headings:

3.1 Effective Regulations Against Casino Capitalism

The crisis in the international banking and finance system has highlighted the lack of state regulation and control. It has shown that all hopes placed in the self-regulatory forces of the financial markets were misled. Forms of private monitoring and risk assessment, especially by the international rating agencies have failed. The economy's self-defined incentive systems, such as bonus payments for managers linked to short-term success, have aggravated the crisis. Excessive speculation and the dominant influence of financial investors on markets, companies and governments have formed a casino capitalism resulting in the present crisis.

What is now needed is a fundamental re-regulation of the financial markets that once again puts them at the service of the real economy. It has to reach beyond the G20 decisions so far. The Stiglitz Commission and many others have presented comprehensive catalogues of measures in this respect. Important elements of a new regulatory framework for the financial markets include:

Comprehensive transparency and duty of disclosure for banks and companies: All financial transactions of banks and companies have to be disclosed to supervisory authorities. In addition, the introduction of country-by-country accounting standards for companies and banks is important. They are to show in which countries companies are making what profits and paying how much tax. This is a basic precondition to prevent harmful tax avoidance practices.

Higher minimum capital requirements and risk prevention: As a lesson learnt from the collapse of banks, stricter minimum capital requirements have to be introduced. At the same time, specialpurpose vehicles (SPVs) and transactions not appearing on the balance sheets that serve the purpose of evading supervision and minimum standards ought to be banned.

A Financial Product Safety Commission protecting consumers and investors: The constant development of new financial products and innovative forms of securitisation, i.e. the transformation and bundling of loans in stocks and shares that can be traded, has considerably increased the opacity and vulnerability to crises of the financial markets. A systematic impact assessment of all (new) financial products would be needed. The Stiglitz Commission recommends the establishment at global level of a Financial Product Safety Commission for this purpose.

Stricter international standards for hedge funds and private equity funds: More effective international regulation is required in order to avoid the destabilising effects of hedge funds and private equity funds on the global financial system. This includes a comprehensive duty of disclosure vis-à-vis the financial supervisory authorities, rules on the restriction of credit award to such funds and a ban on pension funds and insurances investing in these highly speculative funds.

Public control of the rating agencies: Owing to their flawed analyses, rating agencies bear part of the responsibility for the present financial crisis – as they already do for preceding crises, such as the Asia crisis. Since they are paid by their clients, whether it be banks, companies or governments, the products of whom they asses and whom they partly also advise, they are in a structural conflict of interests. The world market is dominated by an oligopoly of three US-American firms (Standard&Poor's, Moody's und Fitch). Their assessment criteria are not transparent. What would basically be required is more public control of these agencies. Their assessment criteria ought to be fully disclosed. Business relations with clients and rating of their products ought to be separated. The setting up of an international, not-for-profit rating agency should to be considered to break down the oligopoly of Standard&Poor's and Co.

3.2 Reforms in the Global System of Economic and Financial Institutions

The globalisation of economic, environmental and social crisis phenomena has highlighted how important increased multilateral co-operation is both in crisis management and in crisis prevention. The current system of global economic governance has been unable to prevent the crises so far. It is in a process of permanent reform that has gained impetus through the latest economic and financial crisis. The rise of the G20 is the most conspicuous evidence of this. However, the system continues to bear considerable deficits: The countries of the South remain underrepresented in many economic and financial institutions, decision-making processes are not transparent to the public, the participation of civil society organisations is not ensured, and in many cases, the resolutions are ineffective and do not do justice to the dimensions of the problems. In addition, no independent and democratic scrutiny of implementation is enabled. This is why more far-reaching reforms are needed to strengthen and democratise the international economic and financial system. These include in particular:

Strengthening the »G192« in the global economic and financial system: Given its universal character, the United Nations, with its 192 member states, is the legitimate body to co-ordinate global economic and financial politics. At the UN Conference on the Economic and Financial Crisis in June 2009, the governments resolved to strengthen the role of the United Nations in economic and financial affairs, »including its coordinating role«. This decision now has to be implemented. The longer-term goal ought to be the setting up of a Global Economic Council under the roof of the UN. The preparations this requires could be performed in the new Working Group of the UN General Assembly on the Economic and Financial Crisis and the proposed Panel of Experts. This Panel ought to become active beyond acute crisis management, concentrating instead on the fundamental causes of the current crisis, its social and environmental implications and possible solutions. Its recommendations could form the basis of a **»Second Bretton Woods Conference«** under the roof of the United Nations. It ought to take decisions on the structural reforms needed in the global economic and financial system. The topics that should be on that agenda include:

- the Stiglitz Commission's recommendation of a **new global system of currency reserves**;
- a greater institutional integration of the **IMF, World Bank and WTO** in the United Nations System;
- adopting a binding United Nations **World Economic Charter** following the example of the Human Rights Charta (along the lines of German Federal Chancellor Angela Merkel's proposal of a Charter for Sustainable Business); and
- the setting up of the proposed **Global Economic Council** under the umbrella of the UN.

Integrating the G20 in the UN system: Currently, the G20 is about to turn into the most important forum for global economic and financial politics. It nevertheless remains an informal club of Governments in which major regions of the world are underrepresented. In order to address the problem of insufficient representativeness and decision-making structures that are not transparent, it ought to open up to representatives of the underrepresented regions, especially Africa, and make its working and decision-making procedures fully transparent. Since it takes decisions of global magnitude also affecting countries that are not G20 members, it must be accountable and has to report to the entire community of states, i.e. the United Nations and its General Assembly. In the long term, the G20 should be completely integrated in the UN system and the Global Economic Council yet to be established there.

Substantial reform of the IMF and World Bank: In response to broad criticism of their shortcomings in legitimacy, effectiveness and credibility, the IMF and the World Bank have introduced reform processes which have led to a moderate extension of voting rights to developing countries and emerging economies. But the reforms adopted so far do not go far enough. Demands of many civil society organisations include a more far-reaching redistribution of quotas and voting rights in favour of developing countries, the introduction of a double majority voting procedure (majority of members and majority of capital), the IMF's greater accountability for its programmes at country level and the abandonment of pro-cyclical conditionalities and biased policy recipes aimed predominantly at maintaining the solvency of states in the interest of foreign creditors.

Bridging the global governance gap: In major areas of international economic and financial politics no intergovernmental bodies exist as yet in which the countries of the South are co-operating with an equal status.

This applies, for instance, to tax co-operation, accounting standards and supervision of the banking sector.

- For years, there have been demands for an **international tax organisation** to be created within the UN system to close the global governance gap in the fiscal sector. The OECD has made some progress with its activities in this area. Nevertheless, it continues to be an organisation of the industrialised countries in which the countries of the South may merely be invited to participate. Enhancing the status of the UN Committee of Experts on International Co-operation in Tax Matters to an Intergovernmental Commission would be a sensible step on the way to a global tax organisation.
- In the field of international accounting standards, the **International Accounting Standards Board (IASB)** is an excellent example of what is a private organisation by formal legal criteria assuming quasi sovereign responsibilities and setting international standards that automatically turn into law in many countries. The IASB statutes ought to be reformed with a view to this organisation no longer operating as a privately owned company. Its finances must no longer be controlled by the major auditing firms. Instead, the IASB should be transformed into an international authority under public control.
- The **Basel Committee on Banking Supervision** plays a key role in supervising the banking sector. In the course of the global financial crisis, it has extended its membership, which now comprises 27 countries, including the G20 members. But here too, developing countries are underrepresented. In order to take their experiences and interests better into account, the Stiglitz Commission calls for the Committee to be open to additional members from the South.

Promoting regional and decentralised co-operation: Reforms in the global economic and financial system should not be restricted to the global level. In the sense of the subsidiarity principle, problems ought to be solved at the level at which it is possible to do so most effectively. Therefore, regional forms of co-operation should also be given special support and be extended to supplement the necessary reforms of the global economic and financial institutions. Examples of this are the Chiang-Mai Initiative of the ASEAN countries and China, Japan and South Korea, and the newly created Banco del Sur in South America.

3.3 More Money for Environment and Development Programmes

Without boosting public finance, the countries of the South will neither be able to overcome the current impacts of the crisis nor prevent future ones. Already before the crisis, many countries lacked the resources to finance poverty alleviation programmes and implement the internationally agreed development goals, including the MDGs. More public funding is by no means an automatic guarantee for goals to be attained – they are a necessary but not sufficient condition.

Owing to the crisis, many countries are facing a double dilemma: On the one hand, public revenue has dropped, while on the other, the need for public funding has risen. The following five steps can contribute to mobilising the urgently needed public funds for environment and development programmes:

Combating capital flight to the global shadow financial system: The financial crisis has shown how important a stable income base would be for the governments of the developing countries. In many countries, capital flight, tax avoidance and corruption continue to prevent the establishment of a sustainable system of public finance. Thanks to the world-wide network of tax havens and secrecy jurisdictions, the countries of the South are deprived of public revenue totalling far more than a hundred billion dollars each year. Effective counter-measures to tackle tax evasion and tax avoidance are only possible with increased international co-operation. This includes supporting developing countries in establishing working fiscal administrations and a multilateral agreement on co-operation in fiscal matters providing, among other aspects, for obligatory automatic information exchange between tax authorities.[6] Financial transactions in countries and jurisdictions that have not become party to such an agreement ought to be sanctioned.

Applying the polluter pays principle to the financial crisis – introducing an international financial transaction tax: Demands raised for several years for the introduction of an international financial transaction tax have gained additional relevance through the crisis.

6. Cf. here the important analyses and positions of the international Tax Justice Network (www.taxjustice.net).

For such a tax can contribute to a fairer distribution of burdens by involving the financial sector, which caused the current economic and financial crisis, in covering the costs of coping with it. The model of the tax that is now being discussed goes back to a proposal made by the Austrian Institute of Economic Research (WIFO) (Picek et al. 2008). The tax was to be levied on trading shares, bonds, derivatives and foreign currency on the stock exchange, at trade centres and in over the counter (OTC) transactions. Even with a tax rate of just 0.01 percent, annual revenue is put at a minimum of 80 billion dollars. Imposition of the tax ought to be internationally co-ordinated and performed by the responsible national fiscal authorities. In order to ensure that tax revenue is not (exclusively) used to cure budget deficits in the rich countries but also for environmental and development purposes, a substantial part of the money should flow to the developing countries via a fund of the United Nations. This could also ensure its fair distribution.

Keeping promises: Implementing the binding timetable to raise ODA: Given a world-wide increase in poverty and hunger owing to the crisis, ODA remains of essential importance to many countries of the South. Long before the crisis, at their Summit Meeting in Brussels on the 16th and 17th June 2005, the European Union's heads of state and government pledged to collectively raise their ODA to 0,56 percent of GNI by 2010 and to 0.7 percent of GNI by 2015 (European Council 2005). Particularly in present crisis times, reneging on this commitment would act as a negative signal and undermine the credibility of European development policy. For this reason, all of the EU governments ought to submit national ODA timetables for the period of 2010-2015 in which they clearly state their quantitative financial pledges and determine in which year they are providing what additional funds for which purposes. Such timetables would also help make development co-operation more predictable and improve donor co-operation.

Additional funds to make up for the climate debt of the North: Climate change triggered by the North is causing additional costs arising from mitigation and adaptation in the South. Currently, these costs are estimated at a minimum of 100 billion euro a year and are set to massively increase over the next few decades. These additional costs have to be borne mostly by the industrialised countries, for in the sense of the polluter pays principle, they must assume the chief responsibility for the damage that the excessive emission of greenhouse gases is causing – and will be causing in the future. They have accumulated a climate debt vis-à-vis the countries of the South that they will have to pay off over the coming years and decades. Enshrining this in international law is the key object of the international climate negotiations up to 2012 – the year in which the first commitment period of the Kyoto Protocol ends.

Preventing a new debt crisis: The current economic and financial crisis has increased the danger of excessive indebtedness for numerous developing countries. Providing the countries with financial assistance in the shape of loans as a response to the crisis, which is what the IMF is doing among others, will further exacerbate their debt situation. In addition, the higher debt servicing payments this entails in connection with lower state revenue considerably restricts the scope for action that governments have. Urgently required money for health, education, the environment and social welfare expenditure is lacking. Preventing a new debt crisis and providing permanent solutions to excessive indebtedness above all requires three steps to be taken:

- **Cancelling illegitimate debt and legally establishing lender co-responsibility.** Lenders generally ought to recognise the principle of lender co-responsibility and the concept of illegitimate debt. They ought to urge that internationally recognised, binding standards be agreed for the responsible award and taking out of loans. The *EURODAD Charter on Responsible Financing* can form the foundations of this (Hurley 2008).
- **Defining new indicators of debt sustainability.** The macroeconomic indicators of debt sustainability used by the IMF and the World Bank above all serve the purpose of ensuring the solvency of the debtors in the interest of the creditors. In contrast, a new definition of debt sustainability ought to consider social and environmental criteria and also take account of domestic debt.
- **Introducing a fair and transparent international arbitration procedure.** In order to solve excessive indebtedness problems, the governments ought to develop the model of a fair and transparent arbitration procedure (FTAP) for debt transformation under the roof of the United Nations. Such a procedure ought to provide for the participation of all state and private creditors and guarantee a non-partisan decision-making process.

3.4 World-wide Steps Towards a Green Welfare State

It has been impossible to cope with the current crises without the state playing a more active role. Hopes of the market's self-healing abilities have proven misled. However, active state intervention must not be restricted to the saving of banks, stabilising financial markets and economic stimulus programmes. Remedying the social and environmental impacts of the crisis and overcoming the structural problems of poverty and environmental destruction requires an active employment policy, the across-the-board establishing of social security systems and an economic policy in harmony with the environment and climate. This applies both to the industrialised and the developing countries. To this end, three initiatives have been formulated within the United Nations system that governments ought to speedily implement:

Global Jobs Pact: In order to prevent the global economic crisis from turning into a long-lasting, world-wide employment crisis, the Global Jobs Pact adopted by the ILO needs to be fully implemented. Combating unemployment needs to be a top priority for the governments. This applies in particular to the increasing levels of youth unemployment. Here, public investment in infrastructure, employment programmes that ought to be oriented on the ILO agenda for decent work and the introduction of minimum wages in order to counter the growing phenomenon of the working poor should be of top priority. An active employment policy also has to deal with the problems of the informalisation of work and the increase in precarious employment relationships which, as a result of the crisis, are above all affecting women – and hence also their next of kin.

A social protection floor for all: The ILO has pointed out that access to social security is a human right (Art. 22 of the Universal Declaration of Human Rights). But in times of crisis in particular, it is also an economic and political necessity, for a working social security system reduces poverty, strengthens the purchasing power of the people and hence domestic demand, and prevents social tension and societal conflicts. In the context of its global campaign for social security, the ILO has developed the concept of a Global Social Protection Floor based on four pillars (Ehmke/Skaletz 2009: 5).

- Universal access to public healthcare for all.
- Guaranteed state allowances for every child. In this manner, the realisation of rights to food, education and housing are to be ensured for all children and youths.
- Universal basic pension provided by the state for persons in old age or with disabilities.
- Guaranteed state support for unemployed and underemployed people living in poverty. This may be in the shape of direct cash transfers or in the context of public work programmes.

Such a minimal set of basic social security ought to exist in every country and would be a necessary condition to prevent people from falling into poverty as a result of economic crises.

A global Green New Deal: Massive investment in environmentally friendly technologies and measures to reduce energy consumption is required to limit the threat of climate change. The anti-cyclical economic stimulus programmes adopted in response to the global economic crisis would provide an opportunity to use public funding specially for the purpose of combating global warming. So far, however, this has only happened to a small extent (French/Renner/Gardner 2009). Against this background, UNEP has taken up proposals for a Green New Deal[7] and developed them into a global initiative. UNEP is calling on the governments to invest at least 750 billion US dollars, i.e. around 25 percent of the business stimulus packages world-wide, in the following five areas:

- Improving the energy efficiency of buildings
- Developing renewable energies
- Establishing sustainable transport systems
- Protecting the Earth's ecological infrastructure including the freshwater systems, the forests, the soils and the coral reefs
- Investment in sustainable agriculture, in particular organic farming

Two basic conditions have to be fulfilled for these three initiatives to be sustainably implemented in the countries and really benefit the people:

Democratic decision-making processes and civil society participation: The state's assuming a more active role can only be justified if the corresponding decision-making bodies (governments, parliaments) are democratically legitimised and their policies are open to civil

7. Cf. here Green New Deal Group (2008) and French/Renner/Gardner (2009).

society monitoring (e.g. Social Watch[8]) and participation. Therefore, introducing the green welfare state has to include strengthening democratic institutions at national and sub-national level as well as a pluralistic civil society.

Eliminating pro-cyclical conditionalities and external restrictions of policy space: Especially in times of crisis, an active employment, economic and social policy must not be hampered by pro-cyclical conditionalities of foreign donors, in particular those of the IMF. There must be no double standards for rich and poor countries in crisis management. Poorer countries must not be denied anti-cyclical economic stimulus programmes such as those regarded as the right and necessary answer to the crisis for countries like Germany, the USA and China. Countries depending on external finance also have to be conceded policy space for them to develop policies of their own. This includes protectionist measures for the domestic economy.

A third fundamental condition that has to be fulfilled to pursue an active employment policy, establish social security systems and raise public investment in combating climate change is a massive increase in state revenue – whether it be via domestic sources or via international development financing.

3.5 Countdown 2012: Turning to a Holistic, Rights-based Model of Development

The economic and financial crisis is hitting many countries of the South particularly hard because there, it is impacting further on already existing crises: the unresolved food crisis, the intensifying climate crisis resulting in water scarcity and droughts or floods depending on the region and, last but not least, the crisis of the political systems that numerous »fragile" states from Afghanistan to Zimbabwe are in.

It is no coincidence that these crises should be occurring at the same time. In many cases, this reflects a misled model of development that is oriented on a modernisation approach, that is blind to environmental and human rights issues, that confuses economic growth with progress in society, that has opted for export orientation and integration in the world market and that regards combating poverty as a primarily technical challenge in which the category of social justice does not play any role. The more consistently countries have pursued such a model of development, the more vulnerable they have become to the current crises.

Now a coherent analysis of the common causes of the multiple crises and their interdependencies is needed. This presupposes overcoming the current fragmentation in the development discourse in politics, science and civil society. Depending on the respective actors, this discourse is focusing on sectoral topics such as poverty alleviation and MDGs, climate and combating global warming, trade and investment, and human rights and conflicts.

A holistic model of development has to be re-considered that is based on six cornerstones:

- environmental sustainability
- social justice
- economic efficiency
- democratic participation
- cultural diversity
- international responsibility

A model of this kind has to be based on international law and the universal human rights, including the rights of women and children.

There is no need to newly invent a model of development and welfare of this kind. In the United Nations Millenniums Declaration of 2000, the governments formulated the (remarkably topical) normative foundations of such a model (see box). It can also draw on the discourse on sustainable development emerging from the UN Conference on Environment and Development in Rio de Janeiro 1992 and the Agenda 21 adopted there – notwithstanding the fact that the term of sustainability has since been watered down and degenerated into a commonplace.

In 2012, the next UN conference on sustainable development is to be held in Brazil. The time up till then ought to be made use of as an opportunity to lead a fundamental discourse in civil society and politics on new models of welfare and development paths, given the obvious shortcomings that the traditional development and growth model has. In this discourse the lessons to be learnt from the current crisis have to be assessed in order to prevent future crises.

8. Cf. www.socialwatch.org

Fundamental values for international relations in the 21st century

»We consider certain fundamental values to be essential to international relations in the twenty-first century. These include:

- **Freedom.** Men and women have the right to live their lives and raise their children in dignity, free from hunger and from the fear of violence, oppression or injustice. Democratic and participatory governance based on the will of the people best assures these rights.
- **Equality.** No individual and no nation must be denied the opportunity to benefit from development. The equal rights and opportunities of women and men must be assured.
- **Solidarity.** Global challenges must be managed in a way that distributes the costs and burdens fairly in accordance with basic principles of equity and social justice. Those who suffer or who benefit least deserve help from those who benefit most.
- **Tolerance.** Human beings must respect one other, in all their diversity of belief, culture and language. Differences within and between societies should be neither feared nor repressed, but cherished as a precious asset of humanity. A culture of peace and dialogue among all civilizations should be actively promoted.
- **Respect for nature.** Prudence must be shown in the management of all living species and natural resources, in accordance with the precepts of sustainable development. Only in this way can the immeasurable riches provided to us by nature be preserved and passed on to our descendants. The current unsustainable patterns of production and consumption must be changed in the interest of our future welfare and that of our descendants.
- **Shared responsibility.** Responsibility for managing worldwide economic and social development, as well as threats to international peace and security, must be shared among the nations of the world and should be exercised multilaterally. As the most universal and most representative organization in the world, the United Nations must play the central role.«

United Nations Millennium Declaration, 8 September 2000, para. 6; available at: http://www.un.org/millennium/declaration/ares552e.htm (last accessed on 4.6.2010)

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