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Special Issue

Reflections by Jomo Kwame Sundaram, Anis Chowdhury and Others

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Des réflexions par Jomo Kwame Sundaram, Anis Chowdhury et autres

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In this Issue / Dans ce numéro

Editorial

In today's political climate, it is challenging not to approach leftist pronouncements regarding the need for the 'radical reform' of global governance structures with scepticism, particularly amid a sustained onslaught on alternative political-economic models from various sectors of the capitalist apparatus. In this collection of thoughtful essays, Sundaram demonstrates that critical thinking not only is possible in times of emergencies, such as the Covid-19 pandemic, but also extends to envisioning a future of reform beyond mere recovery. The contributions represent the outcomes of a scholar's endeavour to harness his and his colleagues' expertise to address the challenges posed by current global circumstances. Anis Chowdhury is a co-author on most of the pieces.

At the heart of Sundaram's reflections lies a profound concern deeply rooted in empathy and compassion. He reflects on the exacting circumstances thrust upon individuals and communities by the harsh capitalist model, particularly within the context of the Covid-19 pandemic and its aftermath. Sundaram and his various co-authors contend that, while increasingly interconnected, interdependent systems may facilitate standardised policy responses to global crises but that these responses often are framed to the detriment of developing countries. In the case of the Covid pandemic, the uniform adoption of containment policies in different parts of the world, despite varying social and economic conditions and some nations' reluctance, resulted in insufficient relief measures for vulnerable populations and businesses in precarious situations, particularly within the informal sector. Moreover, the absence or limited scope of social protection mechanisms dealt another blow to households already brought to a standstill by the lockdowns. This underscores the coercive nature of policies that emanate from the global North towards less developed countries. It serves as another example, if any was required, of the tension and irreconcilable disparity between the rhetoric and actions of global North nations in addressing global developments that disproportionately impact countries in the global South.

The disciplining of policy conduct occurs on two fronts: within financial markets, where countries strive to secure loans in capital markets, and in informal multilateral fora. Despite a glaring deficit of representativeness and legitimacy, these fora—exemplified by the G20 and G7—have gradually assumed the roles once held by traditional multilateral agencies like the United Nations, which have seen a decline in substance and authoritative capacity. These constraints are no longer just conjunctural. They have evolved into a fundamental framework within which countries, big and small, must operate.

For developing countries in particular, the scope for action is hindered by predatory lending practices that perpetuate dependence on private financial institutions as well as entities like the World Bank and the International Monetary Fund (IMF). Developing countries are also hindered by international practices and regulations that safeguard the economic advantages of the global North. Recent events, such as the UN vote on international tax cooperation, highlight the steadfast opposition of the global North, particularly the OECD countries, to regulations that promote a fair playing field, curb tax evasion and foster economic equity. This opposition persists in a context where evidence 'suggests that improving international tax cooperation could significantly reduce illicit financial flows, a scourge that deprives economies, especially those in the developing world, of critical funding. For all countries, illicit flows can fuel crime, destabilizing societies'.[1]

However, both the IMF and the World Bank maintain significant sway over the economies and economic policy-making of developing nations. As Sundaram reveals, the World Bank has been pressuring governments in developing countries to endorse private (particularly foreign) investments through the promotion of public-private partnerships (PPPs). The Bank advocates 'de-risking' these partnerships, essentially transferring the risks to governments and privatising the profits. This 'guidance' entails the redistribution of risk from private investors to governments, obliging them to shoulder contingencies and absorb potential failures by private partners. Meanwhile, these governments are expected to forsake social policy priorities and retreat in their role of the 'night watchman', as described by Thandika Mkandawire.[2]

Sundaram is one of a handful of leading voices in development thinking that advocate for substantial reform of the global financial system to promote development. As such, he takes full measure of the urgency of various issues, and some of these are featured in the current Special Issue, delving into the impacts of the Covid-19 pandemic.

Sundaram underscores the uneven and challenging economic recovery in the developing world, attributing the catastrophic and unsustainable economic conditions to increased fiscal deficits, debt distress and escalating external debt in low- and middle-income countries (LMICs). His writings explore the possibilities and the means to ensure equitable access to sustainable healthcare and address the sluggish economic recovery faced by developing nations.

Sundaram prefers bold proposals over quick responses to burning issues. He is known for his courageous, unorthodox positions in the global economic field. In his fearless and unconventional stances in the global development discourse, he advocates for new capital account management measures and substantive financial intermediation to counter the adverse effects of financialisation. Sundaram emphasises the need for greater accountability and greater responsibility from multilateral financial institutions, including entities like the World Bank and the G20. He does not shy away from audacious statements, such as suggesting that the US's and EU's refusal to temporarily suspend specific intellectual property provisions within the World Trade Organization (WTO) for Covid-19-related tools could be considered grounds for prosecution for genocide at the International Criminal Court. Sundaram argues that the enforcement of intellectual property rights, particularly after the 1994 WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), not only led to the scarcity of and restricted access to life-saving vaccines and medicines. Worse still, the denial of waivers by Western countries and the pharmaceutical industry reflects the prioritisation of profit over lives and national interests over global cohesion.

In the context of climate change and the compounded challenges experienced by impoverished nations during the Covid-19 pandemic, Sundaram contends that the historic failure of COP26 can be attributed directly to wealthy countries' failure to uphold committed financial support. Similarly, the unmet pledges of the Alliance for a Green Revolution in Africa (AGRA) have adversely impacted the advancement of agroecology initiatives that were aimed at ensuring food security and fostering sustainable development.

In his analysis of these and other topics, Sundaram always employs a sober and matter-of-fact language, occasionally punctuated by power-packed statements, such as the following: 'All governments must try their best to prevent protracted recessions from becoming extended depressions.'

Notes

1. See the AU statement on Resolution A/C.2/78/L.18/Rev.1 at https://au.int/en/pressreleases/20231122/un-general-assembly-member-states-have-voted-majority-125-favor-adopting#:~:text=The%20resolution%20A%2FC.2,for%20Africa%20and%20the%20world. Accessed 29 November 2023.
2. Mkandawire, T. (2001). Thinking about developmental states in Africa. *Cambridge Journal of Economics*, *25*(3), 289–313.

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Éditorial

Dans le climat politique actuel, il est difficile de ne pas aborder avec scepticisme les déclarations de gauche relatives à la nécessité d'une « réforme radicale » des structures de gouvernance mondiale, surtout dans un climat d'attaque systématique des modèles politico-économiques alternatifs venant de divers secteurs de l'appareil capitaliste. Dans cette collection d'essais de haute facture, Sundaram démontre que la pensée critique n'est pas un privilège des temps de crise, comme la pandémie du virus Covid-19, mais qu'elle s'invite également dans un espace plus vaste comme la perspective d'une réforme future qui va au delà de la simple relance économique. Les contributions présentées dans ce numéro sont le résultat des efforts d'un chercheur qui s'appuie sur son expertise et celle de ses collègues, afin de relever les défis posés par les circonstances mondiales actuelles. Anis Chowdhury est coauteur de la plupart des articles.

Une préoccupation profonde, solidement ancrée dans l'empathie et la compassion, habite les réflexions de Sundaram. Il réfléchit aux conditions difficiles imposées aux individus et aux communautés par le modèle capitaliste impitoyable, en particulier dans le contexte de la pandémie de Covid 19 et de ses conséquences. Selon Sundaram et ses différents co-auteurs, bien que les systèmes de plus en plus interconnectés et interdépendants puissent faciliter des réponses politiques standardisées aux crises mondiales, ces réponses sont souvent formulées au détriment des pays en développement. Dans le cas de la pandémie de Covid, l'adoption uniforme de politiques de confinement dans différentes parties du monde, malgré des conditions sociales et économiques variables et malgré la réticence de certaines nations, s'est traduite par des mesures d'aide insuffisantes pour les populations vulnérables et les entreprises en situation précaire, surtout dans le secteur dit informel. En outre, l'absence ou la portée limitée des mécanismes de protection sociale a porté un nouveau coup aux ménages déjà paralysés par les confinements. Cela montre la nature coercitive des politiques émanant du Nord global à l'égard des pays moins développés. Il s'agit d'un autre exemple, s'il en était besoin, de la tension et de la disparité irréconciliables entre les discours et les actes des nations du Nord dans la gestion des phénomènes globaux qui ont un impact disproportionné sur les pays du Sud.

La régulation de la conduite politique s'exerce sur deux fronts : au sein des marchés financiers, où les pays s'efforcent de sécuriser des prêts sur les marchés des capitaux, et dans les forums multilatéraux informels. Malgré un déficit flagrant de représentativité et de légitimité, ces forums (à l'image du G20 et du G7) ont progressivement assumé les rôles autrefois dévolus aux agences multilatérales traditionnelles telles que les Nations unies, qui ont vu un déclin tant en substance qu'en capacité d'autorité. Ces contraintes ne sont plus seulement conjoncturelles, elles se sont transformées en un cadre structurel dans lequel les pays, grands et petits, doivent opérer.

Pour les pays en développement en particulier, leur marge de manœuvre est limitée par des pratiques de prêt prédatrices qui perpétuent la dépendance à l›égard d›institutions financières privées et d›entités telles que la Banque mondiale et le Fonds monétaire international (FMI). Les pays en développement sont également entravés par des pratiques et des réglementations internationales qui protègent les avantages économiques du Nord. Des événements récents, tels que le vote de l'ONU sur la coopération fiscale internationale, mettent en évidence l'opposition résolue du Nord, en particulier des pays de l'OCDE, aux réglementations qui promeuvent des conditions de concurrence équitables, réduisent l'évasion fiscale et favorisent l'équité économique. Cette opposition persiste alors qu'il est prouvé que 'l'amélioration de la coopération fiscale internationale pourrait réduire de manière significative les flux financiers illicites, un fléau qui prive les économies, plus particulièrement celles des pays en développement, d'un financement essentiel. Les flux illicites peuvent alimenter la criminalité et déstabiliser les sociétés, quel que soit le pays'[1].

Toutefois, le FMI et la Banque mondiale exercent une influence considérable sur les économies et les politiques économiques des pays en développement. Comme le révèle Sundaram, la Banque mondiale fait pression sur les gouvernements des pays en développement pour qu'ils soutiennent les investissements privés (étrangers, en particulier) par la promotion de partenariats public-privé (PPP). La Banque préconise 'd'atténuer les risques' de ces partenariats, c'est-à-dire les transférer aux gouvernements et privatiser les bénéfices. Cette 'orientation' implique la redistribution des risques des investisseurs privés aux gouvernements, les obligeant à faire face aux imprévus et à absorber les défaillances potentielles des partenaires privés. Pendant ce temps, ces gouvernements sont censés abandonner les priorités de la politique sociale et se confiner dans leur rôle de 'gardien de nuit', comme l'a décrit Thandika Mkandawire[2].

Sundaram fait partie d'un petit nombre de voix qui, dans le domaine de la réflexion sur le développement, plaident en faveur d'une réforme substantielle du système financier mondial afin de promouvoir le développement. À ce titre, il prend toute la mesure de l'urgence de certaines questions, dont certaines sont abordées dans le présent numéro spécial, qui traite des conséquences de la pandémie de Covid-19.

Sundaram signale l'inégalité et la difficulté de la reprise économique dans le monde en développement, attribuant les conditions économiques catastrophiques et insoutenables à l'augmentation des déficits budgétaires, au surendettement et à l'escalade de la dette extérieure dans les pays à revenu faible et intermédiaire (PRFI). Ses écrits explorent les possibilités et les moyens d'assurer un accès équitable à des soins de santé durables et de remédier à la reprise économique à laquelle sont confrontés les pays en développement.

S'agissant des questions brûlantes Sundaram préfère des propositions audacieuses plutôt que des réponses rapides. Il est connu pour ses positions courageuses et peu orthodoxes dans le domaine de l'économie mondiale. Dans ses positions courageuses et non conventionnelles relatives au discours sur le développement mondial, il plaide en faveur de nouvelles mesures de gestion des comptes de capitaux et d'une intermédiation financière substantielle pour contrer les effets néfastes de la financiarisation. Sundaram insiste sur la nécessité d'une plus grande responsabilité de la part des institutions financières multilatérales, y compris des entités comme la Banque mondiale et le G20. Il n'hésite pas à faire des déclarations audacieuses, en suggérant par exemple que le refus des États-Unis et de l'Union européenne de suspendre temporairement certaines dispositions spécifiques en matière de propriété intellectuelle au sein de l'Organisation mondiale du commerce (OMC) pour les outils liés au Covid-19 pourrait être considéré comme un motif de poursuites pour génocide devant la Cour pénale internationale. Sundaram affirme que l'application des droits de propriété intellectuelle, en particulier après l'accord de l'OMC de 1994 sur les aspects des droits de propriété intellectuelle qui touchent au commerce (ADPIC), a non seulement entraîné la pénurie de vaccins et de médicaments vitaux et en a restreint l'accès, mais qu'elle a également eu pour effet d'accroître la vulnérabilité des pays en développement. Pire encore, le refus de dérogations par les pays occidentaux et l'industrie pharmaceutique reflète la priorité donnée au profit et non à la vie, et, aux intérêts nationaux et non à la cohésion mondiale.

Dans le contexte du changement climatique et des difficultés accrues rencontrées par les pays pauvres lors de la pandémie de Covid-19, Sundaram soutient que l'échec historique de la COP26 peut être attribué directement au fait que les pays riches n'ont pas respecté leurs engagements financiers. De même, les promesses non tenues de l'Alliance pour une révolution verte en Afrique (AGRA) ont eu un impact négatif sur l'avancement des initiatives agroécologiques qui visaient à garantir la sécurité alimentaire et à favoriser le développement durable.

Dans son analyse de ces sujets mais aussi d'autres, Sundaram emploie toujours un langage sobre et concret, parfois ponctué d'affirmations percutantes, telles que la suivante : 'Tous les gouvernements doivent faire de leur mieux pour éviter que les récessions prolongées ne se transforment en dépressions prolongées.

Notes

1. Voir la déclaration de l'UA sur la résolution A/C.2/78/L.18/Rev.1 à l'adresse https://au.int/en/pressreleases/20231122/un-general-assembly-member-states-have-voted-majority-125-favor-adopting#:~:text=The%20resolution%20A%2FC.2,for%20Africa%20and%20the%20world. Consulté le 29 novembre 2023.
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How to Sustainably Finance Universal Healthcare

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To achieve universal health coverage, a country needs a healthcare system that provides equitable access to high-quality healthcare, which requires sustainable financing over the long term. Publicly provided healthcare should be on the basis of need, a citizen's entitlement for all, regardless of means.

Health Inequalities Growing

But recent decades have seen healthcare trending towards a two-tier system—a perceived higher-quality private sector and lower-quality public services. One typical consequence is that medical doctors, especially specialists, are leaving public service for much more lucrative private practice.

This 'brain drain' has led to longer waiting times and complaints of deteriorating public service quality, as more people with means turn to private facilities. As costs in private hospitals are high and increasing, this causes those who can afford private health insurance to turn to it to hedge their bets.

If these trends are not checked, gaps between private and public health sectors, in terms of charges and quality, will grow. This increases polarisation in access to quality healthcare between haves and have-nots.

Healthcare Financing

Financing arrangements are key to developing an equitable healthcare system that is financially sustainable in the long run.

For universal coverage and equitable access, health financing should be based on social solidarity through cross-subsidisation, with the healthy financing the ill and the rich subsidising the poor.

Experience the world over shows health markets commonly exhibit deficiencies, both in financing and providing healthcare. Furthermore, heavy reliance on market solutions has contributed to spiralling costs and constrained healthcare access.

Private Health Insurance

A voluntary private health insurance (PHI) scheme cannot be financially viable in the long term as individuals with lower health risks are less likely to buy insurance from a scheme which they see as primarily benefiting those who are less healthy.

Since voluntary schemes are usually based on PHI, government support for such schemes would strengthen these companies. There are good reasons to be wary of the growing influence of PHI interests in healthcare financing discussions.

Premiums for PHI are risk-rated, meaning that individuals with pre-existing conditions and higher risks—such as the elderly, or those with family histories of illness—will face un-affordably high premiums or be denied coverage.

'Moral hazard' and 'supplier-induced demand' in a 'fee-for-service' reimbursement system encourages unnecessary investigations and overtreatment or costly monitoring to limit such abuse. Hence, PHI companies use 'managed healthcare' services to contain costs by limiting investigations and treatments.

Voluntary PHI schemes charge high premiums while fee-for-service payments escalate costs, which inevitably raises premiums. As a matter of example, the US spends the most on health in the world but with surprisingly modest health outcomes to show for it.

Much public expenditure is needed to insure the poor, especially those with prior health conditions. Achieving Universal Healthcare (UHC) would require costly public subsidisation of such profitable arrangements. This would not be cost-effective, let alone equitable.

Government support for PHI companies would strengthen their growing presence and influence, typically involving transnational insurance conglomerates. PHI companies are likely to try to undermine others who threaten their interests.

Social Health Insurance

Unlike voluntary PHI, social health insurance (SHI) is usually mandatory to cover the entire population. Although often proposed and promoted with the best of intentions, the limitations and problems of SHI are also important to consider.

SHI would effectively require collecting an additional 'payroll tax' from the public. This could be designed with various distributional consequences. A progressive policy in this sense could very well end up being regressive. As an additional tax would reduce levels of take-home incomes, SHI schemes have been difficult to introduce.

Like PHI, SHI also has inherent tendencies for overtreatment and cost escalation due to 'moral hazard' and 'supply-induced demand'. These require costly, strong and typically bureaucratic administrative controls.

Surviving SHI schemes owe their 'success' to specific reasons. As an example, Germany's SHI evolved from its long history of union-provided health insurance. But most working people in developing countries are not in formal employment, let alone unionised. Hence, SHI would have difficulty gaining broad acceptance there.

In any case, countries like Germany with previously effective SHI systems are shifting towards increased revenue-based healthcare funding. This shift is in response to the decline in formal employment and unionisation, which is occurring due to changing labor dynamics.

Under SHI, government funds would still be required to provide coverage for the impoverished and the indigent. It is difficult to collect premiums from the self- employed or casual and informal workers who are not on regular payrolls. But universal coverage would not be achieved without including them.

Revenue-Financed Healthcare

Inherited revenue-based healthcare financing is basically sound and should not be replaced due to other healthcare system problems. In most societies, revenue-sourced healthcare financing can be retained, reinforced and improved by:

- increasing government healthcare allocations
- reducing 'leakages' by eliminating waste, corruption, 'cronyism', etc.
- promoting 'developmental governance', competitive bidding, etc.
- raising government revenue, especially from more progressive taxation, e.g., wealth, 'windfall' and 'sin' taxes, especially on activities that worsen health risks, such as tobacco and sugar consumption.

Revenue-Financing Is Better

Revenue-financing avoids many of the administrative costs incurred by PHI and SHI. It has no need for an elaborate parallel system, costly mechanisms or numerous staff to register, track and pay SHI contributors and beneficiaries, or prevent self-serving, opportunistic behaviour.

Compared to PHI, SHI seems like a step forward for countries with weak or non-existent public healthcare systems. But moving from revenue-financing to SHI would be a step backwards in terms of both equity and cost-effectiveness.

SHI requires additional layers of healthcare system administration—to enrol, collect, ascertain coverage, determine benefits and make payments—which incur unnecessary costs compared to revenue-financing. Hence, such insurance systems involve much more per capita health spending, raising it by 3–4 per cent. Despite being much more costly than revenue-financed systems, they do not have better health outcomes.

As SHI effectively imposes a payroll tax, it discourages employers from hiring employees with 'proper' labour contracts. Hence, SHI was estimated to reduce formal contracts by 8–10 per cent and total employment by 5–6 per cent in rich countries.

International evidence clearly shows that progressive tax-funded public health systems are more equitable, cost-effective and beneficial than SHI. Public health programmes that need popular participation, such as breast or cervical cancer screening, have worse outcomes with SHI compared to revenue-financing.

A better system can be achieved by improving or developing a revenue-funded healthcare system, with additional resources deployed to expand and enhance primary healthcare and better service conditions for medical personnel.

Strengthening public healthcare services can do much, not only to improve staff working conditions but also morale and pride in their work.

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Pandemic Relief Policies Need More Resources, Better Design

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Pandemic relief measures in developing countries have been limited by modest resources, fear of financial market discipline and policy mimicry. COVID-19 triggered not only an international public health emergency but also a global economic crisis, setting back decades of uneven progress, especially in developing countries.

Struggling to Cope

The economic and social consequences of the pandemic disproportionately affected countries with lower and middle incomes (LMICs). The World Bank estimated that the pandemic pushed 119 million to 124 million more people into extreme poverty in 2020.

The Bank also reported disproportionately larger business impacts in terms of closures, drop in sales, greater corporate debt and financial fragility. Meanwhile, households in poorer countries saw greater food insecurity as well as income and educational losses.

It also found that public debt had surged in many developing economies because a rising number of LMICs had greater difficulties in servicing official debt. Facing sharp falls in tourism and export earnings, access to foreign credit for many has deteriorated.

Urgent Financing Needs

LMICs must address various urgent needs and other short-term problems. They need to finance emergency contagion containment and relief measures for those most adversely hit by the pandemic.

This would include at least the costs of diagnostic testing, personal protective equipment for 'frontline' personnel, medical treatments for those infected and urgent vaccination to mitigate further infections.

While liquidity support, including low-interest loans and wage subsidies, can be crucial for the survival of businesses and workers, it has predominantly favored larger, more influential enterprises in most countries.

Policy and fiscal space as well as policy design are key elements in influencing the implementation of economic measures to cope with COVID-19 recessions. These require understanding the specific nature of recessions and options available, as distinct from simply following what others have done or recommend.

COVID-19 Recessions Different

What made the pandemic economic shocks different? First, SARS-COV2 is a highly contagious aerosol-borne virus with rapidly evolving variants and mutations, with mixed, uneven, even deadly, effects. COVID-19 affected most countries, albeit with varying and unequal economic consequences.

Second, the pandemic brought about predominantly adverse effects through both supply and demand shocks. It directly impacted people's ability to work, earn, and spend. Simultaneously, containment measures adversely affected production, supplies, and incomes, resulting in reduced demand, spending, and incentives for firms to invest.

Third, the shocks worsened existing disparities and other inequalities. Fourth, they especially hurt LMICs, which typically lack fiscal resources and relevant governance capacities to better cope with a pandemic.

Government As 'Payer-Of-Last-Resort'

Misreading the COVID-19 shocks and expecting brief V-shaped recessions, some novel fiscal and monetary measures were hastily introduced to assist businesses and workers. These typically emulated the measures adopted in developed economies, including temporary tax relief, low-interest loans, cash transfers and wage subsidies.

Many high- and upper-middle-income governments have served as '[payers-of-last-resort]', helping 'suspended' businesses to continue paying their involuntarily idle employees instead of firing them.

Large firms were also able to get governments to help settle some of their unavoidable bills, to cover their overheads and maintenance costs—such as rent, utility and other payments—during 'stay in shelter' lockdowns.

Such 'payer-of-last-resort' programmes successfully complemented effective contagion containment measures, enabling the early resumption of economic activity. While high, such costs can remain manageable if governments can secure sufficient fiscal resources and space.

Policy Blind Spots

There is not enough consideration of country-specific circumstances or social, economic, cultural and institutional circumstances. Thus, large informal sectors, crowded slums and limited social protection in developing countries are largely overlooked, or worse, ignored.

Unsurprisingly, most financing disbursed via various official channels did not reach most in the informal sector. These resources did not provide much relief to small and micro enterprises, let alone the self-employed.

However, much of what was offered to large firms was not used due to uncertainty and reduced domestic spending options. Meanwhile, significant resources 'leaked out' of many developing countries, including via corruption as well as tax and other incentives for foreign investors.

Such failures in policy responses and poor design greatly impaired prospects for quick and equitable COVID-19 containment and recovery. They also exacerbated various inequalities within and among countries.

Diverging Recoveries

The International Monetary Fund (IMF) projected divergent so-called K-shaped recoveries, which left many LMICs and the vast majority in most societies further behind. With ongoing vaccine apartheid and nationalism, early hopes of quickly addressing the crises in LMICs faded.

Vaccinations in these countries were much delayed, while donor countries such as the UK cut aid significantly. Thus, economic crises in LMICs are far from over, delaying recovery with often disastrous consequences.

IMF Managing Director, Kristalina Georgieva, even warned that uneven global recovery would 'ricochet' as 'poorer countries are faced with the risk of interest rates increasing while their economies aren't growing, and may find themselves "really strangled" to service debt, especially if it's dollar-denominated'.

Appropriate Relief Measures

All governments must try their best to prevent protracted recessions from becoming extended depressions. Policymakers also need to ensure that temporary short-term liquidity problems do not become full-blown solvency crises. Measures are needed to change contracts and other obligations to enable firms to better cope with the involuntary suspension of business operations. Much more is needed to address the specific challenges that face small family businesses.

Income-maintenance policies can help those who are losing some, if not all, of their income. Often unable to earn their livelihoods from home, lowly paid and casual workers are more likely to be displaced by lockdowns. Typically, they have much less in savings to ride out temporary earnings losses.

Social protection has been poorly institutionalised, if at all, in most developing countries. Instead, temporary 'social safety nets' in response to crises have been recommended and deemed adequate by influential foreign agencies.

Such 'one-off' relief measures, typically involving targeting, usually miss many of the deserving as they strive, often at great cost, to prevent opportunistic 'undeserving free-riders' from abusing such chances to secure benefits.

Recovery Threatened

Appropriate design and efficient implementation of adequate relief measures are also vital for enabling robust and equitable recovery. These can be crucial to the survival of businesses—especially micro and small ones—as well as safeguarding vulnerable people.

The absence of sufficient relief measures can strengthen the vicious circle of business failures and job and income losses. Declining aid inflows, more capital flight and inadequate relief for high government debt, even before the pandemic, have prevented most developing countries from deploying the bolder measures needed.

Facing financing constraints, many low-income countries have even cut spending! Out of fear of facing punitive market reactions and potential long-term issues, numerous governments in developing countries have been hesitant to increase their borrowing. The urgent challenge now, however, is to enable them to spend more, wisely and equitably.

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IMF, World Bank Must Urgently Help to Finance Developing Countries

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COVID-19 set back the uneven progress of recent decades, directly causing more than two million deaths. The slowdown, due to the pandemic and policy responses, pushed hundreds of millions more into poverty, hunger and worse, also deepening many inequalities.

Development Setbacks

The outlook for developing countries was grim, with output losses of 5.7 per cent in 2020. Compared to pre-pandemic trends, the expected 8.1 per cent loss by the end of 2021 would be much worse than in advanced countries, which dropped output by 4.7 per cent.

COVID-19 further set back progress towards the Sustainable Development Goals (SDGs). As progress was largely 'not on track' even before the pandemic, developing countries would need much support to mitigate the new setbacks, let alone get back on track.

The extremely poor, who are defined by the World Bank as those with an income under USD $1.90/day, increased by 119–124 million in 2020, and were expected to rise by another 143–163 million in 2021.

Fiscal Response Constrained

Global fiscal efforts of close to USD 14 trillion, plus low interest rates, liquidity injections and asset purchases by central banks, did help. Nonetheless, the world economy would lose over USD 22 trillion during 2020–2025, due to the pandemic.

Government responses were much influenced by access to finance. Developed countries accounted for four-fifths of total pandemic fiscal responses, costing USD 14 trillion. Rich countries deployed the equivalent of a fifth of national income for fiscal efforts.

Meanwhile, emerging-market economies spent only 5 per cent and low-income countries (LICs) a paltry 1.3 per cent by mid-2020. In 2020, increased spending, despite reduced revenue, raised the fiscal deficits of emerging-market as well as middle-income countries (MICs) to 10.3 per cent, and of LICs to 5.7 per cent.

Government revenue fell due to lower output, commodity prices and longstanding World Bank advice to cut taxes. Worse, these countries already faced heavy debt burdens and onerous borrowing costs. Meanwhile, private finance dropped by USD 700 billion in 2020.

Developing countries lost portfolio outflows of USD 103 billion in the first five months. Foreign direct investment (FDI) flows to emerging and developing countries also fell 30–45 per cent in 2020. Meanwhile, bilateral donors cut aid commitments by 36 per cent between 2019 and 2020.

The liquidity support, debt relief and finance available were woefully inadequate. These constrained LICs' fiscal efforts, with many even cutting spending, worsening medium-term recovery prospects!

Debt Burdens

In 2019, the International Monetary Fund (IMF) assessed that half the LICs were at high risk of, or already in, debt distress—more than double the 2013 share. Debt in LICs rose to 65 per cent of GDP in 2019, from 47 per cent in 2010.

Thus, LICs began the pandemic with more debt relative to government revenue, larger deficits and higher borrowing costs than high-income countries. And greater fiscal deficits of USD 2–3 trillion projected for 2021 implied more debt.

Debt composition became riskier with more commercial borrowing, particularly with foreign currency bond issues far outpacing other financing sources, especially official development assistance (ODA) and multilateral lending.

More than half of LIC government debt is non-concessional, worsening its implications. External debt maturity periods also decreased. Also, interest payments cost more than 12 per cent of government revenue in 2018, compared to under 7 per cent in 2010.

Riskier Financial Flows

Developing economies increasingly had to borrow on commercial terms in transnational financial markets as international public finance flows and access to concessional resources declined.

Low interest rates, due to unconventional monetary policies in developed countries, encouraged borrowing by developing countries, especially by upper MICs. But despite generally low interest rates internationally, external debt rates in LICs were rising.

Overall ODA flows—net of repayments of principal—from OECD countries fell in 2017 and 2018. Such flows have long fallen short of the financing needs of Agenda 2030 for the SDGs. Instead of giving 0.7 per cent of their national income as ODA to developing countries, as long promised, actual ODA disbursed by OECD countries has yet to reach even half this level.

Although total financial resource flows (ODA, FDI, remittances) to least-developed countries (LDCs) increased slightly, ODA remained well short of their needs, falling from 9.4 per cent of LDCs' GNI in 2003 to 4.3 per cent in 2018. Meanwhile, FDI to LDCs dropped from 4.1 per cent of their GNI in 2003 to 2.3 per cent in 2018.

There has also been a shift away from 'traditional' creditors, including multilateral financial institutions and rich-country Paris Club members. Some donor governments increasingly use aid to promote private business interests. 'Blended finance' is supposed to turn billions of aid dollars into trillions in development finance.

But the private finance actually mobilised has been modest, about USD 20 billion a year—well below the urgent spending needs of LICs and MICs and less than a quarter of ODA in 2017. Such changes have further reduced recipient-government policy discretion.

Inadequate Support

The 2020 IMF cancellation of USD 213.5 million in debt service payments due from twenty-five eligible LICs was welcome. But the G20 debt service suspension initiative (DSSI) was grossly inadequate, merely kicking the can down the road. It did not cancel any debt, with interest continuing to accrue during the all-too-brief suspension period.

The G20 initiative hardly addressed urgent needs, while private creditors refused to cooperate. Only meant for LICs, it did not address the problems that confronted MICs. Many MICs also faced huge debt, with upper MICs alone owing USD 2.0–2.3 trillion in 2020–2021.

World Bank President, David Malpass, expressed concerns that any change to normal debt servicing would negatively impact the Bank's standing in financial markets, where it issued bonds to finance loans to MICs.

The Bank Group made available USD 160 billion for the period April 2020 to June 2021, but moved too slowly with its Pandemic Emergency Financing Facility (PEF). By the time it paid out USD 196 million, the amount was deemed too small and contagion had spread.

Special Drawing Rights

Issuing USD 650 billion worth of new special drawing rights (SDRs) would augment the IMF's one trillion dollars lending capacity, which was already inadequate before the pandemic. But USD 650 billion in SDRs was only half the new SDR of the USD 1.37 trillion that *The Financial Times* considered necessary, given the scale of the problem.

To help, rich countries could have transferred unused SDRs to IMF special funds for LICs—such as the Poverty Reduction and Growth Trust (PRGT) and the Catastrophe Containment and Relief Trust (CCRT)—or for development finance.

Similar arrangements could have been made by the Bank. A World Bank version of the IMF's CCRT could ensure uninterrupted debt servicing while providing relief to countries in need. Investors in Bank bonds would appreciate the distinction.

Hence, issuing SDRs and making other institutional reforms at the Spring meetings in April 2020 could have enabled much more IMF and World Bank financial intermediation. This could have greatly helped to finance urgently needed pandemic relief, recovery and reforms in developing countries.

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Why Some National Health-care Systems Do Better than Others

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In public health discussions, it is generally recognised that the social returns on healthcare investments are greater than the private returns, and much of such investments should be financed by the state.

Also, the global benefits from national healthcare spending are greater than just the national benefits, while the costs of underinvestment in national healthcare are borne not only by the country in question but also by the rest of the world.

Extending Life Expectancy

First, governments have a responsibility to *increase the life expectancy* of their citizens, at least commensurate with their level of economic development, typically proxied by per capita income.

Available evidence suggests that life expectancy is strongly correlated with per capita income, but some countries are clearly doing better than others.

China, Japan and many European countries have higher life expectancies than their per capita incomes would suggest, whereas the converse is true of South Africa, Russia, Saudi Arabia and the US, even when comparing the purchasing power parity (PPP) of per capita national incomes. This is probably due to their greater inequalities in incomes and healthcare access.

In the 'communist' countries, income inequalities were low and access to healthcare was free and universal. In the 1960s, life expectancy in the Soviet Union reached seventy years—nearly the level of much richer developed countries.

But following the abrupt neoliberal reforms during Yeltsin's first term in the early 1990s, a mortality crisis occurred—the average life expectancy fell by over five years! Even after this, life expectancy in former communist countries was, on average, five years higher than for other countries at the same per capita income level.

Universal access to healthcare in China, before the 1979 market liberalisation reforms, weakened over the next two decades. However, things improved thereafter with the creation of a national healthcare insurance system, and especially with more progressive reforms after the 2003 severe acute respiratory syndrome (SARS) epidemic.

How Efficient Is Healthcare Spending?

Second, countries must strive for healthcare system 'efficacy', so that greater healthcare spending commensurately increases life expectancy. Total healthcare spending as a share of GDP is correlated with life expectancy, but more spending in South Africa, Saudi Arabia and the US has been less beneficial, again due to unequal healthcare access.

Third, national governments have a responsibility to ensure a certain level of healthcare access for all, irrespective of personal means. The government share of total (public and private) healthcare spending has increased with per capita income.

But private financing shares in India, Brazil, South Korea, Saudi Arabia and the US have been higher than in other countries with similar average incomes. Despite some notably exceptional less unequal countries, such as South Korea, greater reliance on private financing generally reduced life expectancy, implying that even high government healthcare spending is not enough to counter the negative impact of greater inequality.

South Africa, with one of the most unequal income distributions in the world—its Gini coefficient inequality measure exceeds 60 per cent—is a case in point. Over half of its relatively high (8 per cent of GDP) healthcare spending comes from government. It is a higher proportion than in other countries at similar income levels but has not raised mean life expectancy (sixty-four years) to that of other countries at the same income level, such as Indonesia, which has an average life expectancy of seventy-one years.

Coping with Epidemics

Finally, national governments should be able to isolate and quarantine infected individuals in the event of an epidemic. Preliminary statistics for the COVID-19 pandemic suggested very varied death rates between countries.

These differences are partly explained by statistical variations: the higher the level of testing, the greater the number of infections and deaths attributable to COVID-19. As developed countries generally can afford far more testing, they appeared to have higher infection and death rates than developing countries, everything else being equal.

However, another likely explanation is East Asian governments' early 'symptomatic tracking' (without testing) and isolation measures. In this regard, East Asian, Middle Eastern and North African countries performed much better than most developed countries, where strict tracing, isolation, quarantine and 'lockdown' measures could be seen as draconian.

China Trumps US

On all four counts, China performed much better than the US: its life expectancy is higher than in most countries with similar levels of average income and healthcare spending as a share of GDP.

China's government healthcare spending is higher than in other countries at a similar level of development, while its ability to contain epidemics via symptomatic tracking and isolation has been impressive.

China would thus come out well in such comparisons with the US, whose healthcare performance indicators were generally considered poor even before the COVID-19 crisis underscored such differences, which have even larger implications in a US election year.

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European Duplicity Undermines Anti-Pandemic Efforts

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Despite facing the world's worst pandemic of the last century, rich countries in the World Trade Organization (WTO) blocked efforts to enable more affordable access to the means to fight the pandemic.

Everyone knows that access for all to the means for testing, treatment and prevention—including diagnostic tests, therapeutic medicines, personal protective equipment and vaccines—is crucial.

European Deceit

In October 2020, South Africa and India requested that the WTO temporarily suspend relevant provisions of its Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). By May 2021, the proposal had sixty-two co-sponsors and support from more than two-thirds of WTO member states.

Despite overwhelming support from low- and middle-income countries, Western governments, Big Pharma and other industry officials dismissed this waiver request as not only unnecessary but also undermining future technological innovation.

Although most European Parliament members supported the waiver proposal, it was actively opposed by European governments and the European Commission (EC), the European Union (EU) executive.

It was also resisted by Brazil and other rich countries, such as the UK, Norway, Switzerland, Australia, Canada and Japan. However, the Biden administration supported a temporary waiver for vaccines, but was silent on the other items urgently needed.

Misleadingly, European leaders insisted that the temporary waiver request was unnecessary. But IP rights (IPRs) are essential for innovation. 'IPR regimes have, at best, second-order effects upon the rates of innovation.' In fact, 'when patent rights have been too broad or strong, they have actually discouraged innovation'.

The leaders misleadingly claimed that access could be achieved by existing provisions for voluntary licensing (VL), technology transfer, COVAX bulk purchasing and existing TRIPS flexibilities, especially compulsory licensing (CL). But these purported solutions were known to be grossly inadequate.

COVAX was struggling due to poor funding, supply shortages and inadequate donations. Hence, many poor countries had not even applied to it. With IPRs strengthened internationally since 1995, transnational corporations (TNCs) have found technology transfer agreements to be less profitable.

Big Pharma Law

Strict international enforcement of patent protection is recent. Pfizer's then chairman, Edmund Pratt, successfully pushed IP onto the agenda of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), which created the WTO and TRIPS in 1995.

Fearing that stronger IP rights would enhance corporate power and reduce affordable access to life-saving medicines, many developing countries resisted TRIPS. But rich countries pushed TRIPS through, using carrots or sticks to divide developing countries.

TRIPS includes CL, first introduced in the 1883 Paris Convention for the Protection of Industrial Property. A government can thus allow a third party to make or use a patented product or process without the patent owner's consent. But this can only be for domestic use, subject to other conditions, such as paying 'the right holder … adequate remuneration'.

Despite great efforts, rich country governments failed to increase members' TRIPS obligations at the 1997 Singapore WTO ministerial. Nevertheless, US President Clinton tried again at the 1999 Seattle ministerial, triggering an African walkout.

After 9/11, some concessions were made before the 2001 Doha ministerial, including a new 'Development Round' of WTO talks. Two decades later, no conclusion was in sight as rich countries saw little chance of getting what they wanted.

With the HIV/AIDS crisis, campaigning against TRIPS was boosted by President Mandela's leadership. The Doha Ministerial Declaration included 'public health exceptions' to TRIPS. Now, there is no need to first negotiate VLs during health emergencies. Also, countries without manufacturing capacity can use CLs to import cheaper versions.

European Deceptions

By insisting that existing TRIPS flexibilities were sufficient, European leaders denied all actual problems around intellectual property. Ignoring decades of experience, they insisted that VL provisions were enough to expand output and share expertise.

In reality, VLs are often shrouded in secrecy, with patent-holders choosing beneficiaries and even distributors. Thus, the AstraZeneca VL to the Serum Institute of India limited what it could produce, and prevented it from meeting Indian and other needs.

European leaders conceded that when 'voluntary cooperation fails, compulsory licences … are a legitimate tool in the context of a pandemic'. But CLs are only relevant for patents, not new vaccines which have not been patented, and deny other IP barriers.

EC arguments protected Big Pharma but effectively rejected the World Health Organization's COVID-19 Technology Access Pool (C-TAP) initiative. C-TAP seeks to enable equitable access to technologies for approved COVID-19 vaccines and therapies. But industry and government officials dismissed technology-sharing as unnecessary, and worse, dangerous for future innovation.

Inflexible 'Flexibilities'

For a long time, Big Pharma and their governments, including the EC, pressured developing countries not to use the very CLs they were now touting as the solution. The US Trade Representative routinely threatened sanctions against countries that used CLs for medicines, recognising others' right to use them only in 2021.

CLs are very difficult to actually use, especially by countries with limited negotiating capacities or relevant manufacturing capabilities. Existing provisions require complicated country-by-country, company-by-company and patent-by-patent negotiations, also raising massive coordination problems.

The CL provision may be enough for some, but certainly does not provide all needed equipment, tests and medicines. Many products need several CLs, implying that 'a harrowing number of CL must be coordinated and granted in multiple countries'.

Also, CL does not require sharing industrial secrets, confidential information, industrial design and other relevant knowledge necessary for viable production. These can be critical, such as for mRNA vaccines that use new technologies.

Those countries unable to produce vaccines themselves have to find others willing to issue CLs to produce cheap generics for export. Yet more hurdles are contained in the fine print of TRIPS and the 2001 'flexibilities'.

Bogus Claims

In fact, sharing such confidential information not only spurs competition but also enhances innovation. Thus, Shantha Biotechnics in India developed a low-cost hepatitis B vaccine, the basis for UNICEF's lauded global vaccination drive.

Contrary to industry and political leaders' claims that circumscribing patents would kill pharmaceutical innovation, 'a host of new drugs and improved HIV treatments' followed 'the agreement on Public Health exception to TRIPS'. These new and improved treatments effectively ended the deadly hepatitis B pandemic.

After inventing the polio vaccine, Jonas Salk was asked, 'Who owns this patent?' He famously replied, 'Well, the people I would say. There is no patent. Could you patent the sun?'

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Intellectual Property Cause of Death, Genocide

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Refusal to temporarily suspend several World Trade Organization (WTO) intellectual property (IP) provisions to enable much faster and broader progress in addressing the COVID-19 pandemic should be grounds for International Criminal Court prosecution for genocide.

Making life-saving vaccines, medicines and equipment available, freely or affordably, has been crucial for containing the spread of many infectious diseases, such as tuberculosis, HIV/AIDS, polio and smallpox.

Jonas Salk, who developed the polio vaccine in 1955, insisted that it remain patent-free. Asked who owned the patent, he replied, 'The people I would say. There is no patent. You might as well ask, could you patent the sun?'

Intellectual Property Induced Scarcity

However, cross-border enforcement of intellectual property rights (IPRs) is relatively recent. The 1994 WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) greatly strengthened and extended IP transnationally. IPRs have effectively denied access to patented formulas and processes except to the highest bidders.

Recognising the extent of the pandemic threat, vaccine developers expect it to be very profitable, thanks to national and transnational IP laws. Thus, IP has distorted research priorities and discouraged cooperation and knowledge sharing, so essential to progress.

As COVID-19 infections and deaths continued to rise alarmingly, rich countries fell out among themselves, fighting for access to vaccine supplies as IP profits took precedence over lives and livelihoods.

'Vaccine nationalism' involved cut-throat contests responding to scarcity due to limited output. Facing vaccine wars, multilateral arrangements, such as COVAX, did not adequately address the current challenges.

Vaccine nationalism also meant that among the rich, the powerful—Trump's US—came first. Consequently, most developing countries and most of their people would have to wait longer than necessary for vaccines, while the powerful and better-off secured prior access, regardless of need or urgency.

Lethal Combination

This lethal combination of IP and vaccine warfare was responsible for more avoidable losses of both lives and livelihoods. Developing nations, especially the poorest and most vulnerable, were left far behind, even in most programmes for COVID-19 prevention, containment, treatment and vaccination.

The deadly duo of IP and vaccine warfare unnecessarily delayed the end of the pandemic, causing avoidable infections, deaths and related setbacks. World Health Organization (WHO) Director-General (DG), Tedros, warned 'the world is on the brink of a catastrophic moral failure … the price of this failure will be paid with lives and livelihoods in the world's poorest countries'.

He advised that 'the international community cannot allow a handful of companies to dictate the terms or the timeframe for ending the pandemic'; 'vaccine nationalism combined with a restrictive approach to vaccine production is in fact more likely to prolong the pandemic … tantamount to medical malpractice on a global scale'.

While over 39 million vaccine doses had been given in forty-nine richer countries by the end of 2021, only twenty-five doses had reached one poor country! At current rates, more than eighty-five poor countries would not have significant access before the end of 2023! In seventy lower-income countries, only one in ten would be vaccinated.

Of the 7.2 billion confirmed sales of COVID-19 vaccine doses, 4.2 billion went to the wealthiest nations. With only 16 per cent of the world's population, high-income countries secured 60 per cent of available doses. Meanwhile, the African Union procured only 670 million for the continent's 1.3 billion people.

Public Health Exception

Following strong advocacy led by South African President Mandela, a 2001 WTO Declaration on TRIPS and Public Health affirmed countries' right to protect public health by enabling access to medicines, even without a health emergency.

Although TRIPS now allows such government public health efforts, developing countries remain constrained by compulsory licensing's complex rules, procedures and conditions. Threats and inducements by transnational corporations and their governments limit its use.

Hence, the use of compulsory licensing by developing countries has been largely limited to several more independent middle-income countries and HIV/AIDS medicines.

TRIPS Waiver

The TRIPS waiver proposal to the WTO—led by South Africa and India—sought temporary suspension of several TRIPS provisions to greatly scale up the production of and access to COVID-19 vaccines, medicines and equipment to contain the contagion.

The Trump administration, the European Union (EU) and their allies blocked the waiver proposal, although its measures were allowed by their own national laws. Some rich countries even increased such provisions with the pandemic.

South African TRIPS negotiator, Mustaqeem Da Gama, debunked the waiver opponents' claim that even if 'approved tomorrow, there are no companies in the developing world that can produce any number of products relevant to COVID-19, including mRNA vaccines'.

In fact, the Serum Institute of India was acknowledged as the only facility in the world with the mass vaccine production capacity to rapidly greatly scale up output. Furthermore, 72 of the 154 vaccines 'pre-qualified' by the WHO were already being manufactured in developing countries.

Such production in developing countries was subject to very restrictive IP regulations and licensing agreements with stringent conditions. Hence, existing capacity in India, China, Brazil, Cuba, Thailand, Senegal and Indonesia, among others, remained underutilised, primarily due to such legal barriers.

IP Main Barrier

Despite growing support for the waiver, the proposal was rejected by the TRIPS Council on 4 February 2021. The EU insisted that IP would 'ensure the publication and dissemination of research results, when otherwise they will remain secret'.

But everyone knows that the IP system discourages rather than encourages cooperation and sharing, which are both essential for accelerating progress. Although IP requires sharing research results, no vaccine developer has done so yet. Nonetheless, waiver opponents insisted that the system was working well.

Rich countries opposing the waiver quietly, even secretly, bought up vaccines. Even as the EU lost the vaccine wars despite furthering pharmaceutical company interests, it claimed the moral high ground as a major COVAX donor. The recent EU export authorisation scheme, which restricted exports, was bound to trigger retaliatory restrictions by others.

Incredibly, rich countries opposed to the TRIPS waiver proposal, particularly the EU, then wanted WTO members to instead accept its trade and health initiative for further trade liberalisation and removal of export restrictions—to address a problem of its own making!

Biden Could Still Have Led

The Biden administration showed renewed commitment to multilateralism by rejoining the WHO, but still needed to offer leadership beyond funding the ineffective COVAX scheme and lifting Trump's embargo on exports of vaccines, vital medicines and equipment.

One 'people's vaccine' proposal involved sharing research results in return for public financing. This would have greatly scaled up production of affordable generics, quickly enabling 'vaccines for all' in the world at little additional cost.

As rich-country governments had already spent much to accelerate vaccine development, they could have more easily made this happen. Since vaccine developers did not expect to profit much from selling to the poor, this would have benefited many at little added expense.

Depriving and delaying vaccines for those with less means has to be seen for what it is. Such avoidable behaviour is, frankly, nothing less than genocidal, in causing many people to die needlessly for IP profit.

At the 23 February 2021 TRIPS Council meeting, US President Biden could have secured consensus support for the waiver proposal, thus providing the Roo-seveltian leadership internationally that he seemed to be trying to emulate in the US.

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Intellectual Property Monopolies Block Vaccine Access

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Just before the World Health Assembly (WHA) in 2020, an 18 May open letter by world leaders and experts urged governments to ensure that all COVID-19 vaccines, treatments and tests were patent-free, fairly distributed and available to all, free of charge.

Pious Promises

Leaders of Italy, France, Germany, Norway and the European Commission called for the vaccine to be 'produced by the world, for the whole world' as a 'global public good of the 21st century', while China's President Xi promised that a vaccine developed by China would be a 'global public good'.

The United Nations Secretary-General also insisted on access to all when available. The WHA unanimously agreed that vaccines, treatments and tests were global public goods but was vague on the implications.

As COVID vaccines become available, nearly seventy poor countries would be left out. Many more people would be infected and might die without vaccinations, warned the People's Vaccine Alliance, which advocates equitable and low-cost access.

As the rich and powerful secured access, poor countries would leave out most people, as only one in ten could be vaccinated in 2021, making a mockery of the Sustainable Development Goals' overarching principle of 'leaving no one behind'.

Waiving WTO Rules

The authors of 'Want Vaccines Fast? Suspend Intellectual Property Rights' argued that IPRs were the main stumbling block. Meanwhile, South Africa and India proposed that the World Trade Organization (WTO) temporarily waive its Trade-Related Aspects of Intellectual Property Rights (TRIPS) rules limiting access to COVID-19 medicines, tools, equipment and vaccines.

The proposal—welcomed by the WHO Director-General and supported by nearly 100 governments and many civil society organisations around the world—went beyond the Doha Declaration's limited flexibilities for national emergencies and circumstances of extreme urgency.

But Brazil, one of the worst-hit countries, opposed the proposal, together with the US, the EU, the UK, Switzerland, Norway, Canada, Australia and Japan, insisting that the Doha Declaration was sufficient.

The Empire Fights Back

The US insisted that IP protection was best to ensure 'swift delivery' while the EU claimed there was 'no indication that IPR issues have been a genuine barrier … to COVID-19-related medicines and technologies'; the UK dismissed the proposal as 'an extreme measure to address an unproven problem'.

The Federation of Pharmaceutical Manufacturers and Associations Director-General claimed it 'would jeopardize future medical innovation, making us more vulnerable to other diseases', while *The Wall Street Journal* denounced it as 'A Global Covid Vaccine Heist', warning that 'their effort would harm everyone, including the poor'.

Citing AstraZeneca's agreement with the Serum Institute of India (SII) and Brazilian companies, other opponents asserted that voluntary mechanisms should suffice, insisting that the public-private COVAX initiative ensured fair and equitable access.

But the US refused to join COVAX, part of the WHO-blessed, donor-funded Access to COVID-19 Tools Accelerator (ACT-A), which was ostensibly committed to 'equitable global access to innovative tools for COVID-19 for all'.

Intellectual Property Fraud

The Doha Declaration covers only patents, ignoring proprietary technology that could safely manufacture vaccines. Meanwhile, there was not enough interest, let alone capacity, among leading pharmaceutical companies to produce enough vaccines safely and affordably for everyone before 2024.

Despite the Doha Declaration, developing countries were still under great pressure from the EU and the US. The rules allowing 'compulsory licensing' are very restrictive, with countries required to separately negotiate contracts with companies for specific amounts, periods and purposes, deterring and thus often bypassing those with limited financial and legal capacities.

South Africa cited the examples of Regeneron and Eli Lilly, which had already committed most of their COVID-19 antibody cocktail drugs to the US. In India, Pfizer legally blocked alternative pneumococcal vaccines from Médecins Sans Frontières (MSF). In South Korea, Pfizer forced SK Bioscience to stop producing its pneumococcal conjugate vaccine (PCV).

To be sure, patents are not necessary for innovation, with the *Harvard Business Review* showing that IPR law actually stifles it. Meanwhile, *The Economist* has condemned patent trolling, which has reduced venture-capital investment in start-ups and R&D spending, especially by small firms.

Public Subsidies

Like most other life-saving drugs and vaccines, COVID-19 vaccines and treatment technologies owe much to public investment. Even the Trump administration provided USD 10.5 billion to vaccine development companies.

Moderna's vaccine emerged from a partnership with the National Institute of Health (NIH). Research at the NIH, Defense Department and federally funded university laboratories were crucial for rapid US vaccine development.

Pfizer received a USD 455 million German government grant and nearly USD 6 billion in US and EU purchase commitments. AstraZeneca received more than GBP 84 million (USD 111 million) from the UK government, and more than USD 2 billion from the US and EU for research and via purchase orders.

But although public funding for most medicine and vaccine development is the norm, Big Pharma typically keeps the monopoly profits they enjoy from the IPR they retain.

Voluntary Mechanisms Inadequate

COVAX sought to procure two billion vaccine doses, to be shared 'equally' between rich and poor countries, but reserved only 700,000 vaccine doses, while the poorest countries, with 1.7 billion people, could not afford a single deal. Meanwhile, rich countries secured six billion doses for themselves.

Thus, even if and when COVAX procured its targeted two billion vaccine doses, less than a billion would go to poor countries. If the vaccine required two doses, as many—e.g., Gavi, the Vaccine Alliance—then assumed, this would only be enough for less than half a billion people.

Meanwhile, ACT-A's diagnostics work sought to procure 500 million tests, only a fraction of what was required. Even if fully financed, which was not the case, this was only a partial solution at best.

But with the massive funding shortfall, even these modest targets would not be reached. By December 2020, only USD 5 billion of the USD 43 billion needed for poor countries in 2021 had been raised.

Profitable Philanthropy

As of mid-October 2020, while eighteen generic pharmaceutical companies had signed up, not a single major drug company had joined WHO's COVID-19 Technology Access Pool (C-TAP) to encourage industry contributions of IP, technologies and data to scale up worldwide sharing and production of all such needs.

Meanwhile, a few companies had 'voluntarily' given up some IPR, if only temporarily. Moderna promised to license its COVID-19 related patents to other vaccine manufacturers and not enforce its own patents. But its pledge was limited, allowing it to enforce its patents 'post pandemic', as defined by Moderna.

Besides profiting from licensing in the longer term, Moderna's pledge would enable it to grow the new mRNA market its business is based on, by establishing and promoting a transformational drug therapy platform, yielding gains for years to come.

AstraZeneca announced that its vaccine, researched at Oxford University, would be available at cost in some locations, but only until July 2021. Meanwhile, Eli Lilly agreed, with the Gates Foundation, to supply—without demanding royalties from low- and middle-income countries—its (still experimental) COVID-19 antibody treatment, but did not specify how many doses.

Indeed, as Proudhon warned almost two centuries ago, 'property is theft'.

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Through the voices of several prominent Africans, Lusajo Kajula and Chambi Chachage explore the invention of the term "sub-Saharan Africa", its scholarly (dis)advantages, and potential harm in its continued usage.

Read the article here – https://bit.ly/3Esybvc

À travers les voix de plusieurs éminents africains, Lusajo Kajula et Chambi Chachage explorent l'invention du terme "Afrique subsaharienne", ses (dés)avantages sur le plan scientifique et le préjudice potentiel de son utilisation continue.

Lisez l'article ici – https://bit.ly/3Esybvc

Climate Change: Adapt for the Future, not the Past

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Funding for developing countries to address global warming is grossly inadequate. Very little finance given is for adaptation to climate change, the urgent need of countries most adversely affected. Also, adaptation needs to be forward-looking rather than only addressing accumulated problems.

Suicide Pact?

Climate change poses an existential threat, especially to poor countries with little means to adapt. Rich countries' failure to deliver promised financial support has only made things worse. COVID-19 dealt another knock-out blow, worsened by rich countries' 'health apartheid'.

The COP26 deal was undoubtedly a 'historically shameful dereliction of duty' and 'nowhere near enough to avoid climate disaster'. Glasgow's failure showed up lack of real progress and inadequate policy responses. Worse, no significant new resources came with the 'Glasgow Suicide Pact'.

The United Nations Conference on Trade and Development (UNCTAD)'s Trade and Development Report 2021 lamented rich countries' unwillingness to address the grave challenges that faced developing countries. After all, Agenda 2030 for Sustainable Development was in trouble even before COVID-19.

Climate policy responses involve both mitigation and adaptation. Mitigation seeks to reduce greenhouse gas (GHG) emissions through more efficient energy use, and by using renewable energy instead of fossil fuels. Adaptation involves strengthening resilience and protection to minimise adverse effects on human lives.

National adaptation needs get far less international funding than mitigation for the world. Thus, poor countries struggle alone, addressing global warming mainly caused by others. Adaptation challenges are also wide-ranging, due to varying country vulnerabilities.

Risky Approach to Risk

Governments have been advised to reduce vulnerability to shocks by improving data and risk assessment. Most measures to strengthen resilience use conventional financial risk management methods. These seek to better protect existing assets, and to provide temporary financial support when shocks happen.

Climate adaptation is thus addressed via disaster risk assessment, early warning systems, improved ecosystem management and better social safety nets. But the approach barely distinguishes climate change from other risks.

Relying on past experience, the conventional approach is hardly forward-looking in addressing new challenges. Recommended measures tend to deploy scarce resources to address past and current effects of climate change.

Focusing on current vulnerabilities enables adapting to extant climate threats. This may provide some temporary resilience and relief. But it does not prepare for new threats. Thus, the approach ignores future problems, not providing much protection from or reducing vulnerability to emerging threats.

Counting on pricing and other market techniques for climate adaptation risk assessment is also limiting. The approach tends to focus on what is predictable and incremental, rather than on what is more uncertain and systemic.

With its roots in financial risk management, the approach favours returning to some assumed norms of normality and stability. It thus rejects considering new possibilities, including a more dynamic approach to sustainable transformation.

Furthermore, returning to 'normal' for many communities implies exploitation and precarity. Preservation and coping are also favoured by the approach. Typically, these are hardly enough to address the complex challenges faced. Worse, they may inadvertently cause maladaptation.

Avoid Maladaptation

A transformative approach to climate risk is needed instead. The only lasting solution may be to reduce developing countries' reliance on climate-sensitive activities, such as cattle breeding, through far-reaching changes to create more resilient economies.

This requires moving away from de-risking in favour of a more integrated and systemic approach to diversify economies for greater resilience. More diversified economies are more supportive of sustainable development and much less vulnerable or likely to be disrupted by external shocks.

In recent years, this has been clear from the greater vulnerability of primary export-dependent economies to economic shocks originating elsewhere. But it is also true of climate shocks. Thus, climate adaptation requires a new vision of common goals, instead of merely avoiding risks and worst-case scenarios.

Diversification Crucial

Thus, climate adaptation in the global South needs to be addressed through development. Moving from de-risking to diversification requires a developmental state committed to 'green' industrial policy—involving investment and technology to do so.

Diversification involves two cumulative processes working in tandem. First, shifting from primary production to manufacturing and higher-value services. Second, moving resources from less to more capital-intensive activities.

Developing countries have to pursue sustainable development, keeping emissions and resource consumption within ecological limits. This requires economic diversification, raising productivity and improving social conditions.

Such new transformation strategies must recognise ecological and climate constraints. Developing-country policymakers have limited means to address such challenges. With uneven 'neoliberal' globalisation, they are also handicapped by institutional weaknesses, such as in mobilising domestic resources.

Multilateralism Key

Some rich countries—such as the UK and Australia—have cut their aid budgets and not deployed their unused Special Drawing Rights to help developing countries. They have done little to encourage private creditors to enable developing countries to invest to develop out of the multiple crises they face.

Thus far, measures for debt relief have been very modest and grossly inadequate, 'kicking the can down the road'. Deferring debt simply means that loans are due to be paid later, as compound interest accumulates. Meanwhile, debt burdens continue to grow.

The UNCTAD report warns that measly climate funding is accelerating global warming, undermining prospects for decarbonising the world. It highlights the need for proactive multilateralism and support for developing countries to address the climate- and pandemic-induced crises.

'Global challenges clearly require multilateral responses'. But only the IMF had provided some real relief by cancelling debt service obligations for twenty-eight countries—worth USD 727 million—between April 2020 and October 2021.

The end of the first Cold War undermined the felt need for UN-led multilateralism. If US President Biden really seeks to emulate President Roosevelt, he can begin by reviving the UN-led multilateralism that FDR envisaged, instead of recklessly pursuing the new Cold War favoured by neoconservatives in his team.

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Struggle for the Future of Food

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Producers and consumers seem helpless as food all over the world rapidly comes under corporate control. Such changes have also been worsening environmental collapse, social dislocation and the human condition.

Longer-Term Perspective

The July 2021 joint report—by the International Panel of Experts on Sustainable Food Systems (IPES-Food) and the ETC Action Group on Erosion, Technology and Concentration—is ominous, to say the least.

A Long Food Movement, principally authored by Pat Mooney with a team including IPES-Food Director, Nick Jacobs, analyses how food systems are likely to evolve over the next quarter of a century with technological and other changes.

The report notes that 'hi-tech', data processing and asset management corporations have joined established agribusinesses in reshaping world food supply chains.

If current trends continue, the food system will be increasingly controlled by large transnational corporations (TNCs) at the expense of billions of farmers and consumers.

Big Ag Weds Big Data

The Davos World Economic Forum's (WEF) much touted 'Fourth Industrial Revolution' (IR4.0), promoting digitisation, is transforming food systems, accelerating their concentration in corporate hands.

New apps enable better tracking across supply chains, while 'precision farming' now includes using drones to spray pesticides on targeted crops, reducing inputs and, potentially, farming costs. Agriculture is now second only to the military in drone use.

Digital giants are working with other TNCs to extend enabling 'cloud computing' infrastructure. Spreading as quickly as the infrastructure allows, new 'digital ag' technologies have been displacing farm labour.

Meanwhile, food data has become more commercially valuable; for example, to meet consumer demand, Big Ag profits have also grown by creating 'new needs'. Big data is already being used to manipulate consumer preferences.

With the pandemic, e-retail and food delivery services have grown even faster. Thus, e-commerce platforms have quickly become the world's top retailers.

New 'digital ag' technologies are also undermining diverse, ecologically more appropriate food agriculture in favour of unsustainable monocropping. The threat is great as family farms still feed more than two-thirds of the world's population.

IR4.0 Not Benign

Meanwhile, hi-tech and asset management firms have acquired significant shareholdings in food giants. Powerful conglomerates are integrating different business lines, increasing concentration while invoking competition and 'creative disruption'.

The IPES Food-ETC study highlights new threats to farming and food security as IR4.0 proponents exert increasing influence. The report warns that giving Big Ag the 'keys of the food system' worsens food insecurity and other existential threats.

Powerful corporations will increase control of most world food supplies. Big Ag-controlled supply chains will also be more vulnerable as great power rivalry and competition continue to displace multilateral cooperation.

There Is No Alternative?

But the report also presents a more optimistic vision for the next quarter of a century. In this alternative scenario, collaborative efforts, from the grassroots to the global level, empower social movements and civil society to resist.

New technologies are part of this vision, from small-scale drones for field monitoring to consumer apps for food safety and nutrient verification. But these would be cooperatively owned, open access and well regulated.

The report includes pragmatic strategies to cut three-quarters of agriculture's greenhouse gas emissions and shift USD 4 trillion from Big Ag to agroecology and food sovereignty. These include '$720 billion in subsidies' and '$1.6 trillion in healthcare savings' due to malnutrition.

IPES Food-ETC also recommends taxing junk food, toxins, carbon emissions and TNC profits. In addition, it urges criminal prosecution of those responsible for famine, malnutrition and environmental degradation.

Food-security protocols are needed to supercede trade and intellectual property law, and not only for emergencies. But with food systems under growing stress, Big Ag solutions have proved attractive to worried policymakers who see no other way out.

Last Chance to Change Course

Historically, natural resources were commonly or publicly shared. Water and land have long been sustainably used by farmers, fisherfolk and pastoralists. But market value has grown with 'property rights', especially with corporate acquisition.

Touted as the best means to achieve food security, corporate investments in recent decades have instead undermined remaining 'traditional' agrarian ecosystems.

Big Ag claims that the food, ecological and climate crises have to be addressed with its superior new technologies, harnessing the finance, entrepreneurship and innovation only they can offer.

But in fact, they have failed, instead triggering more problems in their pursuit of profit. As the new food system and corporate trends consolidate, it will become increasingly difficult to change course. *A Long Food Movement* is thus a timely and urgent call to action for the long haul.

Food Systems Summit

According to Marchmont Communications, 'writing on behalf of the UN Food Systems Summit secretariat', the 'Summit was originally announced on 16 October 2019 by UN Secretary-General António Guterres and was conceived following conversations with the joint leadership of the three Rome-based United Nations agencies … at the High-level Political Forum in July 2019'.

On 12 June 2019, 'Inspiration Speaker' David Nabarro announced to the annual EAT Stockholm conference that a World Food Systems Summit (WFSS) would be held in 2021. The following day, a Memorandum of Understanding (MOU) was signed between the World Economic Forum (WEF) and the Office of the UN Secretary-General.

It stirred up so much controversy that the MOU was later removed from the website of the WEF, hardly reputed for its modesty. Unsurprisingly, many believe that the WEF 'pressed the Summit onto a reluctant UN Secretary-General', and can be traced to its Food Systems Initiative.

Apparently, initial arrangements had bypassed the Rome-based UN food agencies, the Food and Agricultural Organization, the International Fund for Agricultural Development and the World Food Programme. Their heads were then consulted and brought on board in July 2019.

With so much at stake, representatives of food producers and consumers need to act urgently to prevent governments from allowing a UN-sanctioned corporate takeover of the global governance of food systems.

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Another False Start in Africa Sold with Green Revolution Myths

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Since the Alliance for a Green Revolution in Africa (AGRA) was launched in 2006, yields have barely risen, while rural poverty remains endemic and would have increased more if not for out-migration.

AGRA was started with funding from the Bill and Melinda Gates Foundation and the Rockefeller Foundation to double yields and incomes for 30 million smallholder farm households while halving food insecurity by 2020.

There are no signs of significant productivity and income boosts from promoted commercial seeds and agrochemicals in AGRA's thirteen focus countries. Meanwhile, the number of undernourished people in these nations increased by 30 per cent!

When Will We Ever Learn?

What went wrong? The protracted 2020–21 Indian farmer protests, despite the COVID-19 contagion, highlight the problematic legacy of its Green Revolution (GR) which has frustrated progress to make food security sustainable.

Many studies have already punctured some of the myths of India's GR. Looking back, its flaws and their dire consequences should have warned policymakers of the likely disappointing results of the GR in Africa.

Hagiographic accounts of the GR cite 'high-yielding' and 'fast-growing' dwarf wheat and rice spreading through Asia, particularly India, saving lives, modernising agriculture and 'freeing' labour for better off-farm employment.

Many recent historical studies challenge the key claims of this supposed success, including the allegedly widespread yield improvements and even the number of lives actually saved by increased food production.

Environmental degradation and other public health threats, due to the toxic chemicals used as part of the GR, are now widely recognised. Meanwhile, water management has become increasingly challenging and unreliable due to global warming and other factors.

Ersatz GR2.0 For Africa

Half a century later, the technology that fetishises, even deifies, the AGRA initiative seemed oblivious of Asian lessons as if there were nothing to learn from actual experiences, research and analyses.

Worse, AGRA has ignored many crucial features of India's GR. Importantly, the postcolonial Indian government had quickly developed capacities to promote economic development.

Few African countries have such 'developmental' capacities, let alone comparable capabilities. Their already modest government capacities were decimated from the 1980s by structural adjustment programmes demanded by international financial institutions and bilateral 'donors'.

Ignoring Lessons of History

India's ten-point Intensive Agricultural Development Programme was more than just about seed, fertiliser and pesticide inputs. Its GR also provided credit, assured prices, improved marketing, extension services, village-level planning, analysis and evaluation.

These and other crucial elements are missing or have not been developed appropriately in recent AGRA initiatives. Sponsors of the ersatz GR in Africa have largely ignored such requirements.

Instead, the technophile AGRA initiative has been enamoured with novel technical innovations while not sufficiently appreciating indigenous and other 'old' knowledge, science and technology, or even basic infrastructure.

The Asian GR relied crucially on improving cultivation conditions, including better water management. There has been little such investment by AGRA or other investors, even when the crop promoted requires such improvements.

From Tragedy to Farce

Unsurprisingly, Africa's GR has reproduced many of India's problems:

- As in India, overall staple crop productivity has not grown significantly faster despite costly investments in GR technologies. These poor productivity growth rates have remained well below population growth rates.
- Moderate success in one priority crop (such as wheat in Punjab, India, or maize in Africa) has typically been at the expense of sustained productivity growth for other crops.
- Crop and dietary diversity has been reduced, adversely affecting cultivation sustainability, nutrition, health and wellbeing.
- Subsidies and other incentives have meant more land devoted to priority crops, not just intensification, with adverse land use and nutrition impacts.
- Soil health and fertility have suffered from 'nutrient-mining' due to priority crop monocropping, resulting in more inorganic fertiliser purchases.
- Higher input costs often exceed additional earnings from modest yield increases, using new seeds and agrochemicals, which increase farmer debt.

Paths Not Taken

AGRA and other African GR proponents have had fourteen years, plus billions of dollars, to show that input-intensive agriculture can raise productivity, net incomes and food security. They have clearly failed.

Africans—farmers, consumers and governments—have many good reasons to be wary, especially considering AGRA's track record after a decade and a half. India's experience and the ongoing farmer protests there should make them more so.

Selling Africa's GR as an innovation that requires unavoidable 'creative destruction' is grossly misleading. Alternatively, many agroecology initiatives, which technophiles decry as backward, are bringing cutting-edge science and technology to farmers, with impressive results.

A 2006 University of Essex survey of nearly 300 large ecological agriculture projects in more than fifty poor countries documented an average 79 per cent productivity increase, with declining costs and rising incomes.

Published when AGRA was launched, these results far surpass those of GRs thus far. Sadly, they remind us of the high opportunity costs of paths not taken due to well-financed technophile dogma.

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Green Counter-Revolution in Africa ?

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In 2006, the Bill and Melinda Gates Foundation and the Rockefeller Foundation jointly launched the Alliance for a Green Revolution in Africa (AGRA). The African Green Revolution Forum claimed that AGRA was the 'world's most important and impactful forum for African agriculture'.

The initial AGRA goals—to reduce food insecurity by half in at least twenty countries, to double the incomes of 20 million smallholder families by 2020, and to ensure that at least fifteen countries achieved and sustained a Green Revolution—have been revised to 'increase the incomes and improve food security for 30 million farming households in 11 African countries by 2021'.

In *Eating Tomorrow: Agribusiness, Family Farmers, and the Battle for the Future of Food*, Timothy A. Wise argues that many millions of dollars spent on fertilisers and seed subsidies in Africa—and favoured by African politicians who seek rural votes—have not delivered their promised outcomes.

Without publicly available evaluations of AGRA's effectiveness by either AGRA or donors, Wise estimated that cereal output rose by only 33 per cent in the thirteen AGRA countries between 2006 and 2014. As land planted with cereals increased, actual land productivity gains were more modest.

Agrarian Reform or Regression

Wise shows how transnational giants gain from farm input subsidy programmes. Without the subsidies, increased output rarely generated enough additional income to justify farmer purchases and application of commercial fertilisers and other inputs.

Subsidies have induced farmers to plant AGRA-promoted crops, especially maize. After structural adjustment killed research in Africa in the late twentieth century, promoting maize, well researched elsewhere, was tempting but often meant abandoning nutritious, drought-tolerant traditional crops.

But even where yields and net incomes rose, the increases often diminished once soils were depleted. Julius Sigei, a newspaper agriculture editor, notes that Kenyan farmers produce only a fifth of US maize yields on comparable land and a third of Chinese levels as soils in Kenya are too poor to sustain higher yields while increased fertiliser application raises soil acidity.

Although water was crucial for the Asian green revolution and is necessary for effective fertiliser application in Africa—long subject to accelerating desertification, and increasingly vulnerable to uncertain rainfall and droughts, due to global warming—AGRA's efforts to improve water supplies have been modest.

Food and agriculture expert, Materne Maetz, cautions, 'it is risky to use fertiliser if you don't have cash and are not sure about rain'. Hence, in the African context, he favours 'associating' leguminous with other crops and developing neglected, drought-resistant, traditional food crops.

Dubious Gains

Probably inspired by the neoliberal mantra of 'vampire states' that exploit farmers, and expecting markets to work better without governments, AGRA has promoted public–private partnerships, and may even have enabled land-grabbing by the private sector.

Asian government-led Green Revolutions provided a broad range of crucial infrastructure and services—such as credit and agricultural extension—AGRA these have been less, with transnational agribusinesses getting millions of dollars in subsidies for synthetic fertilisers and 'miracle seeds'.

Instead, Wise found that the actual productivity and income gains were mainly in countries that supported technology adoption with government-sponsored agricultural input subsidy programmes (FISPs), and not those relying on large AGRA investments alone.

Experienced agricultural analyst, Mafa Chipeta, notes that yield increases due to subsidised inputs are often lost to predatory buyers who push down produce prices for desperately weak farmers. He argues governments must 'stabilise' markets for the subsidy programmes to help farmers.

Agribusiness Transnationals

In some countries, transnationals have influenced national policies and laws in their favour—for example, by seeking to outlaw farmers who exchange and sell seeds for planting. Such seed policies leave farmers with little choice but to purchase high-cost seeds and agrochemicals every season.

Thus, agribusiness transnationals, such as Monsanto and Yara, have greatly benefited from ostensible farmer subsidies by governments, foreign aid and philanthropies. They have also abused their monopolies in developing country markets, at the expense of farmers, consumers and governments

In this connection, Chipeta astutely observes that 'subsidies seem to help more the input sellers and the produce buyers, with farmers as mere conveyors for subsidies'. For Wise, the Green Revolution has become a 'high-input treadmill' on which farmers and their governments are 'running without getting anywhere'.

Although the input support programme and Food Reserve Agency in Zambia took 98 per cent of the government budget for poverty reduction, according to Wise, '78 per cent of family farmers are … in extreme poverty, living below $1.25 a day'. Clearly, 'farmers and consumers weren't the main beneficiaries of Zambia's 'poverty reduction' programmes in agriculture'.

With trade liberalisation and the retreat of the state accelerated by structural adjustment, Africa was transformed from a net food exporter to a net food importer, becoming more food insecure. Nevertheless, African family farmers still produce four-fifths of the food consumed on the continent.

Despite its much smaller population, Africa is overtaking Asia as the home of the most poor people in the world. Meanwhile, AGRA's promised African green revolution has failed, while inducing subsidy dependence and reducing crop, food and dietary diversity, doing little for agricultural climate resilience.

Food Systems Approach

Meanwhile, following its World Food Summits from 1996, the Rome-based Food and Agriculture Organization (FAO) has promoted a comprehensive 'food systems' approach.

In October 2019, the UN Secretary-General announced that the FAO would host a Food Systems Summit in late 2021 to maximise the benefits of such an approach, embed food systems transformation initiatives around the world in the 2030 Agenda for Sustainable Development, and promote growth on inclusive and sustainable pathways that address climate change.

Incredibly, the principal partner was the World Economic Forum, with the UN's Rome-based agencies serving as a pliant secretariat. Unlike FAO's earlier summits, which had a unifying concept of food security, and built consensus among stakeholders on food systems for nutrition, the 2021 summit seemed to eschew inter-governmental collaboration.

The Secretary-General's decision to name the AGRA head as his Special Envoy for the Summit underscored the intention to make it a largely private sector-led affair. Long working on better options, civil society organisations were understandably outraged by the implications.

As the ultimate owners of the United Nations, Member States may respond to such erosion of multilateralism and its remaining institutions, through various intergovernmental channels. They could have ensured that the Summit involved a truly inclusive and transparent process that effectively energised initiatives to ensure food systems aligned with Agenda 2030.

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Milton Friedman Versus Stakeholder Capitalism

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Milton Friedman was arguably the most influential economist of the second half of the twentieth century, associated with promoting 'neoliberal', free-market, shareholder capitalism.

Friedman's monetarist economics are now widely considered irrelevant, if not wrong, especially with the low inflation associated with 'unconventional' monetary policies following the 2008–2009 global financial crisis.

Friedman's Doctrine Challenged

Nevertheless, Friedman's 'shareholder capitalism' doctrine remains influential in most financial markets, especially emerging ones in the developing world.

His doctrine, prioritising short-term profit maximisation, has long dominated Anglo-American corporate governance despite chatter about 'stakeholder capitalism' and 'corporate social responsibility' (CSR).

Chicago University's Raghuram Rajan claims that long-term share-value maximisation can advance almost everybody's long-term interests.

But even Glenn Hubbard acknowledges that long-term shareholder-value maximisation cannot address many problems faced by firms, let alone societies. Having served George W. Bush's conservative administration, he recognises the need for public policy interventions.

Friedman's shareholder primacy principle can also become absurd. Rajan's erstwhile co-author, Luigi Zingales, argues, 'if you take Friedman to an extreme, I should sue a CEO who doesn't buy off all the members of Congress'.

More importantly, Zingales points out that corporations have duties as public institutions with special privileges granted by the state: 'limited liability, especially with respect to tort claims, is an extraordinary privilege granted by the state', implying reciprocal obligations.

Friedman's manifesto insisted that companies focus on making money, leaving ethical matters to individuals and government. US law enshrines shareholder rights as being able to challenge or replace boards whose members stray from their fiduciary duty.

Stakeholder Capitalism?

Friedman vehemently opposed stakeholder capitalism, whose proponents argue that companies have responsibilities to all stakeholders, not only shareholders, but also employees, customers, society and even nature.

He argued that 'stakeholders', typically ill-defined, will insulate directors from shareholders, reduce their accountability and compromise corporate performance. This would allow executives to pursue their personal priorities or cover up their own failures.

Straying from Friedman's singular focus on profit maximisation would mean that corporate executives were no longer loyally and exclusively serving shareholders, worsening the 'principal-agent' problem.

For Friedman, government and other stakeholders should not be allowed to interfere with shareholder corporate governance in any way, or worse, undermine incentives for investors to risk their capital. In his doctrine, profit alone should be corporations' sole motive.

Joseph Stiglitz has noted that US courts have ruled that firms are obliged to maximise profits and shareholder value, excluding all other objectives. Hence, 'stakeholder capitalism' is not rooted in US law, as corporate executives are not accountable by law to the communities in which they operate, or even to society at large, let alone to nature.

What A Wonderful World?

Friedman also presumed that market imperfections did not exist or would be fully taken care of by regulation. However, the rule of law has never really been adequate to such challenges.

Thus, he effectively gave companies 'moral cover' to be ruthless, free and unregulated to pursue their own interests, at the expense of the public good, while not worrying about society's larger interests.

Friedman also criticised business leaders for straying from maximising profits and worrying about their public image, the social good and public welfare.

While dismissing talk of empowering stakeholders as attempts by company directors to be free to run companies as they liked, and to improve public relations, Friedman approved of companies that 'generate good will as a by-product of expenditures that are entirely justified in its own self-interest'.

But he was silent about business interests involved in lobbying, rigging elections, making political contributions, or shaping public opinion, with tendentious research and image laundering with CSR, philanthropy and public relations.

Friedman's world view is remarkably simplistic, typically ignoring broader, 'longer term' consequences. For him, business efficiency—due to shareholder primacy, not undermined by company directors, managers, government taxes and regulations—can and will solve all problems.

Stakeholderism Challenged

Friedman's neoliberal 'doctrine' shaped major economic reforms the world over from the 1980s until the 2008–2009 global financial crisis. Lacklustre growth since then has given rise to various new challenges to shareholder capitalism, not least in the name of other stakeholders, and to appeals for corporate-governance reform and CSR.

Multimillionaires, even some billionaires and chief executive officers (CEOs), have joined the dissent, and influential business writer, Andrew Ross Sorkin, would have us believe that they represent the future.

To be sure, many have undoubtedly turned away from Friedman's thinking in recent years.

In 2019, the influential Business Roundtable, which had long advocated shareholder primacy, issued a pro-stakeholder statement. It replaced its Friedmanite Statement on the Purpose of a Corporation with 'a fundamental commitment to all of our stakeholders'.

A few months later, the World Economic Forum issued a similar 2020 Davos Manifesto, embracing stakeholder as well as environment, social and governance (ESG) principles.

Nevertheless, legendary investor Warren Buffett remains sceptical of 'purpose-over-profit' stakeholder advocacy. 'In representing your interests, business-savvy directors [will] seek managers whose goals include delighting their customers, cherishing their associates and acting as good citizens of both their communities and our country.'

Meanwhile, most who advocate a stakeholder approach to corporate governance argue that considering the interests of employees or other stakeholders is good for company profits and shareholders. Yet, they privately acknowledge that profits must come first, even if they feel constrained to say so in public.

Corporate Social Responsibility?

Some argue that they are defending capitalist free enterprise in the long term by having a 'social conscience' and taking responsibility for providing employment, avoiding pollution and pursuing other trendy CSR reforms, ostensibly in companies' 'enlightened self-interest'.

Others insist that many contemporary problems are too urgent for slowly meandering political processes. Instead, they argue, CSR 'is a quicker and surer way to solve pressing current problems'.

CSR is said to be a useful, if not necessary, complement to government policy and regulation. Friedmanite critics object that CSR involves spending shareholder money for a typically vague public interest, reducing company returns and spending 'other people's money'.

Friedman warned that the doctrine of 'social responsibility' would take over if not checked. But the converse is more true today as 'greed is good' and the 'short-termist' shareholder mentality is clearly hegemonic.

Others object that CSR involves the 'socialist' view that political, not market, mechanisms are better for allocating scarce resources to alternative uses. But CSR has also been invoked to justify wage curbs against trade union demands, ostensibly for some higher public purpose.

CSR has also been invoked when philanthropy and charity have been abused to minimise tax liability and for public relations and marketing, for example by 'greenwashing' products and services.

W(h)ither Capitalism?

Embarrassingly, US corporations that signed the 'stakeholder capitalism' statement have been more likely to lay off workers in response to the COVID-19 pandemic and less likely to donate to relief efforts.

With growing opposition to neoliberal capitalism, 'stakeholderism' and CSR have been invoked to save capitalism by offering a more sensitive 'human' face.

As capitalism may well be the only 'show in town' for some time to come, popular demands for more thoroughgoing reforms, checks and balances are likely to grow as the realities of stakeholder capitalism and CSR become increasingly apparent.

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Boldly Finance Recovery to Build Forward Better

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COVID-19 has become a 'developing country pandemic', retreating from the North's mass vaccination. With developing countries heavily handicapped, the International Monetary Fund (IMF) warns of a 'dangerous [new] divergence'.

Renewed North–South Divide

The Economist believes that death rates due to COVID-19 in developing countries are much higher than officially reported—twelve times more in low- and middle-income countries (LMICs), and thirty-five times greater in low-income countries (LICs)!

Rich countries' 'vaccine nationalism' and protection of patent monopolies have only made things worse. After 'passing round the begging bowl', G7 promises by the world's largest rich countries—including a billion vaccine doses—were 'too little, too late', as emerging details confirm.

Rich countries' aid cuts during the pandemic have only rubbed salt into an open wound. Without meaningful debt relief by lenders, developing countries are falling further behind once again.

Borrow Domestically

Now, developing countries must mobilise funds domestically for relief and recovery as foreign exchange is needed only to finance imports. Central bank governors have long agreed that 'the scope for relying more on domestic markets, and less on international markets, is considerable'.

Government bonds issued for domestic borrowing are widely considered to be safe savings instruments. They thus also support and develop domestic capital markets, although limited incomes and savings ensure thin markets in most developing countries.

Hence, governments have to borrow from central banks to meet their financing needs. As government debt is denominated in the domestic currency, repayment is manageable. With borrowing from central banks contributing to a country's money supply, governments can borrow as needed.

Central Banks Lend

Central bank financing of government borrowing for development expenditure is nothing new. It was widespread until restrained in recent decades by pressure from donors, financial markets and institutions, including the IMF and World Bank.

Instead, the new policy advice has promoted 'central bank independence', 'inflation targeting', 'debt limits', 'balanced budgets' and prohibited direct borrowing from central banks.

After the 2008–2009 global financial crisis, rich countries pursued 'unconventional' monetary policies, with central banks buying government and corporate bonds. But few developing-country governments have resorted to borrowing from central banks.

Even talk of such policies evokes fears of 'runaway inflation', unsustainable 'debt build-up', balance of payments crises and 'crowding out' the private sector. These concerns have limited such borrowing, unnecessarily constraining government spending.

Inflation Bogeyman

Undoubtedly, 'hyper-inflation'—exceeding 35 to 40 per cent, usually due to rare events such as war or state collapse—has adversely affected growth historically. But Indonesia and South Korea both grew at 7–8 per cent annually for over two decades with double-digit inflation rates exceeding 10 per cent.

Government spending is not the only alleged cause of inflation. Inflation may also be attributed to shortages—for example, the pandemic has disrupted much production and supply.

Inflation is typically unavoidable in fast-growing economies that are experiencing rapid structural change, as some sectors expand faster than others, with some even contracting.

Such inflation is likely to decline as economic imbalances, frictions and disruptions ease. Inflation, it should be remembered, is double-edged, reducing debt burdens while also encouraging spending, rather than saving.

Crowding-Out Or -In?

Government spending is needed to keep economies ticking, especially as contemporary recessions are partly due to government policies to contain the pandemic. State inaction would only worsen mass unemployment, bankruptcies, etc.

When a government spends, the central bank credits the commercial bank accounts of recipients. Thus, expansionary fiscal policy augments private banks' cash reserves.

This, in turn, increases market liquidity unless the authorities offset or 'sterilise' such effects—for example, by selling government, central bank or short-term securities, or associated derivatives such as 're-purchase' agreements.

Then, instead of pushing up interest rates, the central bank discount rate declines, exerting downward pressure on retail interest rates. Hence, claims that government spending 'crowds out' private investments tend to exaggerate.

And if a government borrows for infrastructure investment or skill development, overall productivity increases and business costs decline. Hence, debt-financed infrastructure and public social investment would crowd-in rather than crowd-out private investment.

Public expenditure can thus break the vicious circle of reduced spending and greater uncertainty. Also, government spending on healthcare, education, housing, infrastructure and the environment enhances sustainable development.

Balance of Payments Fears

Expansionary fiscal measures, thus financed by domestic borrowing, are said to worsen balance of payments problems in several ways. First, higher interest rates attract more capital inflows, causing the exchange rate to appreciate and making the country less export-competitive.

Second, higher domestic demand implies more imports for both consumption and production. Third, rising inflationary pressures make domestic products more expensive and imports more attractive.

But such arguments against domestic debt-financed fiscal expansion contradict crowding-out claims. If such government expenditure reduces private spending, then excess demand will shrink, reducing inflation and balance of payments problems.

Governments can also use countervailing measures, such as restricting luxury imports and managing capital flows, to maintain a competitive exchange rate and promote exports.

Fighting Windmills of the Mind

Debt-GDP thresholds recommended by 'international finance' are not based on optimality or financial stability criteria. An IMF study emphasised that the so-called 'debt limit' 'is not an absolute and immutable barrier ... Nor should the limit be interpreted as being the optimal level of public debt'.

The 60 per cent limit for developed countries was arbitrarily set. Presented as the upper boundary for European Community countries, it was actually only the *average* debt-ratio for some powerful members, but not for Italy and others!

The IMF's 40 per cent debt-GDP ratio limit for developing and emerging market economies is only for external, not domestic, debt and certainly not for total government debt, as is often implied.

The Fund has acknowledged that, 'it bears emphasizing that a debt ratio above 40 percent of GDP by no means necessarily implies a crisis—indeed … there is an 80 percent probability of not having a crisis (even when the debt ratio exceeds 40 percent of GDP)'.

In fact, debt is deemed to be sustainable as long as national economic growth is greater than the interest rate. For international finance, debt sustainability concerns focus on external debt, typically denominated in foreign currencies.

Governments can more easily 'roll over' domestic currency debt, although interest costs may be higher. But borrowing in domestic currency should not enable fiscal irresponsibility.

Hence, the key challenge is to ensure the most effective and productive use of such borrowed funds. Pragmatism requires considering capacities, capabilities and checks against abuse and wastage.

Build Forward Better

Instead of 'building back' the unsustainable and unfair *status quo ante* before the pandemic, developing-country governments should now selectively target government expenditure to 'build forward better', emphasising measures to achieve sustainable development.

Borrowing to finance recovery and reform should incorporate desirable changes, such as working in new ways, creating new activities, accelerating digitalisation, revitalising neglected sectors and enhancing sustainability.

Developing-country governments must use appropriate measures to finance recovery programmes to fully realise the transformative potential of pandemic-induced recessions to build more resilient and inclusive economies.

All this requires policy and fiscal space. To progress, governments must reject the received policy wisdom that has kept them enthralled for decades.

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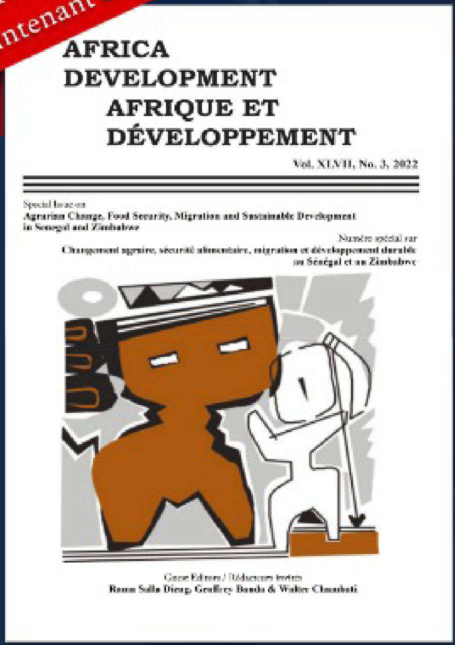

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Contents / Sommaire

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World Bank Urges Governments to Guarantee Private Profits

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The World Bank has been leading other multilateral development banks (MDBs) and international financial institutions to press developing-country governments to 'de-risk' infrastructure and other private, especially foreign, investments.

It promotes public–private partnerships (PPPs) supposedly to mobilise more private finance to achieve the Sustainable Development Goals. PPP advocacy has been stepped up after developing-countries' pleas for better international tax cooperation were blocked at the third United Nations' Financing for Development conference (FfD3) in Addis Ababa in mid-2015.

Official support for infrastructure PPPs seems stronger than ever. The Bank's Global Infrastructure Facility (GIF) was set up to coordinate MDBs, private investors and governments that promoted PPPs. Meanwhile, the G20 has been trying to modify the mandates of national and international development banks to enable them to initiate infrastructure PPPs with the private sector.

De-Risking?

The World Bank's latest Guidance on PPP Contractual Provisions measures progress in terms of 'successfully procured PPP transactions'. The Bank explicitly recommends 'de-risking' PPPs, effectively involving 'socialising' risks and privatising profits.

But the term 'de-risking' is misleading as some risk is inherent in all project investments. After all, projects may encounter problems due to planning mistakes, poor implementation or unexpected developments. Hence, Bank advice does not really seek to reduce, let alone eliminate risk, but simply to make governments bear and absorb it.

Thus, 'de-risking' really means shifting risk from private investors to governments for more contingencies, including design, planning or implementation failures by private partners. This ignores the Bank's Growth Commission's concern that 'In too many cases, the division of labor has put profits in private hands, and risks in the public lap.'

Off the Books, Out of Sight

Both World Bank and International Monetary Fund (IMF) research has found that many governments use PPPs and other similar arrangements to keep such projects 'off the books' of official central government accounts, effectively reducing transparency and accountability while compromising governance.

Such project financing typically involves government-guaranteed—rather than direct government—liabilities. Not booked as government development or capital expenditure, it is also not counted as part of sovereign or government debt—for example, for parliamentary reporting and accountability.

Instead, project costs are supposed to be paid for, over time, by direct user fees or government operational or current expenditure. Hence, most governments do not extend their normal accountability procedures to cover such expenditure and related debt.

The Fund has even warned of likely abuse of such seemingly 'easy' or 'free' money, emphasising the dangers of taking more government debt and risk 'off the books'. This is very significant as the IMF rarely criticises Bank recommendations and advice, even indirectly.

Shifting Responsibility

PPP financing is typically considered as involving government-guaranteed liabilities, rather than sovereign debt per se. Being 'off the books', governments face fewer constraints to taking on ever more debt and risk. With such commitments, they also become much more vulnerable to 'unforeseen' costs.

Such contractual arrangements, typically set by private partners in most PPPs, do little to improve governance and accountability. To be sure, normal government budgetary accounting and audit procedures for PPPs may not meaningfully improve transparency and accountability.

As such financing arrangements are typically long-term, related government risks are correspondingly long-term, lasting decades in many cases. This tempts 'short-termist' governments 'of the day' to make long-term commitments that they are unlikely to be held personally accountable for in the near to medium term.

Moral Hazard

World Bank guidance is clear that even a private partner who fails to deliver as contracted must be compensated for work done before a government can terminate a contract. Whether private partners actually deliver as promised does not seem to matter to the Bank, which provides no guidance for addressing their failures to meet contractual obligations.

The Bank thus contributes to 'moral hazard' in PPPs: the less likely the private partner stands to lose from poor performance, the less incentive it has to meet contractual obligations. Guaranteeing cost recovery, revenue and profit erodes the motive to deliver as promised and to consider project risks.

Enthusiastic PPP promotion—by the Bank, other MDBs and donors urging developing-country governments to bear more risk—not only encourages 'moral hazard' but also creates more opportunities for the corruption and abuse they profess to lament.

Instead, private partners have greater incentives to try gouging rents from government partners, such as by renegotiating existing contracts to their advantage. Conversely, governments have to choose between bearing the costs of failed projects and paying even more to save problematic ones in the hope of cutting losses.

Faced with such choices, governments have little choice but to accede to their private partners' demands. Bank guidance has thus further undermined governments in their dealings with private partners, who are now better able to demand improved contractual conditions for themselves at the expense of their government partners.

Ignoring Evidence

Many governments can undertake large infrastructure projects themselves or, alternatively, make much better procurement arrangements. IMF research has also found, 'In many countries, PPPs have not always performed better than public procurement.'

Ironically, Bank research has shown that 'well-run public firms tend to match the performance of private firms in regulated sectors', concluding, 'There is no "killer" rationale for public-private partnerships.'

Even the Bank's *Research Observer* has published a summary of 'some of the most compelling examples of this kind of emerging critique' of infrastructure PPPs in telecoms, transport, water and sanitation, waste management and electricity.

Yet, the Bank continues to promote PPPs as the preferred mode of infrastructure financing, trying to shift more risk to governments, ostensibly to attract more private investment. Meanwhile, Bank guidance typically fails to warn governments of the risks involved and their implications.

Prejudiced Guidance

Bank and other PPP advocates dismiss criticisms as 'ideological' despite the growing empirical evidence. Such damning findings have had little impact on their PPP advocacy. Instead, the new fad is for more 'blended finance' to PPPs, using official concessional finance to subsidise and attract more private investment.

However, as *The Economist* has found, 'blended finance has struggled to grow' as MDBs mobilise less than one dollar of private capital for every public dollar. It concluded, 'early hopes may simply have been too starry-eyed. A trillion-dollar market seems well out of reach. Even making it to the hundreds of billions a year may be a stretch.'

Unsurprisingly, despite Bank, donor and other efforts, PPPs have generated only 15–20 per cent of developing countries' infrastructure investments, according to the Bank's Independent Evaluation Group, while remaining negligible in the poorest countries.

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Is Development for the World Bank Mainly Doing Business

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The World Bank has finally given up defending its controversial but influential *Doing Business Report* (DBR). In August 2020, the Bank 'paused' publication of the DBR due to a '[number of irregularities]' after its much-criticised ranking system was exposed as fraudulent.

Apparently, data from four countries—China, Azerbaijan, the UAE and Saudi Arabia—was '[inappropriately altered]', according to the *Wall Street Journal*. Exposure of these irregularities was the final straw: now, it is uncertain whether the DBR will return after its suspension.

Exposing the Lie

After Chief Economist Paul Romer told the *Wall Street Journal* in 2018 that [he had lost faith] in the 'integrity' of the DBR, and apologised to Chile for likely politically motivated data manipulation, he was forced to resign. *The Economist* commented then, '[His resignation may not end the controversy].'

Romer later received the so-called Economics Nobel Prize subsequent to his resignation. Almost two decades ago, Joseph Stiglitz also received the so-called Economics Nobel Prize after being forced to resign following differences with US Treasury Secretary Larry Summers in the wake of the 1997–1998 Asian financial crisis.

When Justin Sandefur and Divyanshi Wadhwa of the Center for Global Development (CGD) exposed how ostensibly methodological tweaking changed Chile's and India's DBR rankings to bolster Piñera and Modi as 'market-friendly' vis-à-vis their more centrist opponents, Simeon Djankov, founder of the Bank's Doing Business index, dismissed the CGD and the two authors as '[reformed Marxists]'.

Doing Business Vs SDGs

Djankov insisted that the DBR was about the costs of doing business, not '[the benefits of running a society]'. He contemptuously told those who criticised the DBR for failing to consider social or environmental impacts, to create their own 'index that says the benefits of … regulation'.

For the DBR, it did not matter if reducing regulations harmed the environment or employment conditions, or if lowering taxes constrained governmental capacity to fund public investment and provide decent public health or social protection, as long as such 'reforms' lowered the costs of doing business.

Singlehandedly, Djankov exposed the shallowness of the Bank's commitment to the Sustainable Development Goals (SDGs). By undermining the social and environmental dimensions of the index, Djankov exposed the Bank's actual attitude to sustainable development itself. Hence, the Bank had little choice but to ditch the DBR, which had already done enormous damage to development by encouraging harmful tax competition and 'races to the bottom' with regard to the protection of the environment and labour rights.

Racing to the Bottom for Nothing

Governments seek improvements in their country's DBR ranking believing that this will increase growth via increased investment, especially foreign direct investment (FDI). However, the evidence has been disappointing.

For example, a [World Bank Policy Research Working Paper] found that, 'on average, countries that undertake large-scale reforms relative to other countries do not necessarily attract greater [foreign direct investment] inflows'. For developing countries, it found an insignificant statistical relationship. [Another study concluded that], 'the various studies do not provide guidance on which of the wide range of possible [investment climate (IC)] reforms are most strongly correlated with increased growth'.

Such ranking competition has encouraged debilitating investor-friendly government behaviour. The index has become a tool for governments to formulate, evaluate and legitimise their economic policies. Some now [game the system] to notch up their countries' ranking with essentially cosmetic reforms.

Indonesia's recent 'Omnibus Bill' ostensibly for job creation includes many market-friendly reforms that would most certainly boost Indonesia's DBR ranking. The bill, from a government increasingly influenced by the Bank, is now widely criticised for heavily favouring powerful business interests at the expense of workers, human rights and the environment.

Agrarian Counter-Revolution

Ditching the DBR may be a good start but is far from enough. The Bank must also end other similar 'ideologically driven' exercises, such as its Enabling the Business of Agriculture (EBA) and Investing Across Borders (IAB) indicators, which prioritise FDI, typically at the expense of some SDGs.

The Bank's EBA indicators project is an extension of its Benchmarking the Business of Agriculture (BBA) programme, first launched in 2013. BBA, partly based on the DBI methodology, was created after the G8 asked the Bank in 2012 to develop such an index for the G8's controversial New Alliance for Food Security and Nutrition programme.

The Bank claimed, 'The indicators provide a tangible measure of progress and identify regulatory obstacles to market integration and entrepreneurship in agriculture', leading to a more modern commercial agriculture sector. Private agribusiness investors would be the main beneficiaries of its proposed land policies and environmental protection deregulation.

But the Bank did not bother to explain how farmers, especially smallholder or peasant farmers, would benefit from the proposed reforms or from large-scale commercial agriculture. Our Land Our Business highlighted that the EBA would encourage corporate land grabs and undermine smallholder farmers, who produce 80 per cent of the food consumed in the developing world.

In January 2017, over 158 organisations and academics from around the world denounced the EBA to the WB president and its five Western donors (USAID, DFID, DANIDA, the Netherlands and the Gates Foundation), demanding its immediate end.

In response, the Bank made some cosmetic changes and dropped its controversial land indicator. However, its 2019 EBA still reflected its strong bias towards commercial agricultural inputs and monocropping, undermining food security and sustainability as well as customary land-holdings.

Favouring Foreign Direct Investment

The Bank's International Finance Corporation (IFC) introduced its Investing Across Borders (IAB) indicators in 2010. Heavily influenced by Hernando de Soto, the IAB indicators were designed to complement the Bank's DB indicators.

The IAB indicators claim to help to accelerate economic growth by giving primacy to FDI as a driver for job creation and technology transfer, upgrading skills, fostering competition and fiscal consolidation. In fact, the IAB indicators encourage frameworks that limit benefits for host countries, besides enhancing the harmful effects of cross-border investment deals.

The indicators also violate the letter and spirit of the IFC's Performance Standards for Environmental and Social Sustainability; Principles for Responsible Agricultural Investment respecting rights, livelihoods and resources; Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests; and various other international instruments.

One Size Never Fits All

The rise and fall of the DBR exposes the dangers of using and exaggerating the significance of standardised rankings for very different countries and business environments. An IC is typically complex and difficult to reduce to a few key indicators, let alone a meaningful composite index.

Reforming only certain aspects of business regulation because of the influence of *Doing Business* cannot possibly be optimal, especially when government capacity is constrained. Academic literature reviews conclude, 'while there is empirical evidence that institutional reform can promote growth, it is less clear which reforms matter most, how to prioritise possible IC reforms, and what kinds of institutional frameworks and functions are needed'.

Growth drivers and constraints are very context-specific, so reform priorities should also be context-specific. Therefore, a one-size-fits-all approach to measuring and understanding complex investment environment issues is very problematic, especially one based on the interests and priorities of particular institutions and powers.

The Bank should stop doing harm by concentrating on its original mandate of intermediating finance at the lowest possible cost for sustainable development, relief and recovery in our extraordinary times. It should stop misleading the world, especially developing countries, with its highly biased supposed knowledge products.

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Stop Blaming Industrial Policy

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Industrial policy—or the promotion of particular investments, technologies, industries, regions and enterprises—has been practised by a variety of governments to try to accelerate economic growth and transformation.

The ascendance of the Washington Consensus, inspired by the neoliberal counter-revolution in economics, focused on alleged national macroeconomic mismanagement in developing countries and, later, transition economies. This was typically blamed on 'soft budget constraints' (SBCs) in socialist states and enterprises, macroeconomic populism and industrial policy.

Blaming Industrial Policy

Enterprise-level SBCs have also been wrongly blamed on industrial policy that promotes certain economic activities, usually manufacturing with more advanced technologies. In practice, most industrial policy is quite selective, involving the support of some industries, regions and enterprises at the expense of others.

While such selective support may or may not have been successful in promoting targeted industries, industrial policy has been wrongly, and sometimes deliberately, blamed for both enterprise- and national-level fiscal SBCs. In socialist states, fiscal SBCs have been wrongly blamed on enterprise-level SBCs, macroeconomic populism and industrial policy.

But contrary to many economists' presumptions, in most economies, including many centrally planned 'socialist' ones, few enterprises were exempted from budgetary discipline. SBCs were therefore the very rare exception, not the rule, to promote desired new economic activities.

Enterprise-level SBCs did not 'permeate all organisations' in socialist countries, as is often claimed and assumed, but were instead quite selective. Subsidies were provided to some enterprises, industries or regions, typically at the expense of others.

All centrally planned economies had both explicit and implicit subsidies. In most Eastern European and Soviet countries between 1989 and 1992, on the eve of transition, direct subsidies in the government budget amounted to 10–15 per cent of national income.

In addition to direct subsidies for public utilities, housing and food, there were implicit price subsidies, particularly for users of fuel, energy and raw materials. Besides explicit subsidies from government budgets, rents from unsustainable, non-renewable resource extraction were shared with industries and consumers via lower prices.

Dwarf Infant Industries

The fiscal problem was not due to subsidisation per se, or even to the subsidisation of manufacturing at the expense of resource industries, trade and financial services. Rather, the problem was in the way such subsidisation was carried out—by maintaining higher domestic prices for manufactured goods.

Such import-substituting industrialisation (ISI) typically created industries that rarely became internationally competitive and viable. There have been all too many examples of failed ISI requiring the ongoing subsidisation of 'infant industries' that were incapable of ever becoming internationally uncompetitive.

Trade liberalisation and the end of Soviet-era trade arrangements in the 1990s exposed these industries as unviable and unsustainable. Soviet industrialisation from the 1930s had survived before that due to its insulated economic environment, with the ratio of Soviet exports to GDP not rising until fuel sales abroad rose with higher prices from the 1970s.

Perestroika reforms, initiated by reformist Soviet leader Gorbachev after the mid-1980s, failed to accelerate economic growth. Instead, they were followed by the 1990s' 'transformational recession'. This was greatly exacerbated by 'shock therapy' reforms during Boris Yeltsin's first presidential term.

Many other enterprises—mainly in heavy industries, and often relying on Soviet technology, advice and aid—in other 'socialist' economies and developing countries subject to Soviet influence, experienced similar fates.

Thus, nations that tried to challenge Western hegemony met similar fates, despite trying to make a virtue of 'self-reliance', compelled by the need to cope with Western-led trade and investment sanctions.

Successful Industrial Policy

Most countries trying to industrialise or to accelerate industrialisation started with ISI, with effective protection enabling new enterprises to produce for domestic markets by keeping out imported foreign substitutes by means of prohibitively high tariffs and non-tariff trade barriers.

But many IS enterprises continued to survive, even profit, from such supposedly temporary tariff protection and other government support, never becoming internationally competitive as promised by the ISI strategy.

In more successful 'late-developing' economies, government support was conditional on meeting performance criteria, which effectively attracted private investments. Such investors sought more handsome 'rents' by accelerating technological progress, productivity and international competitiveness.

Thus, for example, 'effective protection conditional on export promotion' enabled the emergence of internationally competitive enterprises in some East Asian economies. Export orientation has been especially important in improving output quality to meet internationally competitive product quality and performance standards while achieving cost competitiveness.

Without more effective means for disciplining enterprises to accelerate development, export-orientation—promoted by government policy, incentives and other support—has contributed to successful catch-up growth. East Asian economies subsidised competitive export-oriented industries that accelerated economic growth and transformation, some more successfully than others.

In China, for instance, exports compared to GDP increased from 5 per cent in 1978 to 35 per cent in 2006, before declining to 20 per cent in 2018, while its GDP grew at an average of 10 per cent annually, with its population rising slower than in most other developing countries due its 'one child' policy.

Appropriate Industrial Policy Needed

Budget constraints in socialist economies were generally stronger than in developing countries and no less strict than in developed countries on average. SBCs in socialist economies were never pervasive, as widely believed, but selective, subsidising some enterprises or industries at the expense of others.

Such selective support, while typical of industrial policy, may or may not successfully promote internationally competitive enterprises, but certainly provides no empirical support for the claim of pervasive SBCs in 'socialist' economies.

With state-owned enterprises, strict fiscal and enterprise-level discipline, including budget constraints, have led to restructuring and, more rarely, closures. But even when budget constraints have been less than strict, they have not been pervasive, as fiscally disciplined 'socialist' economies could not afford otherwise.

National-level macroeconomic mismanagement in developing countries and transition economies has mainly been defined by neo-liberal economics. Macroeconomic challenges are real, and need pragmatic policy responses. Hence, they should not be confusingly explained in terms of neoliberal chimera of alleged SBCs, variously blamed on socialism, populism and industrial policy.

Unfortunately, the mythology surrounding SBCs has been used to throw the industrial policy baby out with the ISI bathwater. Much more appropriate, yet pragmatic, industrial policy is needed for developing countries and transition economies to 'catch up', as achieved by some East Asian and other economies.

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Préfixe Digital Object Identifier (DOI) (Identificateur d'objet numérique) pour toutes les revues du CODESRIA

Le Conseil informe ses membres que le CODESRIA a maintenant obtenu le préfixe pour l'utilisation du Digital Object Identifier (DOI) (identificateur d'objet numérique) pour toutes ses revues. Par conséquent, à compter d'octobre 2022, toutes les revues du CODESRIA et leurs articles, à commencer par ceux d'Afrique et Développement, de la Revue de l'enseignement supérieur en Afrique, et *du Bulletin du CODESRIA* auront un numéro DOI attribué par le CODESRIA. Cela permettra non seulement d'améliorer la capacité du CODESRIA à identifier et archiver ses publications numériques, mais aussi de faciliter la collecte de métriques pertinentes. Le DOI apportera également la crédibilité nécessaire à beaucoup de nos articles de revue, dont la plupart seront publiés en ligne avant la publication de la version imprimée finale. Cette mesure est devenue nécessaire en raison de l'augmentation du nombre d'articles soumis à nos revues depuis 2021. Plutôt que de garder les articles dans une file en attente de leur affectation à un numéro dans une revue, le Conseil les publiera d'abord en ligne avec le DOI qui permettra de confirmer le volume dans lequel l'article paraîtra. Nous espérons que cela aidera les membres de la communauté qui ont besoin que leurs articles soient publiés dans de courts délais pour diverses raisons, notamment celles liées au développement professionnel.

Financialisation: Tackling the Other Virus

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The 1971 Bretton Woods (BW) system collapse opened the way for financial globalisation and transnational financialisation. Before the 1980s, most economies had similar shares of trade and financial openness, but cross-border financial transactions have been increasingly unrelated to trade since then.

Although COVID-19 recessions have rather different causes and manifestations from the financially driven crises of recent decades, financialisation continues to constrain, shape and thus stunt government responses with deep short-, medium- and long-term consequences.

It is thus necessary to revisit and contain the virus of financialisation that has been wreaking long-term havoc in developing, especially emerging market, economies. No one is working on a vaccine against financialisation, though many influences have been infecting us. After all, financialisation is touted as the miracle cure-all to the major economic problems of our times, rather than seen as the insidious threat it poses to the real economy.

Financialisation

Global financialisation has spread, deepened and morphed with a changing cast of banks, institutional investors, asset managers, investment funds and other shadow banks. Transborder financialisation has thus been transforming national finance and economies.

The changing preferences of financial market investors have been reshaping the uneven spread of market finance across assets, borders, currencies and regulatory regimes. To preserve and enhance their value, new financial asset classes and relationships have been created.

Within borders, banks and shadow banks are lending to households, companies and one another, while national frontiers do not matter for securities and derivative markets, often financed via wholesale money markets.

Over the last four decades, the scope, size and concentration of finance has grown and changed as mainly national regulatory authorities try to keep up with recent financial innovations and their typically transnational consequences.

Managing Discontents

Financialisation has involved reorganising finance, the economy and even aspects of society, to enable investors to get more from financial market investments, effectively undermining sustainable growth, full employment and fairer wealth distribution. The following measures should help slow financialisation and limit some of its adverse effects:

Strengthen international financial regulation

While financialisation has become transnational, financial regulation remains largely national, albeit with some transborder effects of the most powerful, such as US tax rules and Fed requirements. Transnational finance has often successfully taken advantage of loopholes and 'arbitrage' to great profit.

Multilateral cooperation to strengthen effective and equitable regulation will be difficult to secure as voting power in the only multilateral institution, the IMF, remains heavily biased against developing countries.

Strengthen national capital-account management

Transnational financialisation has made developing countries more vulnerable to transnational finance and its rent-gouging practices, while also causing greater instability and limiting policy space for development.

Although the IMF's article 6 guarantees the national right to capital-account management, all too many national authorities in developing countries, especially emerging markets, have been deterred from exercising their rights effectively.

Improve national regulation of finance

Improving the effective, equitable and progressive national regulation of finance, particularly market-based finance, remains challenging, especially in emerging-market economies where typically divergent, if not contradictory, banking and capital-market interests seek to influence reforms differently in their own specific interests.

Strengthen Bank Regulation

There were few banking crises from the 1930s to the 1970s after banking was strictly regulated following the 1929 Crash. With financial deregulation from the 1980s, major financial and currency crises have become more frequent. More effective regulation and supervision are urgently needed, not only of banks but also of 'shadow banks', which account for a large and growing share of transnational finance.

Make Finance Accountable

Instead of improving regulations to achieve these objectives, the growth and greater influence of finance have led to regulatory capture, with reforms enabling—not hindering—financialisation, including its adverse consequences. Political financing reforms are also urgently needed to limit the influence of finance in politics.

Promote Collective, not Asset-based Welfare

Financialisation has been enabled by the reduced role of government. Nationalising or renationalising pension funds and improved government 'social provisioning' of health, education and infrastructure would reduce the power and influence of institutional investors and asset managers.

Ensure that Finance Serves the Real Economy

The original and primary role of finance—to provide credit to accelerate productive investments and to finance trade—has been increasingly eclipsed by financial institutions, including banks, which have been engaging in securities and derivatives trading and other types of financial speculation.

Such trading and speculative activities must be subjected to much higher and more appropriate regulatory and capital requirements, with commercial or retail banking insulated from investment or merchant banking activities—for example, insulating Main Street from Wall Street, or High Street from the City of London, instead of the recent trend towards 'universal' banking.

Promote patient banking, not short-termist profiteering

National financial authorities should introduce appropriate incentives and disincentives to encourage banks to finance productive investments and trading activities, and deter them from pursuing higher short-term profits, especially those created from daily changes in securities and derivatives prices.

This can be achieved with appropriate regulations and deterrent taxes on securities and derivatives financing transactions. An alternative framework for banking and finance should promote long-term investment over short-term speculation—for example, by introducing an incremental capital gains tax where the rate is higher the shorter the holding period.

Ensure Equitable Financial Inclusion

While financial exclusion has deprived many of the needy of affordable credit, new modes of financial inclusion which truly enhance their welfare must be enabled and promoted.

Financial inclusion has often extended exploitative and abusive financial services to those previously excluded. In some emerging-market economies, for example, levels of personal and household debt have risen rapidly, largely due to inclusive finance initiatives.

New Financial Technologies

Financial houses are profitably using new digital technologies to capture higher rents. While technological innovations can advance financial inclusion and other progressive development and welfare goals, thus far they have largely served financial rent-gouging and other such exploitive and regressive purposes.

For example, while Big Data has been used to track, anticipate and stop the spread of infectious diseases, it has also been more commonly abused for commercial and political purposes.

National regulators must be vigilant of ostensibly philanthropic foundations and businesses that actively promote 'fintech' in developing countries without sufficient transparency, let alone consideration of its mixed purposes, implications and potential.

Minimise Tax Avoidance

Besides curtailing and penalising tax avoidance practices at the national level, tax accountants, lawyers and others who greatly enable and facilitate tax evasion and related abuses should be much more effectively deterred.

Strengthen Multilateral Cooperation to Equitably Enhance National Fiscal Capacities

Governments must cooperate better multilaterally to more effectively and equitably tax transnational corporations and high net worth individuals. Such cooperation should effectively check illicit financial flows with strict regulations to deter private banking, banking secrecy, tax havens and other international facilitation of tax evasion.

Existing initiatives need to be far more inclusive of, sensitive to and supportive of developing-country governments. OECD-led initiatives previously excluded developing countries, but their recent inclusion, while an advance, remains biased against them.

Originally published 9 July 2020

Remembering Thandika's timeless article -
"Running while others walk: Knowledge and the Challenge of Africa's Development"-
In this article Thandika centers African universities at the core of the continent's development efforts.
By this Thandika meant that if Africa will have to run, the university will have to sprint.

Read the article here – https://bit.ly/3F3xdFV

Souvenons-nous de l'article intemporel de Thandika -
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Dans cet article, Thandika place les universités africaines au cœur des efforts de développement du continent.
Thandika voulait dire par là que si l'Afrique doit courir, l'université doit sprinter.

Lisez-le ici – https://bit.ly/3F3xdFV

Progressive Taxation for Our Times

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IDEAS
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As developing countries struggle to cope with the pandemic, they risk being set back further by restrictive fiscal policies. These were imposed by rich countries who no longer practise them—if they ever did. Instead, the global South urgently needs bold policies to ensure adequate relief, recovery and reform.

Bold Fiscal Responses Needed

Governments must mobilise and deploy resources sustainably and fairly, consistent with the Sustainable Development Goals (SDGs). With rich countries' refusal to help more, adequate government financing is crucial.

Taxation is typically a more sustainable, effective and accountable way of raising government fiscal resources. But the pandemic has imposed extraordinary demands that require massive urgent spending.

National authorities can generate fiscal resources in two main ways—by collecting revenue or borrowing. Government borrowing is needed as revenue has been hit by the slowdown.

Massive fiscal-resource mobilisation and appropriate spending are needed to contain the contagion and prevent temporary recessions, such as those caused by lockdowns, from becoming debilitating protracted depressions.

Fiscal policy involves both government resource-generation and spending. But developing countries have been far more conservative in spending compared to the richer ones. The latter have introduced much bolder relief and recovery packages.

In the short, medium and long term, government spending and taxation must be progressive. Much depends on how revenue is raised and spent. Hence, both taxation and expenditure need to be considered.

Taxes Less Progressive Now

Governments must quickly develop progressive ways to finance the massive spending that is needed to protect lives and livelihoods. Over the last four decades, many governments have reduced progressive direct taxation, instead embracing regressive indirect taxes.

Higher tax rates on the wealthy made direct taxation progressive. The regression was mainly due to lobbying by powerful elites, including foreign investors. The influential Washington-based Bretton Woods international financial institutions led such advocacy.

Incomes of the wealthy are mainly derived from assets, rather than wages, salaries or payments for goods or services. But tax rates on the highly paid, as well as property, inheritance and corporate incomes, have declined in most countries.

Wealth is often untaxed, or only lightly taxed at lower rates. New rules now allow assets to be moved and hidden abroad. Depending on how one estimates, between USD 8 trillion and 35 trillion is held offshore, obscuring wealth concentration and inequality.

Taxation can reduce existing inequalities, but rarely does so despite the widespread presumption that taxes are progressive overall. Worse, most state spending is regressive, little mitigated by highly publicised social spending.

Difficult to measure, pandemic impacts on various inequalities vary considerably. Nevertheless, the vicious cycle that connects economic disadvantage with vulnerability has worsened disparities.

Ensure Progressive Taxation

To be equitable, taxation must be progressive. More equitable tax systems should get more revenue from those who are most able to pay while reducing the burden on the needy. Wealth taxes are the most progressive way to raise revenue while also reducing inequalities.

Direct taxes on wealth and incomes are potentially progressive. Progressively higher rates and exemptions for the poor can ensure this. Low rates on investment income and assets, such as property, wealth and inheritance, can be increased. Besides reducing inequalities, these can finance progressive spending.

Taxing windfall and excess profits is not only publicly acceptable, but can also raise considerable funds.

Some corporations and individuals have benefited greatly during the pandemic—for example, US billionaires reportedly became over a trillion dollars richer in 2020 and 2021.

In the longer term, progressive taxation means less reliance on indirect taxes, such as sales or consumption taxes, including value-added, or goods and services, tax, which burden those with lower incomes much more.

Tax evasion by the wealthy must also be deterred. Companies that use tax havens to pay less can be penalised—for example, by disqualifying them from all government and state-owned enterprise contracts. Tax systems can thus be made more progressive by improving design and with strict, equitable enforcement.

Equitable Recovery?

Ensuring equitable recovery requires urgent systemic reforms. Although unlikely to yield much more revenue in the near term due to the economic slowdown, introducing such reforms now will be politically much easier.

Taxation can transfer fiscal resources from the wealthy to the needy. Those living precariously, including those now at risk due to the pandemic and its broad impacts, urgently need help. But financing relief and recovery provides liquidity, which can avert protracted economic contraction and stagnation.

Some pandemic relief-spending in many countries has been 'captured' by the politically well-connected, as political elites and their cronies seize the lucrative new opportunities. These compromise not only relief and recovery but also reform efforts.

When relief and recovery are treated as temporary 'one-off' measures, they are unlikely to address pre-pandemic problems, including inequities. Governments should instead use the crisis to advance SDG solutions for both the medium and long term.

Multilateral Cooperation Needed

International cooperation can help, but the rich countries' Organisation for Economic Cooperation and Development (OECD) has long focused on addressing offshore tax evasion to secure more revenue for themselves.

A decade ago, the OECD broadened its attention, but continued to insist on its own leadership at the expense of developing countries. It has thus effectively blocked multilateral tax cooperation for decades, ignoring the UN's strong mandate from various Financing for Development and other summits.

Equitable international tax reforms remain urgent. But these have been undermined by earlier reforms that encourage cross-border flows of funds, enabling illicit financial flows from developing countries.

Although unlikely to yield much revenue for some time, US Treasury Secretary Janet Yellen's global minimum corporate income tax proposal deserves strong qualified support.

Developing countries need to ensure that transnational companies are better taxed, instead of the current G7 proposal for a low rate. Revenue should be distributed according to where both production and consumption take place instead of just where sales occur.

Effectively checking tax abuses also requires access to financial information and common, equitable and transparent rules, not those imposed by the rich. But such outcomes can be achieved only through UN-led multilateralism, with developing-country governments participating as equals.

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Myths, Lobbies Block International Tax Cooperation

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Too many have swallowed the myth that lowering corporate income tax (CIT) is necessary to attract foreign direct investment (FDI) for growth. Although contradicted by their own research, this lie has long been promoted by influential international economic institutions.

'Beggar-Thy-Neighbour' Policies

The economic 'counter-revolution' of the early 1980s impacted on the Washington Consensus of the US federal government and the two Washington-based Bretton Woods institutions (BWIs)—the International Monetary Fund (IMF) and the World Bank.

Thus, the rise of 'supply-side' economics in the US, which advocated lower direct taxes on income and wealth, influenced the world. Without evidence, IMF researchers justified that institution's policy advice thus: 'The complete abolition of CIT would be the most direct application of the theoretical result that small open economies should not tax capital income.'

Noting that capital is highly mobile and can more easily evade taxes than labour, IMF economists even recommended that 'small countries should not levy source-based taxes on capital income'. Meanwhile, the Bank's highly influential but dubious *Doing Business Report* recommended tax incentives without evidence. To get BWI approval, developing-country governments undertook tax reforms, reducing progressive direct taxation. Instead, they favoured more regressive indirect taxes, such as the value-added tax (VAT), sometimes dubbed the' goods and services tax'.

Consequently, IMF tax policy recommendations to sub-Saharan African (SSA) countries between 1998 and2008 reduced corporate and personal income tax rates while promoting VAT. And following Bank advice, Tanzania—Africa's third-largest gold producer—ended up subsidising, not taxing, foreign mining companies!

Evidence Contradicts Advice

World Bank research and surveys have long found that tax incentives do not really attract FDI inflows. A Bank report in 2017 found no strong evidence that tax incentives attracted non-resource 'greenfield' or additional new FDI.

It also found that 'tax incentives impose significant costs on the countries using them', including fiscal losses, rent-seeking, tax evasion, administrative costs, economic distortions and 'retaliation against new or more generous incentives' by competitors.

An earlier Bank brief noted that 'tax incentives are not the most influential factor for multinationals in selecting investment locations. More important are factors such as basic infrastructure, political stability, and the cost and availability of labor.'

The brief also argued that tax incentives do not compensate well 'for negative factors in a country's investment climate'. Meanwhile, the 'race to the bottom … may end up in a bidding war, favoring multinational firms at the expense of the state and the welfare of its citizens'.

Researchers have unearthed no strong evidence that tax incentives are beneficial. While some incentives may attract FDI, they crowd out other investments; hence, overall investment and growth do not improve.

An IMF report in 2015 noted, 'Tax incentives generally rank low in investment climate surveys in low-income countries … investment would have been undertaken even without them. And their fiscal cost can be high, reducing opportunities for much-needed public spending … or requiring higher taxes on other activities.'

Even Organisation for Economic Cooperation and Development (OECD) research in 2008 confirmed BWI findings that tax incentives hardly attracted FDI. *The Economist* also found a weak relationship between tax rates and business investment as well as growth rates.

A UK government report in 2018 cast more doubt: 'effectively attracting FDI needs public spending, so narrowing the tax base works with tax incentives for low-income countries could be contra-productive'.

Race To Bottom Hurts All

IMF findings confirm that 'beggar-thy-neighbour' tax competition worsens avoidable revenue losses. Such ill-advised efforts to attract investment inevitably accelerate CIT rates' 'race to the bottom'.

BWI advice to governments has undoubtedly lowered CIT rates. But despite lower CIT rates, transnational corporations (TNCs) still minimise paying tax—for example, by shifting profits to tax havens and exploiting loopholes.

CIT rate averages for high-income countries (HICs) have dropped twenty percentage points since 1980, falling from 38 per cent in 1990 to 23 per cent in 2018. Meanwhile, they fell from 40 per cent to 25 per cent in middle-income countries, and from over 45 per cent to 30 per cent in low-income countries (LICs).

Cut-throat competition has especially hurt developing countries, which rely much more on CIT than developed economies. IMF research found that a one-point average CIT rate cut in other countries reduces a developing country's CIT revenue by two-thirds of a point.

Such tax cuts induce other concessions, further eroding the base for corporate taxation. Thus, tax revenue is doubly lost by both rate and base cuts. Fund staff estimated revenue loss at 1.3 per cent of GDP in developing countries, due to base erosion and rate reductions—much worse than in developed countries.

The UK government estimated global revenue loss due to TNC tax minimisation at USD 500–650 billion annually. Such adverse effects were two to three times higher in LICs than in HICs. SSA countries lost the most revenue relative to GDP, followed by Latin America and the Caribbean, and South Asia.

A third of global revenue loss—USD 167–200 billion—is from low- and middle-income countries (LMICs), costing them 1.0-1.5 per cent of national income. With better tax administrations and larger formal sectors, HICs can replace such losses more easily than LMICs, which generally have weaker tax systems and larger informal sectors.

Tax Breakthrough

The IMF and other institutions now agree that an international minimum CIT rate can stop this race to the bottom and TNC profit-shifting. In 2021, the Group of Seven largest rich countries (G7) agreed to a minimum 15 per cent rate, rejecting US Treasury Secretary Janet Yellen's proposed 21 per cent. Even *The Economist* agrees that the G7 proposal favours rich countries.

Earlier, the Independent Commission for the Reform of International Corporate Taxation (ICRICT) had recommended a 25 per cent minimum and fairer revenue distribution to developing countries.

Finance ministers from Indonesia, Mexico, South Africa and Germany joined Yellen in welcoming the G7 agreement for a minimum global CIT rate, while expressing confidence 'that the rate can ultimately be pushed higher than 15 percent'.

An influential piece in 2021 claimed that 'A Global Minimum Corporate Tax Is a Bad Idea', again citing the myth that low taxes will attract FDI. Invoking new Cold War fears, it claimed that China and Russia would also gain an unfair advantage in luring 'even more' FDI.

Trump-appointed Bank president, David Malpass, opposed the agreement, claiming it would undermine poor countries' ability to attract investment despite Bank research showing otherwise. Pro-Trump governments in Hungary and Poland also objected to the G7 deal. Developing countries cannot allow such tax-cutters to speak for them.

Developing-country members of the G20 must insist on a higher minimum and fairer revenue distribution at its forthcoming finance ministers meetings. If the G7 refuses to start with anything more than 15 per cent, an agreed rate-increase schedule of an additional one per cent annually would get to 25 per cent in a decade.

International tax rules are currently set by rich countries through the OECD. Developing countries participate at a disadvantage. Instead of allowing the OECD to control the process, these countries must urgently insist on an inclusive, balanced and fair multilateral process for international tax cooperation.

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Meritocracy Legitimises, Deepens Inequality

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How often have you heard someone lamenting or even condemning inequality in society, concluding with an appeal to meritocracy? We like to think that if only the deserving, the smart ones, those we deem competent or capable, often meaning the ones who are more like us, were in charge, things would be better, or just fine.

Meritocracy's Appeal

Since the 1960s, many institutions the world over have embraced the notion of meritocracy. With post-Cold War neoliberal ideologies enabling growing wealth concentration, the rich, the privileged and their apologists invoke variants of 'meritocracy' to legitimise economic inequality.

Instead, corporations and other social institutions, which used to be run by hereditary elites, increasingly recruit and promote on the bases of qualifications, ability, competence and performance. Meritocracy is thus supposed to democratise and level society.

Ironically, British sociologist Michael Young pejoratively coined the term 'meritocracy' in his 1958 dystopian satire, *The Rise of the Meritocracy*. With his intended criticism rejected as no longer relevant, the term is now used in the English language without the negative connotations that Young had intended.

It has been uncritically embraced by supporters of a social philosophy of meritocracy in which influence is supposedly distributed according to the intellectual ability and achievement of individuals.

Many appreciate meritocracy's two core virtues. First, the meritocratic elite is presumed to be more capable and effective, as their status, income and wealth are due to their ability rather than their family connections.

Second, 'opening up' the elite supposedly on the bases of individual capacities and capabilities is believed to be consistent with and complementary to 'fair competition'. The elite may claim the moral high ground by invoking 'equality of opportunity' but are usually careful to stress that 'equality of outcome' is to be eschewed at all cost.

As Yale Law School Professor, Daniel Markovits, argues in *The Meritocracy Trap*, unlike the hereditary elites that precede them, meritocratic elites must often work long and hard—for example, in medicine, finance or consulting—to enhance their own privileges and to pass them on to their children, siblings and other close relatives, friends and allies.

Gaming Meritocracy

Meritocracy is supposed to function best when an insecure 'middle class' constantly strive to secure, preserve and augment their income, status and other privileges by maximising the returns on their exclusive education. But access to elite education, which enables only a few of modest circumstances to climb the social ladder, waxes and wanes.

Most middle-class families cannot afford the privileged education that wealth can buy, while most ordinary government-financed and -run schools have fallen further behind the exclusive elite schools, including some funded with public money. In recent decades, the resources gap between better and poorer public schools has also been growing.

Elite universities and private schools still provide training and socialisation, mainly to the children of the wealthy, privileged and connected. Huge endowments, obscure admissions policies and tax exemption allow elite US private universities to spend much more than publicly funded institutions.

Meanwhile, technological and social changes have transformed the labour force and economies, greatly increasing economic returns to the cognitive, ascriptive and other attributes as well as the credentials of 'the best' institutions, especially universities and professional guilds, which effectively remain exclusive and elitist.

As 'meritocrats' capture growing shares of the education pie, the purported value of 'schooling' has increased, legitimised by the bogus notion of '[human capital]'. While meritocracy has transformed elites over time, it has also increasingly inhibited, not promoted, social mobility.

A Different Elite

Thus, although meritocrats like to see themselves as the antithesis of the old 'aristocratic' elite, rather than 'democratise' society through greater inclusion, meritocracy may even increase inequality and further polarise society, albeit differently.

While the old 'aristocratic' elite was often unable to ensure that their own children were well educated, competent and excellent, meritocrats—who have often achieved their status and privileges with education and related credentials—have often increased their significance.

Hence, a meritocratic system—seemingly open to inclusion, ostensibly based on ability—has become the new means for exclusion, which Chicago University Professor, Raghuram Rajan, attributes to the digital revolution.

Meritocrats have increased the significance of schooling, with credential attainment legitimising growing pay inequality, as they secure even better education for their own children, thus recreating and perpetuating inequalities.

Recent public doubts about, and opposition to, rising executive remuneration, MBA education, professional guild cartels and labour remuneration disparities reflect the growing delegitimisation of ostensibly meritocratic hierarchies and inequalities.

High Moral Ground

To add insult to injury, meritocratic ideology suggests that those who are excluded are undeserving, if not contemptible. With progressive options lacking middle-class and elite support, those who have been marginalised have increasingly turned to 'ethno-populism' and other 'communal' appeals in this age of identity politics.

Unsurprisingly, their opposition to educational and economic inequalities and marginalisation is typically pitted against the ethnic 'Other'—real, imagined or 'constructed'—typically seen as 'foreign', even if domestic, as the 'alien within'.

Markovits argues that meritocracy undermines not only itself but also democratic and egalitarian ideals. He insists that meritocracy also hurts the new 'meritocratic' and 'technocratic' elite, hoping to recruit them to the anti-meritocracy cause, perhaps reflecting his appreciation of the need to build broad inclusive coalitions to bring about social transformation.

In his book he claims, 'Progressives inflame middle-class resentment, and trigger elite resistance while demagogues and charlatans monopolise and exploit meritocracy's discontents. Meritocratic inequality therefore induces not only deep discontent but also widespread pessimism, verging on despair.'

Reducing Inequality Possible

In the US and elsewhere, tax policy, other incentives and even COVID-19 will encourage the replacement of mid-skilled workers with automation and highly skilled professionals, facilitated by the growing use of artificial-intelligence applications.

One alternative is to reform the labour market as well as tax policies and regulations to promote more skilled, 'middle-class' employment. Those introducing new technologies would then be motivated to enable more productive, higher-income, middle-class employment.

A more open, inclusive and broader educational system would also provide the workforce that is needed for such technologies. Thus, the transitions from school to work, which have tended to increase inequality, can be transformed to reduce inequality.

Rather than de-skill workers to be paid less in order to ensure greater profits, 'up-skilling' workers to be more productive can also be profitable. For example, an Indian cardiothoracic hospital has trained nurses for many routine medical procedures, allowing specialist doctors to focus on the tasks that really require their expertise.

Using workers who are not fully trained doctors, but are paid and treated better, can cost-effectively deliver important healthcare services at lower cost at scale. Such innovations would strengthen the middle class rather than undermine and erode it.

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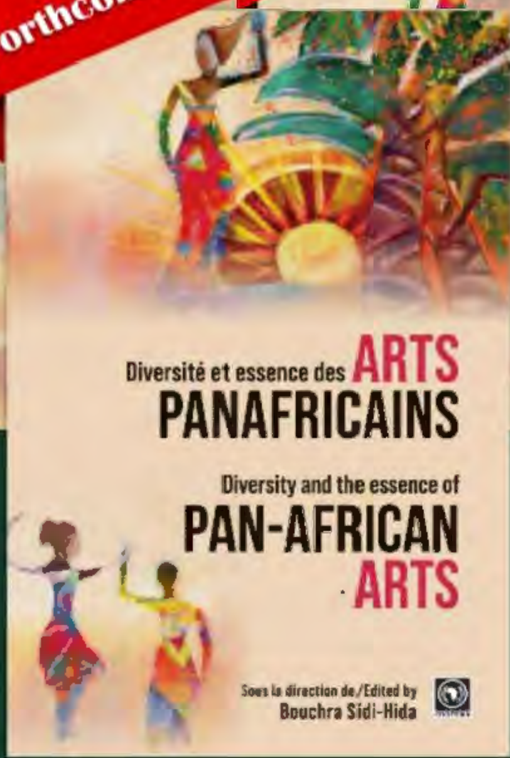

The book echoes a collective memory in the most intimate aspect of the culture it produces in contact with otherness and redefines the role of artists as link makers between practices, knowledge and skills of yesterday and today, here and elsewhere.

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