

Rethinking Sustainable Development

A new development agenda needs to be truly global, relevant to all, and realistic in assigning responsibilities

Nemat Shafik



Nemat Shafik is Deputy Managing Director of the International Monetary Fund.

AS the 2015 deadline for achieving the Millennium Development Goals approaches, much thought is being devoted to what should succeed that framework for measuring global progress against hunger, disease, and poverty. Any successor framework must reflect global aspirations and arise from a rich consultative process. I believe that the new framework must embrace a broader understanding of development—one that is relevant for all countries, rich as well as poor.

The world today looks very different from a few years ago. Many countries have high levels of debt that could make it difficult to undertake spending initiatives for many years. Financial sector incentives and regulation may have to be rethought, existing growth models refined to deliver sufficient new employment opportunities, and the functioning of the international monetary system revisited.

The most immediate challenge is restoration of confidence in the global recovery. After showing some resilience in 2011, global growth has slowed again, mainly because of continuing uncertainty about developments in the euro area and a potential fiscal crisis in the United States. Any efforts at restoring confidence in advanced economies must be accompanied by efforts to tackle the high and pervasive unemployment and the shortage of decent job opportunities in many countries around the world, especially in Europe and the Middle East. The jobs crisis is particularly acute for young people. A rebound in growth will help, but even then the pace of job creation will have to accelerate very rapidly to absorb both the existing unemployed and the new entrants coming into the labor market.

Other issues include globalization and the difficult job of managing that process; policy and market failures exposed by the crisis that still have not been addressed, especially in the financial sector; and longer-term trends such as widening disparities in income distribution, aging and imbalanced population growth, global food insecurity, and climate change.

Finding a cooperative solution to these challenges is even more urgent than at the turn of the century, when the world community joined forces through the United Nations' Millennium Development campaign to defeat the scourge of poverty and the hunger, disease, and lack of opportunities that accompany it.

New imperatives

The Millennium Development Goals focused attention on the need to reduce absolute poverty. And while significant gaps remain relative to the targets set out in the Millennium Declaration, the achievements are remarkable. Let's not forget, for instance, that the incidence of extreme poverty in the world has been halved since 2000.

But the global economic crisis was a huge setback—one from which the world economy has still not fully recovered. Europe continues to battle its debt crisis, with Japan and the United States also in need of fiscal reform. The Middle East and North Africa region is undergoing a historic transition: hopes for a brighter, more democratic future rest crucially on the economic transformation that sustains high and equitable growth. And then there is the challenge of ensuring that rapidly rising incomes in other emerging market and developing economies continue, but in a manner that is socially and environmentally sustainable.

Consider these developments:

- **Income inequality has widened.** The past decades have seen unprecedented economic growth, which has raised living standards on average. But overall, the rich have done much better than the poor. This growing inequality breeds social resentment and generates political instability.
- **Chronic unemployment and pervasive underemployment have escalated.** Five years after the crisis first erupted in the U.S. mortgage market, 200 million people worldwide still cannot find decent work, including 75 million young people who are at risk of becoming members of a lost generation.
- **Populations are growing unevenly.** By 2050, the global economy must provide food and jobs for more than 9 billion people, 85 percent of whom will live in what are now developing countries.
- **Climate change is worsening.** Biodiversity loss is enormous and global warming continues—carbon dioxide emissions are at deeply worrisome concentrations.

A truly global agenda

All these problems are intertwined and cannot be solved in isolation. That's why the post-2015 global development agenda must go beyond our traditional understanding of development—that is, helping less developed countries catch up with those that are more advanced. The agenda must also address the various imbalances in the global economy, including spillovers that ultimately affect the poor and vulnerable everywhere.

A new agenda needs to be truly global in scope, relevant to all in its goals, and realistic in how it assigns responsibilities—to advanced, emerging market, and developing economies. Safeguarding the well-being of future generations is a joint responsibility of all members of the international community, but we must also distribute fairly the burden that responsibility entails, given the enormous differences in capabilities among countries.

Increased interconnectedness calls for greater policy coordination. We need effective global leadership, and we need it fast. With its global membership, the United Nations should continue to play a leading role in fostering effective international cooperation. But multilateral coordination needs to become more effective. To put it bluntly, we cannot afford to waste time on endless discussions among countries, only to arrive at the lowest common denominator. We need a bold yet realistic approach, one that allows us to move quickly from words to implementation.

The IMF's part

The IMF has played a key role in helping the global economy recover from the economic crisis, and it continues to work with its 188 member countries on many fronts to put the global economy on a sounder footing. There has been tremendous change these past five years, but there is still much to do:

- **Strengthen global stability.** The IMF has improved its ability to connect the dots between countries and focus on

the stability of the global economy as a whole. An *upgraded framework* for economic monitoring enables deeper analysis of spillovers and cross-border effects. The IMF has sharpened its assessment of countries' policies from a multilateral perspective. It is also placing greater focus on the critically important financial sector.

- **Support countries in downturns.** Since the start of the global economic crisis, the IMF has committed well over \$300 billion in loans to its member countries. It has overhauled its *lending framework* to enable it to better target the varied needs of its member countries and has streamlined conditions attached to its loans. In recognition of *low-income member countries'* need for financial assistance, the IMF has also quadrupled its concessional lending.

We need effective global leadership, and we need it fast.

- **Build a crisis firewall.** To meet ever-increasing financing needs, the IMF has greatly bolstered its *lending capacity* by securing \$461 billion in pledges from member countries to boost its resources.

- **Make growth more inclusive.** IMF *research* shows that countries with more equitable income distribution do better at sustaining growth. The IMF has been working with the International Labor Organization to formulate more effective *policy advice on employment and labor market issues*, and with the World Bank and other international organizations to help countries strengthen social protection.

- **Design policies for the green economy.** Our policy advice encourages the transition to a *greener economy* by ensuring that prices reflect the full cost of adverse environmental side effects. For example, replacing costly energy price subsidies that mostly benefit the well-off with financial assistance targeted to the poor can help free up money for social and development spending and also combat climate change.

A collective response to the faltering global recovery is the most immediate priority. Global vulnerabilities in an increasingly interlinked world make this a must. Witness the ripple effects on global confidence of the problems in the euro area and the tepid recovery in the United States. Growth in emerging markets is slowing; there is great concern in low-income countries about rising food prices and volatile commodity prices; and frustrations are growing across the Middle East. The renewed setbacks to the global recovery can be tackled only if we work together.

Fostering sound economic and financial management is the most important contribution the IMF can make to sustainable development. It lays a foundation for economic growth that creates jobs, generates resources to protect the poor and the environment, and ultimately sows the seeds of peace and stability. We stand ready to work with our member countries and with other international organizations to take the global agenda to the next level. ■