

What Are the Implications of the Global Crisis and Its Aftermath for Poverty Reduction, 2010–2020?

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Some major “game changers” beyond the recent economic crisis and food/fuel crisis will have an impact on the Millennium Development Goals (MDGs) to 2015 and beyond, such as climate change, technological change and urbanization. Scenarios—multiple coherent and plausible futures—serve as a vehicle to act on possible future(s) and to interpret their implications (such as those developed in the box) for the prospects of reducing poverty in developing countries.

Summary of Implications for Poverty Reduction, 2010–2020

Scenarios	Odd Couple	Big Dipper	Western Reinvention	South by Southeast
Likely Trends in Key Transmissions Variables				
Fuel prices	↑	↑	↑	↑
Non-fuel commodity prices	↓	↓	↑	↑
Size of aid flows	↓	↓	↑	↓
Size of private capital flows	↓	↓	↑	↓
Prospects for MDGs and Medium-Term Poverty Reduction				
Fuel exporters	Green/Orange	Green/Orange	Green	Green
Fuel importers (non-dependent)	Orange	Red	Green	Green
Fuel importers that are non-fuel commodity export-dependent	Red	Red	Green	Green
Fuel importers that are non-fuel commodity export- and aid-dependent	Red	Red	Green	Orange/Red

Code: ↑ rising; ↓ stagnating or declining.

Green = positive prospects; Orange = mixed; Red = negative prospects.

At a macro level, future outcomes for oil-exporting countries are positive in all scenarios except Big Dipper, where they could be unstable. Fuel-exporting countries generally produce good outcomes at the level of the MDGs in the model, although there are risks in the distribution of benefits and governance becomes even more important for these countries. In sharp contrast, outcomes for net fuel importers are much more negative. Outcomes are particularly poor for countries that are net fuel importers and also dependent on primary commodity exports and aid. For these countries, concentration on delivery of essential aid to the poorest will continue to be important, as will institutional capacity building.

Reference:

“What are the Implications of the Global Crisis and Its Aftermath for Developing Countries?”, *IPC-IG Working Paper*. Brasilia, International Policy Institute for Inclusive Growth.

Scenarios and Key Drivers

The Odd Couple: key drivers

- Development of unilateralism and protectionism in trade flows
- Steady increase in energy prices
- A common regulatory framework for emission reductions
- Continued internal polarisation of wealthy/poor

Big Dipper: key drivers

- Collapse of the US dollar
- Bilateralism
- Increased volatility in energy prices
- Piecemeal/regionalised environmental regulation mechanisms

Western (re)invention: key drivers

- Development of western multilateralism
- Rejuvenation of western economies and maintenance of their share of GDP
- Steady increases in energy price
- Framework for emission reductions and asset transfer from rich to poor countries via carbon credits

South-by-southeast: key drivers

- Unilateralism
- Rapid shift in wealth from west to east
- Sharp rise in energy prices
- Low-income countries excluded from emissions until thresholds reached