



# Well-directed development aid can unlock forces of economic growth

Ireland and the EU have key roles to play in meeting the challenge of breaking the global poverty trap, write Philip Lane and Jeffrey Sachs

This year's United Nations Development Programme report, launched this week in Dublin, describes a stark paradox of the world economy.

At a time when the world is richer than ever, and when many developing countries such as China and India are making rapid progress in reducing poverty, the plight of the world's poorest countries has worsened dramatically. Much of sub-Saharan Africa is caught in a downward spiral of poverty, disease, hunger, and environmental degradation, and that plight is shared in parts of Latin America and Asia.

The UN report drills home one central message: the persistence of absolute poverty in the midst of global wealth is neither inevitable nor tolerable.

The world has in its hands the scientific know-how and financial means to cut drastically, if not end completely, the extreme poverty that still stalks the world.

Indeed, the developed world has promised to do just that, though the promises so far have not been backed by sufficient action. At the start of the new millennium, the world's leaders gathered at the United Nations to adopt bold goals for human betterment, known as the Millennium Development Goals, or MDGs.

These MDGs constitute a kind of global compact. The rich and poor countries agreed that absolute poverty would be slashed through intensified co-operation, in which the rich would contribute much greater levels of development assistance and initiate a fairer system of international trade, while the poor would ensure good governance and economic reforms. Development assistance would need to rise from

around 0.2 percent of GNP of the rich countries, roughly \$50 billion this year out of an annual income of \$25 trillion, to something much closer to the internationally agreed goal of 0.7 percent of GNP. This would at least double and perhaps triple overall aid, most of which would be directed at the world's poorest countries.

The logic of this additional aid goes far beyond charity, although charity alone would justify vastly greater efforts in the face of the mass suffering and death from hunger and disease in the poorest countries. The logic goes to the heart of the development challenge facing the poorest regions of the world.

While the rich countries often blithely assume that the poorest are the victims of their own corruption and mismanagement, the UN report makes clear that the poor are trapped more by their circumstances than by misdeeds.

Most of the world's regions of persistent absolute poverty are plagued by special vulnerabilities to tropical diseases such as malaria; soils that are depleted of nutrients; climates that are vulnerable to cycles of drought and other natural disasters; and physical isolation leading to extremely high transport costs.

The result of these structural conditions can be described as a poverty trap, in which a society lacks the national income needed to fight disease, hunger, and geographical isolation, and thereby is unable to escape from poverty. The dire conditions of disease, illiteracy, and marginalisation from international trade and investment persist from generation to generation.

The role of foreign assistance, if well directed, is to enable a country to escape from this kind of poverty



A mother and child in Ethiopia. "The dire conditions of disease, illiteracy, and marginalisation from international trade and investment persist from generation to generation." Photograph: GOAL

trap, by enabling the poor countries to control diseases, replenish soil nutrients, and provide roads and other basic infrastructure, thereby jump-starting economic growth.

Well-directed aid should be understood as a helping hand to self-sustaining development rather than an unending charity handout. It may take a generation or more of help to enable the poorest of the poor to get a foothold on the ladder of economic development but, once on that ladder, even the poorest countries will be able to sustain further progress.

At the launch of the report, Bono bore eloquent witness to the great gap between the global commitments to fight poverty and the limited actions by rich countries. When many of the world's most distin-

guished development experts gather today at Trinity College, Dublin, they will underscore how well-directed development aid can unlock the powerful forces of economic growth. Agriculture and nutrition experts will report on new agricultural methods to raise farm outputs on small African farms, and on ways that modern nutrition science can help to shape healthier diets in the poorest countries.

Public health experts will stress our phenomenal capacity to save millions of lives each year in the poorest countries by stepping up the fight against AIDS, TB, malaria, and other killer diseases, using existing technologies and developing new ones. Leading environmentalists will underscore the need to com-

bine economic development with more prudent and science-based environmental stewardship. And information technology experts will show how Ireland's own success with IT can be extended to support economic development in the poorest countries.

Ireland's hosting of the UN report and the TCD conference are fitting reminders of this State's important role in helping achieve the Millennium Development Goals.

Ireland is itself a model of rapid economic development based on successful globalisation. Ireland's voice is heard throughout the world, from the African villages where Irish missionaries run mission hospitals, schools, and training centres, to the countless develop-

ment projects of Ireland's NGOs, to the music halls and halls of power where Bono has conveyed the urgency of confronting world poverty. And now, despite some deceleration in the rate of progress in 2003, the Government is firmly committed to meeting the international goal of development assistance equal to 0.7 per cent of GNP by 2007.

When Ireland assumes the EU presidency in January 2004, Europe's leadership on global development should certainly constitute one of the central pillars of the agenda.

One major challenge is to make substantial progress on the Doha development trade round, most importantly by further dismantling the international distortions induced by the Common Agricultural Policy.

Moreover, in a world tormented by disease and poverty, as well as by terror and war, and at a time of great consternation over US unilateralism, Europe has a special role to play as a worldwide beacon of hope for global prosperity through peaceful and multilateral means, including enlightened and increased development assistance.

Europe should become the special champion of key multilateral institutions such as the Global Fund to Fight AIDS, TB, and malaria. Europe's own far-sighted development assistance, if wisely and sufficiently bolstered, would also help to spur the US to return to earlier traditions of multilateralism and much greater foreign aid generosity. Ireland has the traditions, the national backing, and the responsibility to help steer Europe and the rich world more generally onto the path of a bold and humane global partnership with the world's poor.

Prof Philip Lane is director of the Institute for International Integration Studies at TCD; Prof Jeffrey Sachs is director of the Earth Institute at Columbia University and the guest contributing editor of this year's UNDP report. They are the co-organisers of today's Global Development Challenge conference at TCD