

3 January, 2005

Brown Prepares To Push G8 On African Economic Development

British Chancellor Gordon Brown hopes to give a strong symbolic start to Britain's presidency of the Group of Eight leading industrial nations next month by making a six-day visit to Tanzania, Mozambique and South Africa, to highlight the need for the richest countries to confront the problems of African economic development, the Financial Times reports.

The government wants to place African development at the heart of its agenda for its year-long G8 presidency. Brown is to spell out the government's aims in a keynote speech next week, which will be followed by his first visit to sub-Saharan Africa since Labor won power in 1997.

Brown has undeniably set himself some highly ambitious goals. At the meeting of G8 finance ministers in London in February and at the heads of government summit in Gleneagles in July, the UK will want a number of countries - notably the US, Canada and Germany - to sign up to its proposals to eradicate debt owed by the poorest African states to international institutions, and to double aid flows to the region.

On July 1, Britain also takes over the six-monthly presidency of the European Union, giving the government an important role in another area with significance for Africa: the Doha trade round that could be concluded in Tokyo at the end of 2005.

Brown also hopes that the International Monetary Fund will revalue its gold stocks in order to write off debt owed by the poorest countries, while also preserving the IMF's rules on financial liquidity. The UK wants to use the G8 as the forum through which it might get IMF agreement on this.

His second big target is to get as many countries as possible to sign up to the International Finance Facility, an initiative intended to double rich country aid to Africa from its current level of \$50 billion a year.

Under the scheme, rich donor nations would pledge long-term aid to African countries, allowing the recipients to use the commitment as collateral against which they could raise capital on international financial markets.

France and Italy have already given formal support to the IFF. But some G8 nations, such as the US and Germany, have been lukewarm. Brown believes that at this year's G8 meetings the pressure will be on these countries to sign up to the IFF, in particular the US. In a speech in Washington this month, Brown argued that increasing support for the developing world must become an important part of the American dream. Getting US support is critical to his G8 objectives.

The BBC (UK) reports that Brown said the coming year offers a "once-in-a-generation" chance to eradicate global poverty. He said that

the UK had led the way on debt relief, but admitted a new approach was needed to improve aid. Speaking on the BBC Today program, the chancellor said: "We shouldn't have to choose, as we are at the moment, between the temporary emergency relief that we are giving...and the long-term tackling of the underlying causes of poverty." He said richer nations "need to be able to do both".

In order to make this possible, he called for "a very substantial increase in resources", which would be "akin to the Marshall Plan of the 1940s". He also hailed the Make Poverty History coalition and the "huge groundswell" of support from faith groups, along with the work of high-profile campaigners such as Bono and Bob Geldof.

Brown also stressed that the UK had already worked towards the eradication of world poverty.

"We have tried to respond by trebling over 10 years the amount of aid," he said. The Financial Times adds the UK will be pressing other members of G7 - the G8 less Russia - such as France, Italy and Germany to follow suit.

In a commentary published in the International Herald Tribune, Todd Moss, a research fellow at the Center for Global Development in Washington, writes that a Marshall Plan is not what Africa needs.

Fervent appeals for a "Marshall Plan for Africa" are growing. The premise is that the success of America's assistance to Europe after World War II can be replicated. But despite the tempting parallels, the Marshall Plan is simply not a blueprint for helping Africa.

History credits US aid with laying the foundation for Western Europe's postwar peace and prosperity. Given the victory in what Secretary of State George Marshall called the fight against "hunger, poverty, desperation and chaos," it is easy to surmise that we could do it all again for Africa, if only we could muster a similar effort. Africa is already relatively flooded with aid. The continent as a whole receives development assistance worth almost 8 percent of its gross domestic product. Exclude South Africa and Nigeria, and aid jumps to more than 13 percent of GDP - or more than four times the Marshall Plan at its height - for the other 46 African countries.

Another crucial difference is that aid to Europe was for reconstruction. Even if Europe's physical capital was in ruins, its deep human capital and experience with markets was still intact. Aid for Africa is mostly for building, not rebuilding. This is a long-term task and quick results shouldn't be expected.

Rather than a Marshall Plan-style big push, a more appropriate aid model may be other low-income countries that have graduated from aid. Countries like South Korea received modest amounts of assistance over a sustained period. Crucially, aid supported sensible macroeconomic policies that encouraged competition rather than creating disincentives for reform. As a result, aid to South Korea helped to generate long-term export-led expansion. This suggests that immediate exponential increases, like doubling aid, are probably unwarranted for most of Africa and possibly detrimental.

Africa's battle against poverty will ultimately depend on its own people and leaders. The international community can support them through more open trade, greater private investment and better development assistance.

Evoking an idealized Marshall Plan may be good politics, but it exaggerates the value of aid - and suggests an approach that is inappropriate for Africa's development challenges.